



上海實業控股有限公司

SHANGHAI INDUSTRIAL HOLDINGS LIMITED

上海實業集團成員 A Member of SIIC

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## Shanghai Industrial acquires interest in

## Shanghai Information Investment

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### A New Joint Force in China's IT Development

(JULY 5, 2000 - HONG KONG) Shanghai Industrial Holdings Limited ("SIHL") announced the acquisition of 20% equity interest in Shanghai Information Investment ("SII") for a consideration of US\$120 million (approximately 933.6 million) in cash and the granting of an option to subscribe for a maximum of 50 million new shares of SIHL at the price of HK\$15.90 per share. The acquisition is the result of an agreement between SIHL and a subsidiary of Shanghai Alliance Investment Ltd. ("SAIL"), a company owned by the Shanghai Government and a key shareholder of SII. Upon full exercise of the option, SAIL's subsidiary will have approximately 5.3% of the enlarged share capital of SIHL.

According to the appraisal report of an independent business valuer, the appraised value of the 20% equity interest in SII is HK\$1,413 million.

A professional investment company in the IT sector, SII is the key investment body for the Shanghai Infoport Project. Current investment portfolio of SII includes 19 projects, among them Shanghai Information Network, Shanghai Cable Network, Shanghai's Broadband Fibre Network, Shanghai Electronic Certificate Authority, Shanghai Credit Information Service, Shanghai EastDay portal, as well as a joint venture with AT&T.

SIHL chairman Cai Lai Xing described the cooperation with SII as a successful case of "the alliance of two strong partners". He said the acquisition represents an important milestone of SIHL's expansion in the IT industry, a significant element of the company's full-scale transformation strategy. Mr Cai explained, "The arrangement of cross share ownership fosters intimate partnership amongst SIHL, SAIL and SII. SIHL will appoint two directors to SII's Board of Directors. At the same time, SII will second a Chief Technology Officer to join SIHL. With the joint forces of the three companies and other SII shareholders who have professional expertise in telecommunications and broadcasting, we would be playing an active role in the development of the IT industry in Shanghai and the whole of China. "

Following the acquisition, SIHL will become one of the key shareholders of SII. Other SII shareholders include SAIL, Shanghai Post and Telecommunications Administration, Shanghai Radio, Film, & TV Bureau, Shanghai Oriental Pearl Co., Ltd. and Shanghai General Electronics Group Co., Ltd.

SII President and Director Fan Xiping stated that SII has strategic advantages in developing business in Shanghai & China's IT sector. These include existing investment in "critical" IT projects, the ability of enhancing the value of its own investment projects, partnership with international IT companies (such as AT&T, CMGI, IBM, Compaq and Texas Instruments), and strong government support.

Mr Fan indicated that SII's business strategy focuses on those elements in the IT industry with the best investment value. Many of SII's investment projects are the first of its kind in China, or the country's only pilot project. Examples include Shanghai Electronic Certificate Authority Center & Shanghai Credit Information Service that have great potential of extending services to the nationwide market. Other significant SII projects include Shanghai Information Network, Shanghai Cable Network and the Broadband Fibre Network.

Shanghai Information Network (Infonet) is an ATM backbone network using the most advanced ATM & IP data communications technology. It is also one of the largest metropolitan area broadband network in the world. The project includes providing corporate users and telecommunications operators with ATM, IP and frame relay services.

Shanghai Cable Network(SCN), in which SII has dominant shareholding, is responsible for implementing the "convergence of three networks (i.e. cable television, telephony and Internet)", a pilot project designated by the Shanghai Government. With a subscriber base of 3 million families, SCN is one of the largest metropolitan area Cable TV networks in the world. The network is undergoing a massive two-way interactive capability upgrade which will cover 1 million subscribers, the largest coverage in China, by the end of this year. With the upgrade, SCN will offer more than a dozen multi-media and value-added business services in Shanghai as well as the national market.

The Broadband Fibre Network project is authorized by the Shanghai government to build a 400km telecommunications pipeline by the end of 2001. With built-in high capacity optical fibre lines, the project provides pipeline resources and services to telecommunications operators.

Shanghai Electronic Certificate Authority Center (SHECA) is responsible for issuing and managing digital certificates for online transaction and e-commerce. It also offers online security and encryption services. SHECA has already issued around 70,000 digital certificates, and set up businesses in 20 provinces and cities.

The joint venture between SII & AT&T will be the first pilot project in China's telecommunications industry open to foreign companies. It will provide advanced IP value-added services in the Shanghai Pudong New Area.

SIHL is a publicly listed company in Hong Kong and a constituent stock of the Hang Seng Index. Its subsidiaries and associated companies are engaged in a diversified range of businesses including consumer products / retailing, automotive parts, infrastructure, medical and high technology products. The turnover and shareholders' profits in 1999 are HK\$3.3 billions and HK\$1.011 billions respectively.

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