
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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上海實業控股有限公司

SHANGHAI INDUSTRIAL HOLDINGS LIMITED

(Incorporated in Hong Kong under the Companies Ordinance)

ACQUISITION OF INTEREST IN SHANGHAI INDUSTRIAL UNITED HOLDINGS CO., LTD.

CONNECTED TRANSACTION

Independent financial adviser to the Independent Board Committee



BOCI Asia Limited

A letter from the Board is set out on pages 5 to 11 of this circular and a letter from the Independent Board Committee is set out on page 12 of this circular. A letter from BOCI Asia containing its advice to the Independent Board Committee is set out on pages 13 to 17 of this circular.

A notice convening an extraordinary general meeting of Shanghai Industrial Holdings Limited to be held at the Conference Room, 26th Floor, Harcourt House, 39 Gloucester Road, Hong Kong on Wednesday, 25th June, 2003 at 3:00 p.m. is set out on pages 23 to 24 of this circular.

Whether or not you intend to attend the meeting, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the registered office of the Company at 26th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the meeting or any adjournment thereof.

9th June, 2003

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DEFINITIONS

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

“Acquisitions”	the proposed acquisition of 173,580,341 SI United Shares by Shanghai Industrial YKB pursuant to the Acquisition Agreement
“Acquisition Agreement”	the agreement between the Vendors and Shanghai Industrial YKB in relation to the Acquisitions dated 21st May, 2003
“Associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company or a duly authorised committee thereof for the time being, including the independent non-executive directors of the Company
“BOCI Asia”	BOCI Asia Limited, the independent financial adviser to the Independent Board Committee in relation to the Acquisitions
“City Note”	City Note Holdings Limited, a company incorporated in the British Virgin Islands, whose principal activity is investments holding and is wholly owned by SIIC
“Company”	Shanghai Industrial Holdings Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange
“Companies Ordinance”	Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“Conditions”	the conditions which must be fulfilled before the Acquisition Agreement will become effective
“Connected Vendors”	SIIC Shanghai and City Note
“CSRC”	the China Securities Regulatory Commission
“Directors”	the directors of the Company for the time being
“EGM”	the Extraordinary General Meeting of the Company to be held at the Conference Room, 26th Floor, Harcourt House, 39 Gloucester Road, Hong Kong on 25th June, 2003 at 3:00 p.m., the notice of which is enclosed in this circular
“EGM Notice”	the notice convening the EGM as set out on pages 23 to 24 of this circular

DEFINITIONS

“Excluded Companies”	the companies in which the SI United Group has interests and which interests are to be disposed to three affiliated companies of SIIC pursuant to the Reorganization Agreements, namely, Shanghai United Weaving Co., Ltd.* (上海聯合毛紡織有限公司), Shanghai United Knitting Products Co., Ltd.* (上海聯合羊絨針織品有限公司), Shanghai Hugang International Trading Co., Ltd.* (上海滬港國際貿易有限公司), all being established in the PRC, and Broadway Finitex Factory Limited, being incorporated in Hong Kong with limited liabilities
“Group”	the Company and its subsidiaries
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the board of Directors comprising Dr. Lo Ka Shui, Professor Woo Chia-Wei and Mr. Leung Pak To, Francis
“Independent Shareholders”	Shareholders other than SIIC and its associates
“Independent Shareholders’ Approval”	the approval of the Acquisition Agreement and the transactions contemplated thereunder by the Independent Shareholders by way of passing the Ordinary Resolution at the EGM
“Independent Vendors”	Uni-Shanghai, Shanghai Weaving and Shanghai AJ
“Latest Practicable Date”	6th June, 2003, 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
“Ordinary Resolution”	the ordinary resolution set out in the EGM Notice
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Reorganization Agreements”	the SI United-Nanyang Industrial Reorganization Agreement, the SI United-SIIC Investment Reorganization Agreement and SU-SIIC BVI Reorganization Agreement, details of which are more particularly set out under the paragraph headed “Reorganization of SI United Group” in the letter from the Board
“Reorganized SI United Group”	SI United Group after completion of all of the Reorganization Agreements
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong

DEFINITIONS

“Shanghai AJ”	Shanghai AJ Corporation* (上海愛建股份有限公司), a limited company incorporated in the PRC and an independent third party unconnected with any of the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any associate of any of them
“Shanghai Industrial YKB”	Shanghai Industrial YKB Limited, a wholly-owned subsidiary of the Company and a limited company incorporated in the British Virgin Islands
“Shanghai Weaving”	Shanghai Weaving Development Co.* (上海紡織發展總公司), a state-owned enterprise established in the PRC and an independent third party unconnected with any of the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any associate of any of them
“SI United”	Shanghai Industrial United Holdings Co., Ltd. (上海實業聯合集團股份有限公司), further information about it is set out in the “Letter from the Board”
“Share(s)”	share(s) of \$0.10 each in the capital of the Company (or of such other nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of the Company from time to time)
“Shareholder(s)”	holder(s) of the Share(s)
“SIIC”	Shanghai Industrial Investment (Holdings) Company Limited, a substantial shareholder of the Company which held approximately 58.86% of the issued share capital of the Company as at the Latest Practicable Date
“SIIC Shanghai”	SIIC Shanghai (Holdings) Limited Company* (上海上實(集團)有限公司), a limited company established in the PRC and is wholly owned by SIIC
“SI United Group”	SI United, its subsidiaries, where the context required, and companies the results of which are accounted for in the consolidated accounts of SI United
“SI United Share(s)”	Share(s) in the capital of SI United
“SI United-Nanyang Industrial Reorganization Agreement”	the agreement dated 21st May, 2003 in relation to the sale by SI United of its 2.55% shareholding interest in Shanghai United Weaving Co., Ltd.* (上海聯合毛紡織有限公司) and 10% shareholding interest in Shanghai United Knitting Products Co., Ltd.* (上海聯合羊絨針織品有限公司) to Shanghai Nanyang Industrial Development Limited* (上海南洋實業發展股份有限公司)
“SI United-SIIC Investment Reorganization Agreement”	the agreement dated 21st May, 2003 in relation to the sale by SI United of its 90% shareholding interest in Shanghai United Weaving Co., Ltd.* (上海聯合毛紡織有限公司), 80% shareholding interest in Shanghai United Knitting Products Co., Ltd.* (上海聯合羊絨針織品有限公司) and 51% shareholding interest in Shanghai Hugang International Trading Co., Ltd.* (上海滬港國際貿易有限公司) to SIIC Investment Shanghai Co., Ltd (上實投資(上海)有限公司)

