PRESS RELEASE

SHANGHAI INDUSTRIAL COMMITS RMB200 MILLION TO SHANGHAI VENTURE CAPITAL FUND

(AUGUST 9, 1999 – SHANGHAI) Shanghai Industrial Holdings Limited ("SIHL") and Shanghai Venture Capital Corporation Limited ("SVCC") today signed a Letter Of Intent to jointly establish a venture capital fund with a total amount of RMB800 million. This fund is dedicated to help the financing of high technology start-up companies in Shanghai.

Set up by the Shanghai Municipal Government, SVCC has a registered capital of RMB600 million that will function as venture capital. Specialized management companies will be appointed by SVCC to be responsible for project investment, fund management and realization of investment value.

SIHL has agreed to contribute RMB200 million for joint investment in high technology projects in China, in particular in the Shanghai area. Industries covered by these projects include the Internet network, computer software development, computer/telecommunications electronics, new materials manufacturing, biotechnology and pharmaceuticals.

Shanghai Executive Vice Mayor Chen Liangyu officiated at SVCC’s opening ceremony and the signing of the Letter Of Intent, held today in Shanghai. Mr. Chen said that establishing such an investment mechanism for start-up companies represents a breakthrough in efforts to commercialize high technology projects. He encouraged all government organizations and business entities to contribute to the transformation of high technology research results into commercial products.
SIHL Chairman Cai Lai Xing said, "One of our key operational strategies this year is to cultivate new growth drivers by investing in areas where we will enjoy high growth returns, such as in high technology projects. We are happy to join hands with SVCC to participate in developing high technology industries in Shanghai. This is also an important step in our future selection and investment in quality high technology projects."

According to the Letter Of Intent, SIHL will have priority in subscribing to equity shares for projects financed by this fund. SIHL has plans to sponsor the listing of such projects at the Growth Enterprise Market in Hong Kong or other overseas markets.

SVCC is set up to channel capital to help finance high technology start-up companies at their early development stage, with priority being given to the commercialization of specific high technology projects. It is expected that these investment will not only speed up the development of high technology projects and venture capital funds, but will also help the training of experienced venture capital investment management professionals.

SIHL is a listed company on the Stock Exchange of Hong Kong with businesses in consumer product manufacturing and sale (cigarettes, printing, cosmetics, pharmaceuticals, dairy products), commercial retail (department store), automotive parts, high technology products (telecommunications equipment) and infrastructure investment (city roadways). It is also a Hang Seng Index stock. Its turnover and profit attributable to shareholders in 1998 were HK$3.558 billion and HK$1.154 billion respectively.

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