PRESS RELEASE

SHANGHAI INDUSTRIAL INTERIM EARNINGS
INCREASE 18% TO HK$691 MILLION
EBITDA WENT UP 22%
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CONSUMER PRODUCTS, AUTOMOTIVE PARTS
MAINTAIN POSITIVE PERFORMANCE
INFORMATION AND MEDICAL TECHNOLOGY SEE ROBUST GROWTH

(September 3, 2001 -- HONG KONG) Shanghai Industrial Holdings Limited ("SIHL") today announced that for the six months ended June 30, 2001, the company's turnover totalled approximately HK$1.618 billion, an increase of about 14.2% over last year. Profit attributable to shareholders rose to approximately HK$691 million, up about 18.2% from last year. Earnings per share was approximately 76.8 cents, an increase of about 16.5%. SIHL's board of directors have resolved to pay an interim dividend of 14 cents per share, an increase of about 27.3%.

EBITDA in the interim period increased by about 22.3% to approximately HK$ 960 million.

SIHL chairman Cai Lai Xing said that under positive economic environments in the mainland, the company's main businesses maintained positive performance. Consumer products/retailing businesses reported a 24.5% increase in net profit. Automotive parts companies, despite the price pressure caused by the price cut of sedans, managed to report a 3.6% growth in net profit. At the same time, information and medical technology businesses, incorporated during the process of full-scale transformation, continued to report robust growth. Net profit contributed by information technology businesses increased by 9.8 times and that by medical science and technology businesses 5 times.

While consolidating its existing core businesses, SIHL has progressively made investments in new areas such as information technology and modern logistics, according to Mr Cai. Completed projects included equity investment in Shanghai Information Investment ("SII") and Semiconductor Manufacturing International Corporation ("SMIC"); joint ventures with Pentasoft of India for software development, and with Waigaoqiao Free Trade Zone United

Development for providing modern logistics services.

Mr Cai continued, " Recently we have been actively promoting the Economic Value Added (EVA) management concept, with the objective of emphasizing creating value for our shareholders. In the first half of this year, our net interest income has dropped by about HK$30 million as a result of the declining interest rate and a lower level of cash on hand after debt repayment and commitment to new investment projects like SMIC. Under such circumstances, however, our average returns on shareholders' equity has increased to an annualized rate of about 11.8%, creating a positive EVA of approximately HK$150 million. "

SIHL's main businesses include infrastructure/logistics, consumer products/retailing, automotive parts, information technology and the GEM-listed company, SIIC MedTech.

INFRASTRUCTURE FACILITIES contributed approximately HK$361 million, or 51% of SIHL's net business profit, mainly from Shanghai's elevated road projects. Preparatory work for the Shanghai Pudong Waigaoqiao Container Terminal Phase One joint venture was completed, pending final approval of state authorities. SIHL's investment in this project was expected to realize favorable returns. On logistics businesses, the Shanghai Industrial Wai Lian Fa International Logistics joint venture commenced operation in May 2001, serving as a modern logistics platform for third party logistics companies. SIHL has plans to undertake projects featuring port logistics by land, by sea and by air, such as the Shanghai Chemical Industry Zone Logistics Centre and the Pudong Airport Logistics Centre. The strategy is to develop an integrated logistics business based on an electronic information platform.

CONSUMER PRODUCTS/RETAILING businesses contributed approximately HK$108 million, or 15% of SIHL's net business profit. Nanyang Tobacco made good progress in the first half of the year with profit increasing by about 14%. Nanyang is broadening its sales channels in Hong Kong by selling " Chunghwa " cigarettes, as distributor, in " 7-11 " convenience stores in Hong Kong starting in May 2001. It has also acquired the right to distribute " DJ Mix " Lemon Fresh cigarettes in Hong Kong and Macao. In addition, Nanyang is increasing marketing efforts targeting at the Singapore and Taiwan markets. The familiar " Double Happiness " brand is expected to be launched in Taiwan before year-end.

Wing Fat Printing recorded a net profit increase of about 14%. Wing Fat recently developed a number of new tobacco packs, and also started trading of packaging material.

Shanghai Bright Dairy continued to record high profit growth with net profit increasing by about 48.7%. New products including Iron Fortified Milk, Low-Lactose Milk and Probiotic Milk will be launched within this year. In July 2001, Bright Dairy was admitted to the " First Lot of School Milk Producers " authorized by the state authorities, thus greatly enhancing the sale of its School Milk products. Bright Dairy has already applied to the China Securities Regulatory Commission for the right to issue " A " shares. Its acquisition of the joint venture operations of France's Danone Group in Shanghai and Guangzhou also progressed smoothly.

Shanghai Sunway Biotech had successfully completed Phase I clinical testing for its new anti-cancer drug H101 that was designated State Class One New Drug, and received approval to proceed to Phases II and Phase III clinical testing. The two phases are expected to be completed in about a year, after which H101 will be launched in the market. Sunway Biotech had joined hands with University of Washington and the Baylor College of Medicine, Houston in the U.S. to pursue anti-cancer drug research.

Three raw material medicines developed by Shanghai Sunve Pharmaceutical successfully passed the supplier quality audit and production is expected to commence in the second half of 2001.

Having become one of the major manufacturers in the custom array/service market, Mergen had launched a 5000 feature mouse DNP microarray, which will be followed by a new 5000 feature human array and a 6000 feature human array later this year.