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under section 2 of the Companies Ordinance
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“SU International”	Shanghai United International Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of SI United
“SU-SIIC BVI Reorganization Agreement”	the agreement dated 21st May, 2003 in relation to the sale by SU International of its 49% shareholding interest in Shanghai Hugang International Trading Co., Ltd.* (上海滬港國際貿易有限公司) and 57.25% shareholding interest in Broadway Finitex Factory Limited) to SIIC International Investment (BVI) Company Limited
“Uni-Shanghai”	Uni-Shanghai Wooltex Limited, a limited company incorporated in Hong Kong and an independent third party unconnected with any of the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any associate of any of them
“Vendors”	SIIC Shanghai, City Note, Uni-Shanghai, Shanghai Weaving and Shanghai AJ

In this circular, for reference purpose only and unless otherwise stated, translation of RMB into HK dollars, or vice versa, is calculated at the rate of HK\$1.00 = RMB1.06. Such translation should not be construed as a representation that RMB has been, could have been or could be, converted into HK dollars, or vice versa, at those or any other rates or at all.

* *The English name is an informal English translation of its official Chinese name*

上海實業控股有限公司

SHANGHAI INDUSTRIAL HOLDINGS LIMITED

(Incorporated in Hong Kong under the Companies Ordinance)

Executive Directors:

Mr. Cai Lai Xing (*Chairman*)
Mr. Chen Wei Shu (*Vice Chairman*)
Mr. Lu Ming Fang (*Chief Executive Officer*)
Mr. Lu Da Yong (*Executive Deputy CEO*)
Mr. Li Wei Da (*Deputy CEO*)
Mr. Lu Yu Ping (*Deputy CEO*)
Mr. Qian Shi Zheng (*Deputy CEO*)
Mr. Zhou Jie (*Deputy CEO*)
Mr. Yao Fang
Mr. Ge Wen Yao
Mr. Huang Yan Zheng

Registered Office:

26th Floor
Harcourt House
39 Gloucester Road
Wanchai
Hong Kong

Independent Non-executive Directors:

Dr. Lee Quo Wei
Dr. Lo Ka Shui
Professor Woo Chia-Wei
Mr. Leung Pak To, Francis

9th June, 2003

To the Shareholders

Dear Sir or Madam,

ACQUISITION OF INTEREST IN SHANGHAI INDUSTRIAL UNITED HOLDINGS CO., LTD. CONNECTED TRANSACTION

1. INTRODUCTION

On 21st May, 2003, the Directors announced that the Company, through its wholly-owned subsidiary, Shanghai Industrial YKB, entered into the Acquisition Agreement on the same date with the Vendors relating to the acquisition of 173,580,341 SI United Shares.

The purpose of this circular is (i) to provide the Shareholders with further information on the Acquisitions, (ii) to set out the letter of advice from BOCI Asia to the Independent Board Committee in respect of the Acquisition Agreement and the transactions contemplated thereunder, and (iii) to give the Shareholders the EGM Notice and other information required by the Listing Rules.

Your attention is hereby specifically drawn to pages 23 to 24 of this circular where you will find a notice dated 9th June, 2003 convening the EGM to be held on 25th June, 2003. **Given their interests in this transaction, SIIC and its associates will abstain from voting at the EGM with respect to the Ordinary Resolution.**

LETTER FROM THE BOARD

2. THE ACQUISITIONS

Date of and parties to the Acquisition Agreement

Date: 21st May, 2003

Parties:

Purchaser: Shanghai Industrial YKB, a wholly-owned subsidiary of the Company, as purchaser

Vendors:

Connected Vendors

1. SIIC Shanghai
2. City Note

Independent Vendors

3. Shanghai Weaving
4. Uni-Shanghai; and
5. Shanghai AJ

Interests to be acquired

Shanghai Industrial YKB has agreed to acquire 173,580,341 SI United Shares, being the entire interests held by all of the Vendors in SI United and representing an aggregate of approximately 56.63% of the issued share capital of SI United as at the Latest Practicable Date. The SI United Shares held by the Vendors are non-publicly tradable shares. Particulars of their interests in SI United to be acquired by Shanghai Industrial YKB are shown as follows:

Name of Vendor	Number of SI United Shares to be sold	Approximate Percentage of Shareholding	Class of shares*
1. SIIC Shanghai	68,472,000	22.34%	state shares
2. City Note	59,027,603	19.26%	foreign legal person shares
3. Shanghai Weaving	27,688,500	9.03%	state legal person shares
4. Uni-Shanghai	9,841,230	3.21%	foreign legal person shares
5. Shanghai AJ	<u>8,551,008</u>	<u>2.79%</u>	domestic legal person shares
Total:	<u><u>173,580,341</u></u>	<u><u>56.63%</u></u>	

After completion of the Acquisitions, the Company will indirectly hold a total of 173,580,341 SI United Shares, representing approximately 56.63% of the issued share capital of SI United as at the Latest Practicable Date, and SI United will become a subsidiary of the Company and its results will be consolidated into the results of the Group.

