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SHANGHAI INDUSTRIAL SPEEDS UP FULL-SCALE TRANSFORMATION
ENHANCE EFFECTIVENESS OF EXISTING BUSINESSES
INVEST IN HIGH GROWTH INDUSTRIES
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1999 EARNINGS OF HK$1.01 BILLION REPRESENTS 12% DECREASE
PERFORMANCE TO IMPROVE THIS YEAR

(HONG KONG -- May 2, 2000) Shanghai Industrial Holdings Limited ("SIHL") announced that for the year ended December 31, 1999, the Group's turnover and profit attributable to shareholders amounted to approximately HK$ 3.3 billion and HK$ 1.01 billion respectively, representing a decrease of about 7% and 12% respectively compared to the previous year. Net asset value increased by about 8% to approximately HK$ 11.42 billion. The Group's board of directors proposed a final dividend of 22 cents. Together with the interim dividend of 11 cents, total dividend for 1999 amounted to 33 cents, the same as in the previous year.

While most member companies under the Group maintained business growth, its profit decreased mainly due to the substantial decline in the sales of Nanyang Tobacco under the unfavourable market environment, and also the provisions for the Group's long-term strategic investment in companies including Jiangsu Expressway Co., Ltd. and Zhejiang Expressway Co., Ltd., in accordance with the newly adopted Statements of Standard Accounting Practice.

SIHL chairman Cai Lai Xing said, "As the Group is speeding up its full-scale transformation, utilizing high technology to increase the economic effectiveness of existing businesses, and taking advantage of its financial strength in investing in "new economy" industries, our performance will improve this year."

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Mr Cai added that the Group has completed its two-year business re-alignment period and entered a new stage of full-scale transformation and steady earnings growth. In the coming years, the Group will focus on cultivating new high-growth businesses, transforming and upgrading existing businesses with high technology, and divesting non-core and stagnating businesses. The Group has approximately HK$4.8 billion cash on hand that provides financial impetus for its growth.

On new investment projects, SIHL will focus on the two high-growth industries of information technology and biotechnology. These projects would include (i) continued product development for the H101 anti-cancer medicine and DNA chips; (ii) setting up a e-commerce platform, primarily for B-to-B, for both domestic and overseas customers, leveraging the Group's existing extensive sales and distribution and delivery network with integration of the planned logistics centre in Shanghai and (iii) increased investment in Chinese pharmaceutical products and tele-medicine projects. The Group will also continue to invest in infrastructure projects that provide excellent cash flow, such as the Phase 1, Phase II and Phase III development of the Waigaoqiao container port terminal in Pudong.

Since the addition of high technology businesses to the SIHL portfolio in 1998, SIHL companies fall under four business sectors: infrastructure, consumer products/retail, automotive parts and medical/high technology.

Infrastructure projects contributed about HK$743 million profit before net interest and central administrative expenses, representing approximately 71% of the Group's total. As they continue to contribute considerable and stable investment returns, the infrastructure projects also provide steady cash income that would help to balance the risks of new high technology projects.

Consumer products/retail contributed about HK$97.6 million profit before net interest and central administrative expenses, representing approximately 10% of total. The two Hong Kong companies in this sector suffered profit decline in 1999. Nanyang Tobacco earnings decreased by 86% compared with previous year as a result of several factors: downturn of the economy in the market, contraction of its sales network and problems associated with counterfeit products in key markets and high PRC import tariffs. Nanyang Tobacco has suffered the most difficult period in its history. The Group is confident, however, that its performance will improve following the signing of sales contract and technology cooperation agreements with PRC tobacco companies as well as joint product development projects with overseas tobacco companies. Nanyang Tobacco has signed agreements with Beijing Cigarette Factory and Zhejiang Ningbo Cigarette Factory to distribute Nanyang products in Beijing and Zhejiang provinces respectively. In collaboration with the French tobacco company SEITA S.A., Nanyang Tobacco will launch, in the second quarter, two new cigarettes -- "Alain Delon" and "Wealth" .

During the same period, the two Shanghai companies in this sector enjoyed increased earnings. Shanghai Bright Dairy has been maintaining high growth for the past three years, recording a CAGR of 38%. Its profit in 1999 has grown by 25%. With a solid 86% share of the dairy market in Shanghai, Shanghai Bright's dairy products have also captured 70% of the market in medium-to-large cities in Zhejiang and Jiangsu provinces. Shanghai Bright has also entered the Beijing market, and expanded into central and western China cities including Wuhan and Xi'an. On the retail side, Orient Shopping Centre has made an impressive performance of gaining 5% earnings growth under the unfavourable market conditions with 60% of retail shops suffering losses. With the rebound of the retail business in Shanghai, Orient is expected to make further progress by continuing to leverage its competitive edge in brand name products, developing new business networks, launching new "total customer service" and its house brand "Eliao" products.

Automotive parts contributed about HK$155 million profit before net interest and central administrative expenses, representing approximately 15% of total. Profit before tax in this sector increased by about 3% compared with the previous year. Shanghai Huizhong Automotive and SIIC Transportation Electric had been successful in forming strategic alliance with international automotive parts manufacturers. Huizhong joined hands with Mannesmann and SIIC Transportation Electric formed joint venture with Delphi. Both ventures would be engaged in the production of automotive parts in mainland China, thus laying the foundation of overseas market development. SIIC Transportation Electric has achieved a net earnings growth of 41% as a result of reduced costs and increased effectiveness.

Medical/high technology businesses contributed about HK$45.6 million profit before net interest and central administrative expenses, representing approximately 4% of total. SIIC MedTech, a spin off from SIHL which was listed last year, had satisfactory business growth, with after-tax earnings exceeding the earnings forecast as stipulated in the prospectus by 19%. Hangzhou Qingchunbao Pharmaceutical under SIIC MedTech had a revenue growth of about 13% and a record sale of its health supplement products while Shanghai Jahwa also enjoyed 13% revenue growth.

In the biotechnology area, SIHL's two subsidiaries -- located in Shanghai and the Silicon Valley in the U.S. -- achieved breakthrough in new product development. The new anti-cancer medicine H101, developed by Shanghai-based Sunve Biotech, had received approval from the Chinese authorities to proceed to clinical test while the U.S.-based Mergen's new "Express Chip" DNA chip was well received by research organizations not only in the U.S., but also in overseas countries such as Germany and Hong Kong. The Shanghai High-Technology Venture Fund set up last August, in collaboration with Shanghai Venture Capital Corporation, has made assessment of more than 100 high technology projects, through its asset management companies. About a dozen of these projects had been approved and capital committed. The Group is expected to share the economic appreciation of some of these projects within this year.

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