Disposal of Investments in Elevated Road Projects in Shanghai, the PRC

Disclosureable Transaction

The Directors of the Company announce that on 29 August 2003, S.I. Infrastructure, a wholly-owned subsidiary of the Company entered into two agreements respectively for the disposal of all its investments in the elevated road projects to its joint venture partner. The projects are as follows:

Projects

- Yanan Road Development
- New Construction

S.I. Infrastructure shall receive a total consideration of US$702,475,363 (equivalent to approximately HK$5,456,448,000) and compensation after tax of RMB300,000,000 (equivalent to approximately HK$25,298,010,000) in accordance with the agreements of the Transaction. The Transaction constitutes a disclosureable transaction of the Company under Rule 13.04(1) of the Listing Rules. A circular containing details of the Transaction will be dispatched to the shareholders of the Company as soon as practicable.

INFORMATION ABOUT THE TRANSACTION

(I) Parties to the agreement

Date of agreement: 29 August 2003

Tenant: S.I. Infrastructure, a wholly-owned subsidiary of the Company

Transferee: Shanghai City Construction, the beneficial owner of 31.44% of existing equity interest in Yanan Road Development

(II) Interest disposed of under the Yanan Agreement

Shanghai City Construction shall pay to S.I. Infrastructure, in Yanan Road Development, an initial deposit of approximately 50.20% equity interest, being the entire investment of S.I. Infrastructure, in Yanan Road Development, which has the right to operate the eastern part of Section 4 of Yanan Elevated Road for a period from 28 November 1995 to 31 December 2017 (eastern section) and from 1 July 1996 to 31 December 2017 (western section). The remaining 18.36% equity interest is held by Shanghai City Construction Investment Development General Corporation*, a State-owned enterprise established in the PRC and an independent third party.

(III) Information about S.I. Infrastructure and Yanan Road Development

The investment of S.I. Infrastructure in Yanan Road Development had a carrying value of US$159,438,442 (equivalent to approximately HK$1,243,620,000) at a historical exchange rate of HK$7.77 to US$1 as at 31 December 2002. The past two financial years, the investment of S.I. Infrastructure in Yanan Road Development had contributed a fixed return of US$543,036,921 (equivalent to approximately HK$4,219,150,000) and compensation after tax of RMB227,912,158 (equivalent to approximately HK$1,243,620,000) has been received in cash by S.I. Infrastructure in Yanan Road Development as at 31 December 2002. The sum of US$543,036,921 (equivalent to approximately HK$4,219,150,000) in accordance with the agreements of the Transaction. The consideration of US$159,438,442 (equivalent to approximately HK$1,243,620,000) and compensation after tax of RMB227,912,158 (equivalent to approximately HK$1,243,620,000) in accordance with the agreements of the Transaction. The Transaction constitutes a disclosureable transaction of the Company under Rule 13.04(1) of the Listing Rules. A circular containing details of the Transaction will be dispatched to the shareholders of the Company as soon as practicable.

Reasons for the Transaction

In the Notice issued by the State Council of the PRC in September 2002, local governments of the PRC should properly deal with the issue of guaranteed fixed return investment projects of foreign entities by 2002. The Group has negotiated with relevant authorities to resolve the issue, and finally decided to sell the elevated road projects to its joint venture partner pursuant to the Transaction.