LETTER FROM THE BOARD

Consideration

The aggregate consideration for the Acquisitions amounted to approximately RMB866.46 million (equivalent to approximately HK\$817.42 million) and is payable by Shanghai Industrial YKB in the following manner:

Name of Vendor	Amount of consideration	
	RMB	HK\$ equivalent
1. SIIC Shanghai	341,791,682	322,444,983
2. City Note	294,648,086	277,969,892
3. Shanghai Weaving	138,212,685	130,389,326
4. Uni-Shanghai	49,124,468	46,343,838
5. Shanghai AJ	<u>42,684,067</u>	<u>40,267,987</u>
Total:	<u><u>866,460,988</u></u>	<u><u>817,416,026</u></u>

The consideration payable to the Vendors will be made in cash by Shanghai Industrial YKB within 15 business days after (a) the Acquisition Agreement has become effective (see the section headed “Events to take place prior to the Acquisition Agreement becoming effective” below) and (b) SI United and SU International have received the consideration payable to them under the Reorganization Agreements.

The consideration for the Acquisitions was determined after arm’s length commercial negotiations between the Company and the Vendors by reference to the net asset value per SI United Share as mentioned in items 3 and 4 of the immediate following paragraph. The consideration will be funded by the internal resources of the Group.

The consideration per SI United Share payable by each Vendor is the same, being RMB4.9917 (equivalent to approximately HK\$4.7092), and represents:

1. approximately 50.87% discount to the closing price of RMB10.16 per SI United Share as quoted on the Shanghai Stock Exchange on 20th May, 2003 (being the last trading date immediately prior to the date of the Acquisition Agreement);
2. approximately 50.58% discount to the average closing price of approximately RMB10.10 per SI United Share based on the daily closing prices as quoted on the Shanghai Stock Exchange over the five trading days up to and including 20th May, 2003;
3. 10% premium over the adjusted consolidated net assets per SI United Share of approximately RMB4.5379 as at 31st December, 2002 which was based on the audited consolidated net assets of SI United Group prepared in accordance with the generally accepted accounting principles in the PRC and adjusted according to the “Disclosure and Presentation Requirements of Annual Report for Listed Companies of the PRC”; and
4. approximately 6.57% premium over the pro forma consolidated net assets per SI United Share of approximately RMB4.6841 as at 31st December, 2002 which was prepared on the basis as if the transactions contemplated under the Reorganization Agreements were completed on 31st December, 2002 and in accordance with the generally accepted accounting principles in Hong Kong. Further details of the Reorganization Agreements are set out below in the paragraph headed “Reorganization of SI United Group”.

LETTER FROM THE BOARD

Events to take place prior to the Acquisition Agreement becoming effective

The Acquisition Agreement will become effective upon the fulfilment of, amongst other things, the following Conditions:

- (a) the passing by the Independent Shareholders at a general meeting of an ordinary resolution approving the Acquisition Agreement and the transactions contemplated thereunder;
- (b) necessary approval from the CSRC waiving the obligation of Shanghai Industrial YKB to make a general offer to the shareholders of SI United having been obtained;
- (c) approvals for the transactions contemplated under the Acquisition Agreement having been obtained from the State-owned Assets Supervision and Administration Commission, the Ministry of Commerce and the State Development and Reform Commission and no objection to the Acquisitions having been received from the CSRC;
- (d) approval for the transactions contemplated under the Acquisition Agreement having been obtained at a shareholders meeting of SI United;
- (e) approval for the transactions contemplated under the Reorganization Agreements having been obtained at a shareholders meeting of SI United and approval for the Reorganization Agreements having been obtained from the relevant approval authority (if necessary); and
- (f) all other necessary approval as may be required to be obtained in relation to the Acquisition Agreement pursuant to the requirements or provisions of the laws of the PRC having been obtained.

Termination

If all of the Conditions have not been fulfilled within 12 months after the date of signing of the Acquisition Agreement, any party to the Acquisition Agreement may at any time after the expiry of the said 12-month period, by written notice to the other parties, terminate the Acquisition Agreement whereupon neither of the parties shall have any obligation towards the others (save and except for antecedent breaches).

The rights and obligations of the parties under the Acquisition Agreement shall take effect at the same time and be fulfilled simultaneously. If any of the Vendors fails to transfer its SI United Shares to Shanghai Industrial YKB in accordance with the Acquisition Agreement, Shanghai Industrial YKB has the right to terminate the Acquisition Agreement by giving written notice to the other parties, whereupon it shall have no obligation towards the other parties but without prejudice to its right to claim against the breaching party.

3. INFORMATION ON SI UNITED

Place of establishment and business

SI United became a joint stock company under the laws of the PRC in December 1991. The SI United Group is principally engaged in bio-medicine related operations and commercial network operations.

LETTER FROM THE BOARD

Share capital

The RMB-denominated domestic A Shares of SI United were listed on the Shanghai Stock Exchange on 27th March, 1992. As at the Latest Practicable Date, SI United had an issued share capital of approximately RMB306.5 million (equivalent to approximately HK\$289.2 million) and its publicly tradable shares accounted for approximately 43.37% of its issued share capital, the balance of approximately 56.63% SI United Shares were held by the Vendors.

