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SHANGHAI INDUSTRIAL REPORTS HK$485M INTERIM EARNINGS DOWN 17.8% ON EX-EXCEPTONAL BASIS

GROSS PROFIT INCREASES 10.3% TO HK$913M

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NEWLY DEVELOPED SEMICONDUCTOR，MODERN LOGISTICS BUSINESSES TO CONTRIBUTE INCREASING PROFIT

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BRIGHT DAIRY "A" SHARE LISTING TO CONTRIBUTE HK$220M EXCEPTIONAL GAIN

(August 30, 2002 -- HONG KONG) Shanghai Industrial Holdings Limited ("SIHL") announced that for the six months ended June 30, 2002, the company's turnover totalled HK$1.72 billion, an increase of 6.4% over last year. Net profit amounted to HK$485 million, a decrease of 29.7%, or 17.8% after discounting the exceptional gain from Shanghai Jahwa spin-off listing in 2001. SIHL's board of directors have resolved to pay an interim dividend of HK15 cents per share, 7% more than last year.

EBITDA in the interim period was HK$720 million or 10.5% less than last year after discounting Shanghai Jahwa's exceptional gain. Gross profit rose 10.3% to HK$913 million.

SIHL chairman Cai Lai Xing said, "The company has maintained satisfactory results in its overall operations, with consumer products/retailing and medicine/bio-technology sectors reporting profit increase. Subsidiaries and associated companies reporting net profit growth include Nanyang Tobacco (up 18%), Wing Fat Printing (up 16%), Bright Dairy (up 40%), Orient Shopping Centre (up 23%) and Hangzhou Qingchunbao (up 14%). However, being affected by such factors as a reduction in interest income, a result of depressing interest rates against the lingering deflationary environment in Hong Kong; a slippage of the automotive parts business due to adjustment in China's auto-making industry; and the attributable loss of Semiconductor Manufacturing International Corporation ("SMIC"), the company's net profit decreased by 29.7% over last year, or 17.8% after discounting the exceptional gain derived from the spin-off listing of Shanghai Jahwa last year."

In the course of implementing the total transformation strategy while leveraging on the quality investment projects and market opportunities created by the buoyant economy in China, and particularly in Shanghai, SIHL is poised to benefit from a number of newly developed businesses such as semiconductor, modern logistics, medicine and bio-technology and port facilities in Shanghai, according to Mr Cai. In the years to come, the company's profits will undergo significant structural changes, with profit contributions arising from new businesses set to increase gradually, said Mr Cai.

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In the semiconductor industry, SMIC has been running smoothly since it commenced operation last September, and has become one of the world's largest and China's most advanced semiconductor foundries. Recently, SMIC has acquired 0.18-micron CMOS process certification. With satisfactory sales orders for the year 2002, SMIC is expected to achieve break-even by the fourth quarter of this year. Its business outlook is promising with the continual development of the global semiconductor market and, in particular, an increase in China's demand for chips.

Regarding modern logistics, SIHL has taken control stakes of EAS International, thus gaining access to a nation-wide logistics distribution network. SIHL will speed up the consolidation of its logistics resources, and form alliance with international strategic partners to promote and share the fast- growing modern logistics business in China.

Mr Cai added that SIHL is integrating its internal resources and streamlining business reorganisation through integrating and divesting non-core businesses by way of spin-offs for listing, internal re-organisation or asset transfer. The latest example is Shanghai Bright Dairy which was listed on the "A" share market in Shanghai, consequently contributing an exceptional gain of around HK$220 million.

Mr Cai noted that the company is in excellent financial conditions, with interest coverage increasing from 16 to 17 times. As of June 30, 2002, SIHL was holding HK$3.26 billion cash on hand, with HK$1.62 billion net cash. Total debts stood at HK$1.64 billion, with a gearing ratio of 10.9%.

SIHL has investment in five business sectors: infrastructure/logistics, information technology, medicine and bio-technology, consumer products/retailing and automotive parts.

Infrastructure/ Logistics

Infrastructure/ Logistics sector contributed approximately HK$354 million in the interim period, representing about 67% of SIHL's net profit. It came mainly from the company's investment in the main arteries of Shanghai's expressway network comprised of the Yanan Elevated Road, the Inner Ring Road and the North-South Elevated Expressway. These elevated road projects are currently one of the company's main sources of cash flow, and they continue to support SIHL's overall business development, and nurture new business developments.