With a net profit increase of about 18%, Orient Shopping Centre had actively introduced new brands of high-end products, and achieved substantial increase in sales, retail profit and gross profit margins particularly with crafts and gift, gentlemen's clothing and household electrical appliances.

AUTOMOTIVE PARTS contributed approximately HK$87.55 million or 13%of SIHL's net business profit. Notwithstanding the price pressure on automotive parts following a price cut in domestic sedans, SIHL's auto-parts companies were able to achieve outstanding results through effective management, cost reduction measures and vigorous market development.

A joint venture formed by Shanghai Huizhong and Mannesmann Sachs had formally commenced operation. Main product is shock absorbers, with an annual capacity of three million units. Shanghai Huizhong has plans to continue to develop overseas markets, with emphasis on exporting its own branded products.

Shanghai Wanzhong had begun supplying parts to B5 Passat sedans with the capacity reaching 100,000 units in the second half of this year. At the same time, Wanzhong will import equipment from Sangyoung Heavy Duty Truck from Korea, and plans to start production next year.

SIIC Transportation Electric had completed market research, technology cooperation and product function positioning for developing Global Positioning System (GPS) products, and will further pursue this project later this year. It had also established various distribution centres in Beijing and Hebei, further strengthening its after-sale services and enhancing customer satisfaction.

INFORMATION TECHNOLOGY businesses contributed approximately HK$18.4 million or 3% of SIHL's net business profit. Two major operational enterprises under SII reported rapid development. (A) Following the successful completion of the two-way upgrading for one million cable TV subscribers, Shanghai Cable Network is progressing to upgrade 300,000 more subscribers by the end of this year. An increasing number of value-added services would be provided to these subscribers including VoIP and two-way interactive multimedia application functions, in addition to the existing broadband ISP services. (B) Shanghai Information Pipeline completed 143 km of pipeline construction, leading to an aggregate length of 355 km of pipeline in the city. The company is already providing channel and optical fiber leasing service to telecom carriers including China Mobile, China Unicom and China Netcom.

SII had embarked on three new investment projects in 2001: (1) Consumer Credit Information Services, featuring the highest integrated level and largest data scale in China; (2) Comprehensive Logistics Information System of Shanghai Port, providing information technology development and applications services to the rapidly growing number of import and export trade and logistics companies at the Shanghai Port; iii) Information Project Consultation Services, engaged primarily in decision-making consultation for business organizations and government departments.

Shanghai Optical Communications had excellent performance as the company's two joint ventures, Lucent Technologies of Shanghai, Ltd. and Lucent Technologies Shanghai Fiber Optics Co., Ltd. had exceeded profit targets following excellent sale performance of optical fibre products. Shanghai Communication Technologies Centre had successfully passed the State

Administration of Radio, Film and Television's technical inspection and quality check on its digital graphics compiler products. They were given the same grading as similar products in the international market.

For high-tech investment funds, the three funds in which SIHL had participated continued to select, study and invest prudently in projects with great potential. Most projects invested by these three funds had been performing well and are expected to bring in commercially viable projects and satisfactory investment returns.

SIIC MEDICAL SCIENCE AND TECHNOLOGY contributed HK$127 million, or approximately 18% of SIHL's net business profit, including approximately HK$100 million earned by the listing of Shanghai Jahwa on the " A " share market in Shanghai. The performance of Hangzhou Qingchunbao and Shanghai Jahwa had reached record levels as Qingchunbao's pre-tax profit rose by about 30% and Jahwa maintained robust growth.

The production plan for fresh barbary wolfberry fruit tablets, researched and developed by SIIC MedTech, had progressed to the approval stage. Production is expected to commence in the middle of next year and it will be sold as a healthcare food product. Approval for another new drug, developed successfully by Hangzhou Qingchunbao for the treatment and prevention of osteoporosis, is also expected later this year.

Business remained good after the successful listing of Shanghai Jahwa in March this year. In the first half of the year, the cosmetics market was relatively active with consumer spending rising steadily. Jahwa's successful Herbalist personal care products, characterized by the synergy of traditional Chinese herbs and modern technology, was introduced to international consumers as two specialty stores were opened in Causeway Bay and Mongkok in Hong Kong.

Mr Cai said that SIHL is currently in excellent financial position with about HK$3.2 billion cash on hand, an interest cover ratio exceeding 16 times and current asset versus current liabilities ratio of about 2.4 times. The company is actively considering the proposal to further broaden its capital raising channels in the mainland capital market. Once effected, the company will benefit in the implementation of its transformation strategy and further expansion of SIHL companies leading to increased shareholder value.

Commenting on the outlook for the second half of the year, Mr Cai said that the Chinese economy would maintain its strong growth. He added, "With China's upcoming entry into the WTO, the enormous domestic demand in the mainland will attract international investment. Meanwhile, under the State's " Tenth Five-Year Plan ", Shanghai will become an international economic, financial, trading and shipping centre, serving as an assembly point for domestic and foreign business communities, as well as the flow of goods, information, capital and talents." SIHL will leverage its unique strengths in Shanghai and use its financial prowess to secure new investment projects. Information technology, modern logistics and bio-pharmaceutical businesses would gradually become new areas of accelerated growth, and would serve as major sources of income for SIHL in the future, said Mr Cai.

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