Financial information

The pro forma consolidated profit before taxation and profit after taxation and minority interests of the Reorganized SI United Group for the two years ended 31st December, 2002 (which were prepared in accordance with the generally accepted accounting principles in Hong Kong) were as follows:

	Year ended 31st December	
	2002	2001
	RMB'000	RMB'000
Profit before taxation	146,190	163,482
Profit after taxation and minority interests	94,166	106,499

The pro forma consolidated net asset value and pro forma consolidated net tangible asset value of the Reorganized SI United Group as at 31st December, 2002 amounted to approximately RMB1,435.73 million (equivalent to approximately HK\$1,354.46 million) and approximately RMB1,243.14 million (equivalent to approximately HK\$1,172.78 million) respectively, which were prepared in accordance with the generally accepted accounting principles in Hong Kong.

SI United Group has approximately 31.71% attributable equity interest in Lianhua Supermarket Holdings Company Limited which has made an application for listing of its shares on the Stock Exchange. The subsidiary of SI United which directly holds the equity interest in Lianhua Supermarket Holdings Company Limited is its second largest shareholder.

Reorganization of SI United Group

SI United currently directly and indirectly owns interests in the Excluded Companies which carry on spinning, weaving and other operations which are non-core businesses of the SI United Group. The net asset value of the Excluded Companies accounted for less than 10% of the consolidated net asset value of SI United Group as at 31st December, 2002. The Excluded Companies are currently operating at a minor loss. SI United Group will undergo a restructuring whereby the entire interests of the SI United Group in the Excluded Companies will be disposed to three affiliated companies of SIIC. For the purpose of such restructuring, SI United and SU International as vendors and the three affiliated companies of SIIC as purchasers entered into the Reorganization Agreements on 21st May, 2003. Details of the Reorganization Agreements are set out below:

Consideration

The aggregate consideration for the disposal of the Excluded Companies amounted to approximately RMB61.94 million (equivalent to approximately HK\$58.43 million). The relevant part of such consideration will be paid to SI United and SU International (as appropriate) in cash within 10 business days after the relevant Reorganization Agreements become effective.

LETTER FROM THE BOARD

Events to take place prior to the Reorganization Agreements becoming effective

Each of the Reorganization Agreements will become effective after the occurrence of the following events:

- (a) (other than in respect of the SU-SIIC BVI Reorganization Agreement), approval for the transactions contemplated under such agreement having been obtained at a shareholders meeting of SI United;
- (b) (other than in respect of the SU-SIIC BVI Reorganization Agreement), approval by the respective boards of directors of the relevant Excluded Companies, and the consent and/or waiver of pre-emption rights of the other shareholders of the relevant Excluded Companies, in respect of the transfer of equity interest pursuant to such agreement having been obtained;
- (c) the events set out in paragraphs (a) to (c) under the section headed “Events to take place prior to the Acquisition Agreement becoming effective” above having taken place;
- (d) approval for the transfer of equity interest in the relevant Excluded Companies (other than Broadway Finitex Factory Limited) having been obtained from the original approval authorities; and
- (e) in respect of the SU-SIIC BVI Reorganization Agreement only, the decision making body of the parties to such agreement having approved the transactions contemplated under such agreement.

4. RELATIONSHIP WITH THE CONNECTED VENDORS

Both SIIC Shanghai and City Note are connected persons of the Company by virtue of their being wholly-owned subsidiaries of SIIC, a substantial shareholder of the Company who was interested in approximately 58.86% of the issued share capital of the Company as at the Latest Practicable Date. In view of the Connected Vendors’ interest in the Acquisitions, the entering into of the Acquisition Agreement constitutes a connected transaction of the Company and, pursuant to the Listing Rules, is subject to Independent Shareholders’ approval at the Extraordinary General Meeting.

5. REASONS FOR ENTERING INTO THE ACQUISITION AGREEMENT

The Board has been actively seeking opportunities to capitalize on the results of the economic development in Shanghai and other parts of the PRC. With the continuing improvement in the living standard of the residents in the PRC, the Board is particularly optimistic in the future prospect of the consumer-related sectors including medical and pharmaceutical products and retail and distribution network operations. The Acquisitions are an important step towards the restructuring of the Group’s business. It is the intention of the Board to acquire a controlling stake in SI United to plan and implement the strategic development of the relevant operations of the Group as a whole. At the same time, through the Acquisitions, the Group can access to the PRC domestic capital market to facilitate the Group’s pursuit of its business strategy and obtain a better return for the Shareholders.

The Board considers the Acquisition Agreement is on normal commercial terms and the terms (including the consideration) are fair and reasonable so far as the Company and the Shareholders taken as a whole are concerned.

LETTER FROM THE BOARD

6. EGM

Set out on pages 23 to 24 of this circular is the EGM Notice to convene the EGM at 26th Floor, Harcourt Road, 39 Gloucester Road, Wanchai, Hong Kong on 25th June, 2003 at 3:00 p.m. at which the Ordinary Resolution will be proposed and, if thought fit, passed on to approve the Acquisition Agreement and the transactions contemplated thereunder.

SIIC and its associates will abstain from voting on the Ordinary Resolution to be proposed at the EGM.

7. ACTION TO BE TAKEN

A form of proxy for use at the EGM is enclosed. Whether or not you intend to be present at the EGM, you are requested to complete the form of proxy and return it to the registered office of the Company at 26th Floor, Harcourt Road, 39 Gloucester Road, Wanchai, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time fixed for holding the EGM. Completion and return of the proxy form will not preclude you from attending and voting in person at the meeting should you so wish.

