

上海實業控股有限公司

SHANGHAI INDUSTRIAL HOLDINGS LIMITED

(incorporated under the Companies Ordinance in Hong Kong)

Disposal of Investments in Elevated Road Projects in Shanghai, the PRC Discloseable 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 in Shanghai, the PRC to its joint venture partner. The projects are as follows:

Projects	Equity interest held by S.I. Infrastructure
Yanan Road Development	50.20%
New Construction	35.00%

S.I. Infrastructure shall receive a total consideration of US\$702,475,363 (equivalent to approximately HK\$5,479,308,000) and compensation after tax of RMB300,000,000 (equivalent to approximately HK\$283,019,000) in accordance with the agreements of the Transaction. The Transaction constitutes a discloseable transaction of the Company under Rule 14.12 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

Yanan Agreement

(I) Parties to the agreement

Date of agreement: 29 August 2003
Transferor: 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 will acquire 50.20% of equity interest, being the entire investment of S.I. Infrastructure, in Yanan Road Development, which has the right to operate the eastern and western sections of Yanan Elevated Road for a period from 28 November 1995 to 31 December 2017 (eastern section) and from 28 July 1996 to 31 December 2017 (western section). The remaining 18.36% equity interest is held by Shanghai Construction Co., Ltd., 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\$1,237,298,000, at a historical exchange rate of HK\$7.76 to US\$1) as at 31 December 2002. For the past two financial years, the investment of S.I. Infrastructure in Yanan Road Development had the following contributions to the Group's audited consolidated net profit before and after taxation and extraordinary items:

Year ended 31 December	Net profit before taxation and extraordinary items (approximate amount in HK\$)	Net profit after taxation and extraordinary items (approximate amount in HK\$)
2002	168,473,000	168,344,000
2001	171,745,000	171,616,000

The investment of S.I. Infrastructure in Yanan Road Development has been a passive long term investment with guaranteed fixed return and Yanan Road Development has not been treated as a subsidiary of the Company. The Company does not control the board of Yanan Road Development.

(IV) Terms of the Yanan Agreement

The consideration of US\$159,438,442 (equivalent to approximately HK\$1,243,620,000) and compensation after tax of RMB72,087,842 (equivalent to approximately HK\$68,007,000) receivable by S.I. Infrastructure under the Yanan Agreement are determined by the two parties on arms length basis with reference to the carrying value of the investment of US\$159,438,442 (equivalent to approximately HK\$1,237,298,000, at a historical exchange rate of HK\$7.76 to US\$1) held by S.I. Infrastructure in Yanan Road Development as at 31 December 2002. The sum of US\$159,438,442 (equivalent to approximately HK\$1,243,620,000) shall be payable to S.I. Infrastructure one lump sum in cash by telegraphic transfer upon completion of the transaction and within 5 working days upon approval of foreign exchange application by the relevant government department(s). The compensation after tax of RMB72,087,842 (equivalent to approximately HK\$68,007,000) has been received in cash by S.I. Infrastructure in June 2003.

The disposal contemplated in the Yanan Agreement shall be completed as soon as possible upon fulfillment of the following conditions:

- the transaction having been approved by the board of directors of Yanan Road Development;
- the other shareholders having consented to the transfer of the shareholding in accordance with the terms of the Yanan Agreement and waived their pre-emptive rights to the shareholding to be transferred; and
- the Yanan Agreement having been approved by the relevant approval authority of the PRC Government.

New Construction Agreement

(I) Parties to the agreement

Date of agreement: 29 August 2003
Transferor: S.I. Infrastructure, a wholly-owned subsidiary of the Company
Transferee: Shanghai City Construction, the beneficial owner of 49.5% of existing equity interest in New Construction

(II) Interest disposed of under the New Construction Agreement

Shanghai City Construction will acquire 35% of equity interest, being the entire investment of S.I. Infrastructure, in New Construction, which has the right to operate the Inner Ring Road and North-South Elevated Expressway for a period of 20 years commencing from 1 May 1997. The remaining 15.5% equity interest is held by Shanghai Municipal Raw Water Co., Ltd., an independent third party.

(III) Information about S.I. Infrastructure and New Construction

The investments of S.I. Infrastructure in New Construction had a carrying value of approximately US\$543,036,921 (equivalent to approximately HK\$4,219,150,000, at a historical exchange rate of HK\$7.77 to US\$1) as at 31 December 2002. For the past two financial years, the investment of S.I. Infrastructure in New Construction had the following contributions to the Group's audited consolidated net profit before and after taxation and extraordinary items:

Year ended 31 December	Net profit before taxation and extraordinary items (approximate amount in HK\$)	Net profit after taxation and extraordinary items (approximate amount in HK\$)
2002	536,245,000	536,245,000
2001	547,748,000	547,748,000

