
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 to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

上海實業控股有限公司
SHANGHAI INDUSTRIAL HOLDINGS LIMITED

(Incorporated in Hong Kong under the Companies Ordinance)

**DISPOSAL OF INVESTMENTS
IN ELEVATED ROAD PROJECTS
IN SHANGHAI, THE PRC**

DISCLOSEABLE TRANSACTION

18 September 2003

CONTENTS

Definitions	1
Letter from the Board	
1. Introduction	3
2. Information about the Transaction	
– Yanan Agreement	4
– New Construction Agreement	5
3. Reasons for the Transaction	7
4. Business of the Group	7
5. Additional Information	7
Appendix – General Information	8

DEFINITIONS

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

“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
“Company”	Shanghai Industrial Holdings Limited, a company established in Hong Kong with its shares listed on the Stock Exchange
“Directors”	the directors of the Company for the time being
“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
“Latest Practicable Date”	16 September 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
“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 lawful currency of the PRC

DEFINITIONS

“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“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
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under section 2 of the Companies Ordinance of Hong Kong
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“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\$” or “US dollars”	United States dollars, the lawful currency of 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

In this circular, for reference purpose only and unless otherwise stated, translation of US dollars into HK dollars, or vice versa, is calculated at the rate of HK\$7.8 to US\$1; translation of RMB into HK dollars, or vice versa, is calculated at the rate of HK\$1.00 to 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

LETTER FROM THE BOARD

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

18 September 2003

To the Shareholders

Dear Sir or Madam,

DISPOSAL OF INVESTMENTS IN ELEVATED ROAD PROJECTS IN SHANGHAI, THE PRC

DISCLOSEABLE TRANSACTION

1. INTRODUCTION

On 29 August 2003, the Directors announced that the Company, through its wholly-owned subsidiary, S.I. Infrastructure, 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, Shanghai City Construction. The projects are as follows:

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

LETTER FROM THE BOARD

S.I. Infrastructure shall receive a total consideration of US\$702,475,363 (equivalent to approximately HK\$5,479,308,000) and an after-tax compensation 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.

The purpose of this circular is to provide the Shareholders with further information on the Transaction and other information required by the Listing Rules.

2. 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 the existing equity interest in Yanan Road Development

(II) Interest disposed of under the Yanan Agreement

Shanghai City Construction will acquire 50.20% 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	Net profit before taxation	Net profit after taxation
31 December	and extraordinary items	and extraordinary items
	<i>(approximate amount in HK\$)</i>	<i>(approximate amount in HK\$)</i>
2002	168,473,000	168,344,000
2001	171,745,000	171,616,000

LETTER FROM THE BOARD

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 after-tax compensation 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 after-tax compensation 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:

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

New Construction Agreement

(1) 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 beneficiary owner of 49.50% of the existing equity interest of New Construction

LETTER FROM THE BOARD

(II) Interest disposed of under the New Construction Agreement

Shanghai City Construction will acquire 35% 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 15.50% 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 investment of S.I. Infrastructure in New Construction had a carrying value 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) 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 <i>(approximate amount in HK\$)</i>	Net profit after taxation and extraordinary items <i>(approximate amount in HK\$)</i>
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 after-tax compensation 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 after-tax compensation 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:

1. the transaction having been approved by the board of directors of New Construction;

LETTER FROM THE BOARD

2. the other shareholder having consented to the transfer of the shareholding in accordance with the terms of the New Construction Agreement and waived its pre-emptive rights to the shareholding to be transferred; and
3. the New Construction Agreement having been approved by the relevant approval authorities of the PRC Government.

3. 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 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 an after-tax compensation 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.

4. BUSINESS OF THE GROUP

The Group is principally engaged in infrastructure and modern logistics, medicine and bio-technology, consumer products & automobile and parts, and information technology.

5. ADDITIONAL INFORMATION

Your attention is drawn to the general information set out in the appendix to this circular.

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

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors (except Dr. Lee Quo Wei, due to health reasons) collectively and individually accept full responsibility for the accuracy of information contained in this circular and confirm, having made all reasonable enquires, that to the best of their knowledge and belief there are no other facts 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 chief executives of the Company in the shares and underlying shares of the Company or any of its associated corporations (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	% of the issued share capital
Cai Lai Xing	4,000,000	Personal	0.42
Chen Wei Shu	3,500,000	Personal	0.37
Lu Ming Fang	2,700,000	Personal	0.29
Lu Da Yong	2,700,000	Personal	0.29
Li Wei Da	1,200,000	Personal	0.13
Zhou Jie	2,700,000	Personal	0.29

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	10.432	1,500,000
Lu Yu Ping	March 2001	10.496	1,550,000

(iii) Share options in SIIC Medical Science and Technology (Group) Limited (“SIIC MedTech”)^{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 3}

Note 2: SIIC MedTech is an associated corporation within the meaning of Part XV of the SFO by virtue of its being a subsidiary of the Company.

Note 3: Privatization of SIIC MedTech will become effective as at the Latest Practicable Date. Accordingly, the share options held by the two directors will be cancelled.

- (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 Company 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
Shanghai Industrial Investment Holdings Company Limited (“SIIC”)	548,911,000	58.06%
Shanghai Industrial Investment Treasury Company Limited (“STC”)	548,066,000	57.97%
Shanghai Investment Holdings Limited (“SIH”)	548,066,000	57.97%

Note: SIH, SIIC Capital (B.V.I.) Limited (“SIIC Capital BVI”) and SIIC CM Development Limited (“SIIC CM Development”) are the beneficial owners of 468,066,000, 80,000,000 and 10,000 ordinary shares of the Company respectively. SIIC owns 100% of SIIC CM Development and STC respectively, whereas STC owns 100% of SIH, which in turn owns 100% of SIIC Capital BVI.

Gem Capital Investment (BVI) Limited and Nanyang Enterprises Limited are the beneficial owners of 485,000, and 350,000 ordinary shares of the Company respectively. SIIC indirectly owns 100% interest in these companies respectively.

- (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 each of such person's interest in such securities were as follows:-

Name of subsidiary	Name of person	Class of shareholding	Percentage of shares held
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%
Zhejiang Rongfeng Paper Co. Ltd.	莫國平	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	寧夏農林科學院	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 executives 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 value of the issued share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group, or any options in respect of such capital.

3. DIRECTORS' INTERESTS IN CONTRACTS

- (i) Each of Messrs. Cai Lai Xing, Chen Wei Shu, Ge Wen Yao and Huang Yan Zheng has entered into a service agreement with the Company for an initial period of three years commencing from 1 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 from 22 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 from 8 March 2000, which will continue thereafter unless and until terminated by either party by six months' prior written notice.
- (iv) Each of Messrs. 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 from 5 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 5 July 2004.

- (v) Mr. Lu Da Yong has entered into a service agreement with the Company for an initial period of three years commencing from 13 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 12 March 2005.
- (vi) Mr. Yao Fang has entered into a service agreement with the Company for an initial period of three years commencing from 7 May 2003, 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 6 November 2005.

4. LITIGATION

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and, so far as the Directors are aware, no litigation or claim of material importance is pending or threatened against the Company or any of its subsidiaries.

5. 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.