8. RECOMMENDATION OF THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee has been appointed by the Board to consider the terms of the Acquisition Agreement and the transactions contemplated thereunder. BOCI Asia has been appointed as the independent financial adviser to advise the Independent Board Committee as to whether the terms of the Acquisition Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 12 of this circular which contains the recommendation from the Independent Board Committee to the Independent Shareholders concerning the Acquisition Agreement and the transactions contemplated thereunder and (ii) the letter from BOCI Asia set out on pages 13 to 17 of this circular which contains the recommendation of BOCI Asia to the Independent Board Committee in relation to the Acquisition Agreement and the transactions contemplated thereunder and the principal factors considered by BOCI Asia in arriving at its recommendation.

Having taken into account the advice from BOCI Asia and in particular the principal factors set out in the letter of advice from BOCI Asia, the Independent Board Committee considers that the terms of the Acquisition Agreement are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends that all Shareholders should vote in favour of the Ordinary Resolution to be proposed at the Extraordinary General Meeting to approve the Acquisition Agreement and the transactions contemplated thereunder.

9. ADDITIONAL INFORMATION

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

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

上海實業控股有限公司
SHANGHAI INDUSTRIAL HOLDINGS LIMITED
(Incorporated in Hong Kong under the Companies Ordinance)

9th June, 2003

To the Independent Shareholders

Dear Sir or Madam,

**ACQUISITION OF INTEREST IN
SHANGHAI INDUSTRIAL UNITED HOLDINGS CO., LTD.
CONNECTED TRANSACTION**

We refer to the circular of the Company dated 9th June, 2003 to the Shareholders (the “Circular”), of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context requires otherwise.

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

BOCI Asia has been appointed by the Company as the independent financial adviser to advise us regarding the terms of the Acquisition Agreement and the transactions contemplated thereunder. Details of its advice, together with the principal factors taken into consideration in arriving at such, are set out in its letter dated 9th June, 2003 on pages 13 to 17 of the Circular.

Your attention is drawn to the letter from the Board set out on pages 5 to 11 of the Circular and the additional information set out in the Appendix.

Having considered the terms of the Acquisition Agreement and the transactions contemplated thereunder, and taken into account the advice from BOCI Asia and in particular the principal factors set out in the letter of advice from BOCI Asia, we consider that the terms of the Acquisition Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend that the Independent Shareholders to vote in favour of the Ordinary Resolution to be proposed at the EGM to approve the Acquisition Agreement and the transactions contemplated thereunder.

Yours faithfully,

Dr. Lo Ka Shui Professor Woo Chia-Wei Mr. Leung Pak To, Francis
Independent Board Committee

LETTER FROM BOCI ASIA

Set out below is the text of the letter of advice from BOCI Asia to the Independent Board Committee in relation to the Acquisitions prepared for inclusion in this circular.



35th Floor, Bank of China Tower, 1 Garden Road, Hong Kong
Tel: (852) 2230 8888 Fax: (852) 2522 6797

9th June, 2003

The Independent Board Committee
Shanghai Industrial Holdings Limited

Dear Sirs,

ACQUISITION OF INTEREST IN SHANGHAI INDUSTRIAL UNITED HOLDINGS CO., LTD. CONNECTED TRANSACTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee in relation to the Acquisitions, details of which are contained in the circular dated 9th June, 2003 (the “Circular”) to the Independent Shareholders of which this letter forms part. Expressions used herein shall have the same meanings as defined in the Circular.

Pursuant to the Listing Rules, the Acquisitions constitute a connected transaction for the Company. Accordingly, the Acquisitions are subject to, inter alia, the Independent Shareholders’ approval at the EGM. Our role as the independent financial adviser to the Independent Board Committee is to express our opinion as to whether the terms of the Acquisitions are fair and reasonable.

In formulating our recommendation we have relied on the information and facts contained or referred to in the Circular and provided by the management of the Group. We have assumed that information contained and representations made or referred to in the Circular and those provided by the management of the Group were true and accurate at the time they were made and continue to be so at the date of the dispatch of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Group. The Directors (except Dr. Lee Quo Wei, due to health reasons) have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular and those provided by the management of the Group in order to provide a reasonable basis for our recommendation. We have not, however, conducted an independent in-depth investigation into the businesses and affairs (including any legal proceedings) of the Group or SI United Group or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion in respect of the Acquisitions, we have considered the following principal factors and reasons:

Background of the Acquisitions

The principal businesses of the Group are infrastructure and modern logistics, medicine and bio-technology, consumer related products and information technology. As noted in the “Letter from the Board” in the Circular, the Board is optimistic in the future prospect of the consumer-related sectors including medical and pharmaceutical products and retail and distribution network operations in the PRC.

SI United is a joint stock company incorporated under the laws of the PRC in December 1991 and listed on the Shanghai Stock Exchange in March 1992. The SI United Group is principally engaged in bio-medicine related and retail and distribution operations in the PRC. We note that SI United Group has developed series of Chinese medicine, chemical and bio-technological medical products and involved in drug retail operations in Shanghai and Changzhou. It has established business operations and track record. We also note that SI United Group has approximately 31.71% attributable equity interest in Lianhua Supermarket Holdings Company Limited (“Lianhua”) which has made an application for listing of its shares on the Stock Exchange. The subsidiary of SI United which directly holds the equity interest in Lianhua is its second largest shareholder.

The acquisition of SI United is intended to be an important step towards the restructuring of the Group’s business and implementing the Group’s strategic development of the relevant operations of the Group as a whole. As SI United is a listed company in the PRC, the Acquisitions may also help the Group gain access to the PRC domestic capital market to facilitate the Group’s pursuit of its business strategy and obtain a better return for the Shareholders. We consider the Acquisitions are in line with the Group’s business strategy.