(IV) Terms of the New Construction Agreement

The consideration of US\$543,036,921 (equivalent to approximately HK\$4,235,688,000) and compensation after tax of RMB227,912,158 (equivalent to approximately HK\$215,012,000) receivable by S.I. Infrastructure under the New Construction Agreement are determined by the two parties on arms length basis with reference to the carrying value of the investment of US\$543,036,921 (equivalent to approximately HK\$4,219,150,000, at a historical exchange rate of HK\$7.77 to US\$1) held by S.I. Infrastructure in New Construction. The sum of US\$543,036,921

(equivalent to approximately HK\$4,235,688,000) shall be payable to S.I. Infrastructure one lump sum in cash by telegraphic transfer upon completion of the transaction and within 5 working days upon approval of foreign exchange application by the relevant government department(s). The compensation after tax of RMB227,912,158 (equivalent to approximately HK\$215,012,000) has been received in cash by S.I. Infrastructure in June 2003.

The disposal contemplated in the New Construction Agreement shall be completed as soon as possible upon fulfillment of the following conditions:

- The transaction having been approved by the board of directors of New Construction;
- the other shareholders having consented to the transfer of the shareholding in accordance with the terms of the New Construction Agreement and waived their pre-emptive rights to the shareholding to be transferred; and
- the New Construction Agreement having been approved by the relevant approval authority of the PRC Government.

Reasons for the Transaction

In the Notice issued by the State Council of the PRC in September 2002, local governments of the PRC should settle properly the issue of guaranteed fixed return investment projects of foreign entities by 31 December 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.

S.I. Infrastructure shall receive a total consideration of US\$702,475,363 (equivalent to approximately HK\$5,479,308,000) and compensation after tax of RMB300,000,000 (equivalent to approximately HK\$283,019,000) in accordance with the agreements of the Transaction. As at 31 December 2002, the carrying value of the two Shanghai elevated road cooperative joint venture projects affected by the Notice was US\$702,475,363 (equivalent to approximately HK\$5,456,448,000). For the twelve months ending 31 December 2003, such investment projects would contribute profit of approximately HK\$685,036,000 to the Group in accordance with the original agreements. Upon completion of the Transaction, the Group will no longer hold any interest in such projects. Proceeds from the Transaction will be used for new investment projects such as expressways and water-related businesses relating to the principal businesses of the Group and as general working capital. The Company expects that the Transaction will be completed shortly.

A circular containing details of the Transaction as required by the Listing Rules will be dispatched to the shareholders of the Company as soon as practicable.

Definitions

Terms	Meanings
“Company”	Shanghai Industrial Holdings Limited, a company established in Hong Kong with its shares listed on the Stock Exchange
“HK\$”	Hong Kong dollars, the legal currency of Hong Kong
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“New Construction Agreement”	The agreement entered into by S.I. Infrastructure and Shanghai City Construction on 29 August 2003 in respect of the Inner Ring Road and the North-South Elevated Expressway
“New Construction”	Shanghai New Construction Development Co., Ltd., a Sino-foreign cooperative joint venture established in the PRC
“Notice”	“Notice of Proper Settlement on the Issue of Existing Guaranteed Fixed Return Investment Projects of Foreign Entities by the Administration Office of the State Council”
“PRC”	The People's Republic of China
“RMB”	Renminbi, the legal currency of the PRC
“Shanghai City Construction”	Shanghai City Construction Investment Development General Corporation*, a State-owned enterprise established in the PRC and is an independent third party not associated with the Company or the directors, chief executives and substantial shareholders of the Company or any of its subsidiaries or their respective associates (within the meaning under the Listing Rules) and is an economic entity under the Shanghai Municipal People's Government charged with the development of infrastructure projects in Shanghai
“S.I. Infrastructure”	S.I. Infrastructure Holdings Limited, a company established in the British Virgin Islands
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“The Group”	The Company and its subsidiaries
“Transaction”	The disposal by S.I. Infrastructure of its investments in the infrastructure projects in Shanghai, the PRC pursuant to the Yanan Agreement and the New Construction Agreement
“US\$”	US dollars, the legal currency of the United States of America
“Yanan Agreement”	The agreement entered into by S.I. Infrastructure and Shanghai City Construction on 29 August 2003 in respect of the Yanan Elevated Road
“Yanan Road Development”	Shanghai Yanan Road Elevated Road Development Co., Ltd., a Sino-foreign cooperative joint venture established in the PRC

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

Hong Kong, 29 August 2003

In this announcement, for information purpose only, certain amounts in US dollars (except for the carrying values of investments as specified above) have been translated into HK dollars at a rate of HK\$7.8 to US\$1.00; and certain amounts in RMB have been translated into HK dollars at a rate of RMB1.06 to HK\$1.00. Such translation should not construed as a representation that the RMB has been, could have been or could be, converted into HK dollars, as the case may be, at those or any other rates or at all.

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