PRESS RELEASE

**SHANGHAI INDUSTRIAL INTERIM PROFITS UP 1.6%;
BUSINESS RE-ORGANIZATION SHOWS IMPROVEMENT;
ACTIVELY DEVELOPS HIGH GROWTH PROJECTS**

(SEPTEMBER 2, 1999 -- HONG KONG) Shanghai Industrial Holdings Limited ("SIHL") today announced that for the six months ended June 30, 1999, the company's turnover amounted to approximately HK$1,654 million, a decrease of about 9% over the same period last year. According to the newly adopted Statement of Standard Accounting Practice, which came into effect on January 1, 1999, SIHL's profit attributable to shareholders totalled approximately HK$579 million, an increase of 1.6% over last corresponding period's adjusted profit of HK$570 million. Earnings per share was approximately 66 cents, a decline of 3% over last corresponding period's adjusted EPS of 68 cents. According to previous accounting practices, SIHL's profit attributable to shareholders would have been approximately HK$580 million, and earnings per share approximately 66 cents, representing declines of about 6.8% and 11% respectively.

SIHL’s board of directors have resolved to pay an interim dividend of 11 cents per share, the same as the corresponding period of last year.

SIHL Chairman Cai Lai Xing said the company has adopted both aggressive and defensive strategies for this year's business operations. "On the one hand, we have re-organized and realigned existing businesses considerably in order to strengthen our earnings base as well as to stabilize the overall performance of our portfolio. On the other hand, we have taken bold steps to enter high growth areas to gather momentum for future earnings growth."

In the first six months this year, SIHL successfully turned around the financial performance of loss-making Sunve Pharmaceutical. The company also signed an agreement to dispose of all its shares in the non-performing Shanghai Xiafei. Coupled with the restructuring of Shanghai Jahwa for an A-share listing, SIHL has enhanced its competitive edge in the cosmetics and personal care products business.

During the period, the company made positive progress in identifying strategic business partners. Nanyang Tobacco will be entering into several joint projects with international tobacco companies, including SEITA of France, to develop new products and new markets. Wing Fat Printing has formed a joint venture company with a UK-listed printing group to explore overseas markets. Huizhong Automotive and SIIC Transportation Electric have also formed joint venture projects with German and US automotive parts companies for the manufacture of automotive parts in China. SIHL also formed a high technology biotech joint venture with Genetech Assets Ltd. of the US for the design, development and production of DNA chips.

In the near future, Mr Cai said that the company will focus on pharmaceutical businesses including Chinese medicines and bio-medicines. Proposals under investigation include the spin off of its existing businesses and further expansion of current operations. At present, all high technology operations under SIHL are making positive progress. The joint venture optical fibre manufacturing companies under Shanghai Optical Communications Development have contributed profits to SIHL in line with expectations. Sunve Biotech is concentrating on the development of new anti-cancer medicines. Clinical tests are scheduled to start in October and commercial production could start as early as the end of next year.

Mr Cai said that SIHL's interim profits mainly came from its infrastructure, consumer products and automotive parts sectors. Infrastructure projects contributed about HK$366 million, representing approximately 63.4% of total profits. From a business risk perspective, the infrastructure projects provided solid base for the company’s overall results.

Consumer products manufacturing and sales businesses contributed about HK$118 million, representing 20.4% of total profits. Within this business sector, Shanghai Jahwa and Shanghai Bright Dairy and Food showed outstanding performances with double-digit growth in earnings when compared to the last corresponding period. Newly acquired Hangzhou Qingchunbao Pharmaceutical also made satisfactory contribution to SIHL. Nanyang Tobacco reported considerable decline in both revenue and earnings as a result of several factors: the downturn of the market economy within the region; PRC custom duties on cigarette products remain high and the sales network has contracted. Problems associated with counterfeit products, coupled with the stringent controls and regulations on the sales and promotion of imported cigarettes in China, also adversely affected the sales of tobacco products. Mr Cai said that Nanyang Tobacco's contribution to the company's overall profit had declined from approximately 80% in 1996 to approximately 20% for the full year in 1998, and the percentage is expected to drop further for the current year. Nanyang will enter into joint venture projects with a number of foreign tobacco companies to develop new products and new markets. Joint co-operation with PRC tobacco companies to produce "Double Happiness" cigarettes in China is also under discussion.

In the automotive parts area, total profits amounted to HK$88 million, representing 15.2% of total profits. Despite the drop in sales volume of the Santana sedan as compared to last year, Huizhong Automotive managed to record earnings growth as a result of its aggressive cost reduction efforts.

Mr Cai reiterated that SIHL is enjoying excellent financial conditions. The company's cash on hand totalled more than HK$3.8 billion and its interest coverage exceeds 8 times. Net income is primarily in U.S. dollars, accounting for 60% of total income, with Hong Kong dollars and Renminbi accounting for 14% and 26% respectively.

With regard to SIHL's future development, Mr. Cai said the company will take advantage of its extensive cash reserves to increase the cost effectiveness of its capital utilization, investing in projects with fast growth potential such as high technology, Chinese medicines and health food products. Additionally, with the company's commitment in the Shanghai Hi-tech Venture Capital Fund, it expects to benefit from the fast growing high technology sector in Shanghai.

SIHL is a listed company on the Stock Exchange of Hong Kong with 17 businesses in consumer product manufacturing and sales (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 for the full year in 1998 were HK$3.558 billion and HK$1.154 billion respectively.

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