The Acquisitions

1. Basis of Consideration

The Company has conditionally agreed to acquire from the Vendors approximately 56.63% of the equity interests (all in the form of non-publicly tradable shares) in SI United for a total purchase price of approximately RMB866.46 million (equivalent to approximately HK\$817.42 million) (the “Consideration”). Holders of SI United Shares are entitled to enjoy the inherent legal rights conferred by the articles of association of SI United and pursuant to the applicable PRC laws, rules and regulations. The Company, however, will not be entitled to the dividend (proposed and subject to the approvals from shareholders at the annual general meeting) to holders of SI United Shares for the year ended 31st December, 2002. SI United Shares to be acquired by the Company are free from liens, encumbrances and third party equitable interests in accordance with the Acquisition Agreement.

The Consideration per SI United Share is RMB4.9917 (equivalent to approximately HK\$4.7092). The Consideration was determined after arm’s length commercial negotiations between the Company and the Vendors by reference to the pro forma consolidated net asset value per SI United Share of approximately RMB4.6841 as at 31st December, 2002 which was prepared on the basis as if the transactions contemplated under the Reorganization Agreements were completed on 31st December, 2002 and in accordance with the generally accepted accounting principles in Hong Kong. Total Consideration will be financed by cash from internal resources of the Group.

LETTER FROM BOCI ASIA

2. Valuation Consideration

Based on the pro forma consolidated net asset value per SI United Share of approximately RMB4.6841 as at 31st December, 2002 which was prepared on the basis as if the transaction contemplated under the Reorganization Agreements were completed on 31st December, 2002 and in accordance with the generally accepted accounting principles in Hong Kong, the Consideration represents a premium of approximately 6.57%.

In assessing the fairness and reasonableness of the Consideration, we consider it appropriate to take into account accustomed pricing considerations generally adopted in the PRC for transactions similar in nature to the Acquisitions. In the PRC, transactions involving non-publicly tradable shares are usually priced by reference to the net asset value of concerned stakes. In addition, relevant government regulations in the PRC also prohibit disposal of state-owned assets at prices below their net asset value. Despite the fact that SI United is a listed company in the PRC, we do not consider the stock market trading statistics of the SI United A shares and other PRC listed comparable companies being meaningful considerations for our analysis purposes because the subject SI United Shares under the Acquisitions are non-publicly tradable and the market environment for tradable A shares being very different from that for non-publicly tradable shares. As such, we have benchmarked the Acquisitions primarily by reference to the acquisition premiums over net asset values of comparable transactions.

Following our examination of transactions of non-publicly tradable shares of publicly listed companies in the PRC, we have selected 19 transactions in the past two years for comparison purpose, after taking into account the size of such transactions, the percentage of shares transferred, and the sizes of the concerned companies in terms of market capitalization. Out of the 19 transactions, three of them involve the transfer of controlling stakes of issued share capital, while the others relate to sales of non-controlling stakes of issued share capital.

The following table summarizes the averages of acquisition premium for the abovementioned two groups of transactions. For the Acquisitions, we note that a dividend of RMB36.78 million (proposed and subject to the approvals from shareholders at the annual general meeting) to the original shareholders is not accounted for in the aforementioned pro forma consolidated net asset value of SI United as at 31st December, 2002 under Hong Kong GAAP. Should the aforesaid dividend payable be taken into account, the acquisition premium would be 9.37%, which is lower than the average acquisition premium of comparable transactions involving transfer of controlling equity stakes as well as the average premium of transactions involving transfer of non-controlling equity stakes.

	Number of Cases	Average of Premium
Sales of controlling stake	3	88.00%
Sales of non-controlling stake	16	40.09%

Note: Cases involving sales of controlling stakes include transfers of (1) approximately 51% issued share capital of CR Jinhua, (2) approximately 56.4% of equity interest of Southwest Pharmaceutical Co. Ltd., and (3) approximately 73.28% of equity stake of Pudong Stainless Steel Co. Ltd.

On the basis of above analysis and taking into account of the fact that relevant PRC government regulations prohibit selling state-owned assets below net asset value, we are of the view that the Consideration of the Acquisitions are fair and reasonable.

Other Considerations

Earnings of Reorganized SI United Group

We note that the pro forma consolidated profit after taxation and minority interests of the Reorganized SI United Group for each of the two years ended 31st December, 2001 and 31st December, 2002 (which were prepared in accordance with the Hong Kong GAAP) were RMB106.50 million and RMB94.17 million, respectively. We have been informed by the management of the Group that Lianhua's profit contribution accounted for approximately 39% of the aforesaid SI United Group's pro forma net profit for the year ended 31st December, 2002.

As mentioned above, Lianhua is contemplating a listing and a public offering on the Stock Exchange. Depending on the structure and results of the public offering, SI United's shareholding interests in Lianhua will be reduced after the public offering and thus the earning contribution from Lianhua may be diluted. However, the management of the Group does not expect the prevailing accounting treatment for SI United's interests in Lianhua to change as a result of the public offering.

Goodwill

Upon the completion of the Acquisitions, a goodwill amount of approximately RMB74.24 million (equivalent to approximately HK\$70.04 million) would arise and we understand that such goodwill will be amortized on a straight-line basis over a period of not exceeding 20 years. Assuming a straight-line amortization policy, this would give rise to an estimated annual goodwill amortization amount of approximately HK\$3.5 million.

Cash Position of the Group

The Consideration of approximately RMB866.46 million (equivalent to HK\$817.42 million) accounts for approximately 25.5% of the bank balances and cash of approximately HK\$3,202.5 million and 52.4% of the net cash balances (bank balances and cash minus bank and other borrowings) of approximately HK\$1,559.1 million of the Group as at 31st December, 2002. There have been no material changes in the cash position of the Group since 31st December, 2002. The management of the Group maintains that the Company can consummate both the Acquisitions and the proposed privatization of SIIC Medical Science and Technology (Group) Limited. The aggregated cash consideration of aforesaid transactions amount to approximately HK\$1,335 million.

SI United's Financial Results for the Three Months Ended 31st March, 2003

The net income of SI United for the three months ended 31st March, 2003, according to SI United's filings with the Shanghai Stock Exchange, was RMB22.77 million, representing an increase of approximately 10% over the corresponding period in the preceding year. It should be noted, however, that the aforesaid quarterly results were unaudited and not prepared on a pro forma basis to take into account the transaction as contemplated under the Reorganization Agreements.

LETTER FROM BOCI ASIA

RECOMMENDATION

Having considered the above principal factors and reasons, we consider that the terms of the Acquisitions are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to advise the Independent Shareholders to vote in favour of the Ordinary Resolution to be proposed at the EGM to approve the Acquisition Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
BOCI ASIA LIMITED
Rowena Ng
Managing Director

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

- (a) As at the Latest Practicable Date, the interest of the Directors and the chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were 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) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were 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) *Shares in the Company (Note 1)*

Name of Directors	Total No. of Shares	Nature of Interest
Cai Lai Xing	4,000,000	Personal
Chen Wei Shu	3,500,000	Personal
Lu Ming Fang	2,700,000	Personal
Lu Da Yong	2,700,000	Personal
Li Wei Da	1,200,000	Personal
Zhou Jie	2,700,000	Personal

Note 1: These interests do not include those in underlying shares of equity derivatives of the Company. These interests need to be aggregated with those set out in sub-paragraph (ii) below (if applicable) to give the Directors' total interest in the Company.

- (ii) *Share options in the Company*

Name of Directors	Date of Grant	Exercise Price	Number of share options outstanding as at the Latest Practicable Date
Lu Ming Fang	July 2001	HK\$10.432	1,500,000
Lu Yu Ping	March 2001	HK\$10.496	1,550,000

(iii) *Share options in SIIC Medical Science and Technology (Group) Limited (Note 2)*

Name of Directors	Date of Grant	Exercise Price	Number of share options outstanding as at the Latest Practicable Date
Li Wei Da	January 2000	HK\$1.69	6,000,000
Ge Wen Yao	January 2000	HK\$1.69	2,500,000

Note 2: SIIC Medical Science and Technology (Group) Limited is an associated corporation of the Company within the meaning of Part XV of the SFO by virtue of it being a subsidiary of the Company.

(b) So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, the following persons 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 and the amount of each of such person's interest in such securities were as follows:

Name of Person	Total No. of Shares	Approximate percentage of shareholding
SIIC	551,103,000	58.86%
Shanghai Industrial Investment Treasury Company Limited ("STC")	548,066,000	58.53%
Shanghai Investment Holdings Limited ("SIH")	548,066,000	58.53%

Note: SIH, SIC Capital (B.V.I.) Limited and Top Modern Limited are the beneficial owners of 468,066,000, 80,000,000 and 10,000 Shares respectively. SIIC owns 100% of Top Modern Limited and STC respectively, whereas STC owns 100% of SIH, which in turn owns 100% of SIIC Capital (B.V.I.) Limited.

Nanyang Enterprises Limited, Billion More Investments Limited and GEM Capital Investment (BVI) Limited are the beneficial owners of 897,000, 1,645,000 and 485,000 Shares respectively. SIIC indirectly owns 100% interest in these companies.

(c) So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, the following persons 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 other members of the Group and the amount of each of such person's interest in such securities were as follows:

Name of subsidiary	Name of person	Class of shares held	Percentage of shareholding
NTTC (BVI) Limited	Centenary Limited	ordinary shares	35%
Xuchang Yongchang Printing Co., Ltd.	許昌捲煙廠	equity interest	49%
Wing Fat Smart Chain Investment Limited	Shen Dong Limited	ordinary shares	30%
Zhe Jiang Rongfeng Paper Co. Ltd.	莫國平	equity interest	10%

Name of subsidiary	Name of person	Class of shares held	Percentage of shareholding
Shanghai Orient Shopping Centre Ltd.	Shanghai Yibai (Holdings) Company Ltd.	equity interest	49%
Shanghai Orient International Trading Co., Ltd.	上海東方國際貿易商行有限公司職工持股會	equity interest	30%
	Shanghai Yibai (Holdings) Company Ltd.	equity interest	10%
Shanghai Yichuang Traditional Chinese Medicine Research & Development Center Co., Ltd.	上海中醫大科技發展公司	equity interest	45%
SIIC-Cyber Pacificare Limited	Cyber-Care Inc.	ordinary shares	33.33%
Ningxia SIIC Viopes Nutra-ceuticals Co. Limited	寧夏農林學院	equity interest	41%
Chia Tai Qingchunbao Pharmaceutical Co. Ltd.	China Hangzhou Qingchunbao Group Co. Ltd.	equity interest	20%
	杭州市正大青春寶職工持股協會	equity interest	20%
Xiamen Traditional Chinese Medicine Co., Ltd.	Xiamen Dinglu Ind. Corp.	equity interest	30%

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

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

3. DIRECTORS' INTERESTS IN CONTRACTS

- (a) (i) Each of Messrs. Cai Lai Xing, Ge Wen Yao and Huang Yan Zheng has entered into a service agreement with the Company for an initial period of three years commencing 1st April, 1996, which will continue thereafter unless and until terminated by either party by six months' prior written notice.
 - (ii) Mr. Li Wei Da has entered into a service agreement with the Company for an initial period of three years commencing 22nd November, 1996 which will continue thereafter unless and until terminated by either party by six months' prior written notice.
 - (iii) Mr. Lu Yu Ping has entered into a service agreement with the Company for an initial period of three years commencing 8th March, 2000, which will continue thereafter unless and until terminated by either party by six months' prior written notice.
 - (iv) Each of Messrs. Chen Wei Shu, Lu Ming Fang, Qian Shi Zheng and Zhou Jie has entered into a service agreement with the Company for an initial period of three years commencing on 5th January 2002, which will continue thereafter unless and until terminated by either party by six months' prior written notice, such notice not to be given at any time before 5th July, 2004.
 - (v) Mr. Lu Da Yong has entered into a service agreement with the Company for an initial period of three years commencing on 13th September, 2002, which shall continue thereafter unless and until terminated by either party by six months' prior written notice, such notice not to be given at any time before 12th March, 2005.
- (b) Save as disclosed herein, as at the Latest Practicable Date, none of the Directors has any direct or indirect interest in any assets which have been, since 31st December, 2002, (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by, or leased to the Company or any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group.
 - (c) Save as disclosed herein, as at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement which is subsisting at the date of this circular and which is significant in relation to the business of the Group.

4. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material changes in the financial or trading position of the Group since 31st December, 2002 (being the date of which the latest published audited accounts of the Company were made up).

5. EXPERT

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

Name	Qualification
BOCI Asia	Registered dealer under the repealed Securities Ordinance and is deemed to be licensed under the Securities and Futures Ordinance for Types 1 and 6 regulated activities

- (b) As at the Latest Practicable Date, BOCI Asia was not interested beneficially or non-beneficially in any shares in the Company or any member of the Group or any right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares in any member of the Group.
- (c) As at the Latest Practicable Date, BOCI Asia did not have any direct or indirect interest in any assets which have been since 31st December, 2002 (being the date to which the latest published audited account of the Group were made up) acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, the Company or any member of the Group.
- (d) BOCI Asia has given and has not withdrawn its written consent to the issue of this circular with inclusion of its letter dated 9th June, 2003 and the references to its name included herein in the form and context in which they respectively appear.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at Messrs. Woo, Kwan, Lee & Lo, 27th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours up to and including 25th June, 2003:

- (a) the Acquisition Agreement;
- (b) the Reorganization Agreements;
- (c) the letter from BOCI Asia, the text of which is set out in this circular;
- (d) the service agreements referred to in paragraph 3(a) of this appendix; and
- (e) the written consent referred to in paragraph 5(d) of this appendix.

7. 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 28th Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (c) The Secretary of the Company is Mr. Leung Lin Cheong, Roger who is a fellow of The Institute of Chartered Secretaries and Administrators, The Chartered Institute of Management Accountants and Hong Kong Society of Accountants. He also holds a master's degree in business administration.
- (d) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

上海實業控股有限公司
SHANGHAI INDUSTRIAL HOLDINGS LIMITED
(Incorporated in Hong Kong under the Companies Ordinance)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Shanghai Industrial Holdings Limited (“the Company”) will be held at the Conference Room, 26th Floor, Harcourt House, 39 Gloucester Road, Hong Kong, on 25th June, 2003 at 3:00 p.m. for the purpose of considering and, if thought fit, passing the following resolution, with or without modification, as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT

- (a) the entering into, execution, performance and implementation by the directors of the Company for and on behalf of the Company of the acquisition agreement dated 21st May, 2003 (the “Acquisition Agreement”) made between Shanghai Industrial YKB Limited (“Shanghai Industrial YKB”), a wholly-owned subsidiary of the Company, as purchaser, and SIIC Shanghai (Holdings) Company Limited, City Note Holdings Limited, Uni-Shanghai Wooltex Limited, Shanghai Weaving Development Co. and Shanghai AJ Corporation, as vendors, (the “Vendors”) (copy of the Acquisition Agreement has been produced to the meeting marked “A” and signed by the chairman of the meeting for the purpose of identification) whereby Shanghai Industrial YKB will acquire from the Vendors a total of 173,580,341 non-publicly tradable shares in Shanghai Industrial United Holdings Co., Ltd. and all the transactions contemplated under the Acquisition Agreement and any other ancillary documents, be and are hereby approved, confirmed and ratified; and
- (b) the directors of the Company be and are hereby authorised for and on behalf of the Company to sign, seal, execute, perfect, deliver and do all such documents, deeds, acts, matters and things as they may in their discretion consider necessary or desirable or expedient to give effect to the Acquisition Agreement as they may consider necessary or desirable and to make and agree such variations of a non-material nature in the terms of the Acquisition Agreement as they may in their discretion consider desirable and in the interests of the Company.”

By Order of the Board
Leung Lin Cheong, Roger
Company Secretary

Hong Kong, 9th June, 2003

Registered office:
26th Floor, Harcourt House
39 Gloucester Road
Wanchai, Hong Kong

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

Notes:

1. A member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person as his proxy to attend and vote on his behalf. A proxy need not be a member of the Company.
2. A form of proxy for use at the meeting is enclosed.
3. To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited at the registered office of the Company at 26th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment or poll (as the case may be). Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.