During the period, the Shanghai Pudong Waigaoqiao Container Terminal Phase One Project received formal approval from the relevant PRC government authorities. Discussions with various investment partners are currently underway to finalise the detailed arrangements in respect of the project's operation as well as subsequent capital contribution procedures and work schedules. Waigaoqiao's container throughput has been rising, with approximately 26.3% growth in container throughput and a corresponding 87.8% increase in profit in the first half of 2002. The Waigaoqiao Project is expected to bring new profitability to the company's infrastructure business.

On modern logistics, SIHL has taken control stakes of the Beijing-based EAS International, and through which it acquired controlling interest in Hong Kong's CTII Worldwide Limited. Together with SIHL's two logistics joint ventures in Shanghai, they form a management operation platform that encompasses Beijing, Shanghai and Hong Kong.

Shanghai Wai Lian Fa commenced operation in October last year. In early 2002, it was actively engaged in securing customers and expanding market share. With a customer base reaching 80, its overall business has spiralled to over 33,000 tonnes of warehouse delivery of 2.4 million goods.

Shanghai Sinotrans received formal approval from the relevant PRC authorities in February 2002, obtained its business license in March 2002, and started operations in July 2002. With focus in the import/export freight forwarding business, it is tapping into the base of logistics customers in the Shanghai Chemical Industry Zone.

Information Technology

Since SMIC commenced trial operations in September 2001, orders have been positive and production capacity reached 10,000 wafers per month in June this year. With a production target of 30,000 wafers per month by year-end, SMIC is expected to achieve break-even by the fourth quarter of this year.

SMIC has entered into sales contracts and formed alliances with various technology business partners including Toshiba, Fujitsu of Japan and Chartered Semiconductor Manufacturing Ltd. of Singapore. SMIC also signed a letter of intent with Europe's leading research and development for microelectronics, IMEC, to establish a long-term partnership in advanced semiconductor process technologies. It has acquired 0.18-micron CMOS process certification and become the first foundry in China to produce in volume with 0.18-micron logic technology.

Shanghai Information Investment ("SII") reported a net profit of RMB21.29 million, up 43% from last year. In the first half of 2002, Shanghai Cable Network completed the upgrade of its two-way cable television network for 40,000 additional subscribers, with a total of 1,600,000 subscribers as target by year-end which would have covered most districts within the city's urban area. Currently, over 40,000 commercial subscribers have access to SII's "Cableplus" broadband data service. Shanghai Information Pipeline ("SIP") has completed over 600 km of Shanghai Government's system service network, thus creating an integrated information pipeline network covering all of Shanghai's major business districts. SIP is providing leased line services to China Netcom, China Unicom, China Mobile, Shanghai Cable, and other telecommunications and network operators, with sales contracts totalling RMB80 million in the first half of 2002.

As a result of SIHL's share of the loss of SMIC due to depreciation and interest expenses, the information technology sector recorded a loss of HK$28.5 million for the period .

Medicine and Bio-technology

The medicine and bio-technology business sector comprises SIHL's Hong Kong-listed subsidiary, SIIC Medical Science and Technology (Group) Ltd., ("SIIC MedTech") and three bio-technology development and pharmaceutical companies in Shanghai and the United States.

SIIC MedTech realised respectable growth in both turnover and net profit in the first half of 2002. Turnover rose 23.7% to HK$420 million, while net profit increased 5.3% , after discounting the exceptional gain derived from the listing of Shanghai Jahwa, to HK$45.52 million.

Under SIIC Medtech, the sales of principal products of Hangzhou Qingchunbao, namely "Shen Mai Injection", "Dan Shen Injection", "Huang Qi Injection" and "Herba Houttuyniae Injection" increased by 6.9%, 16.5%, 26.6% and 34.4% respectively. At the same time, sales of "Qingchunbao Anti-ageing Tablets" grew by 70.4%.

SIIC MedTech also achieved breakthroughs in its acquisition exercises. It successively acquired 56% stake of Xiamen Chinese Medicine and 21.31% stake of Shanghai MicroPort Medical (research, production, sale and service of high-tech medical instruments for micro wounds) and increased equity interests in E-COM Technology (digital imaging system) to 24.35%.

In the personal care sector, Shanghai Jahwa achieved a 7.4% increase in turnover. Sales of its "Liushen" and "Herborist" series of products increased by 13% and 50% respectively. "Herborist" was launched successfully in Xi'an, Qingdao, Nanjing and Shenzhen and it has entered the Watson's chain of drugstores in Hong Kong.

Shanghai Sunway Biotech completed Phase 2 clinical trials of H101, a Class One anti-cancer new medicine. Phase 3 clinical trials are expected to commence in September 2002. Product sales by Shanghai Sunve Pharmaceutical improved in the first half of 2002, returning this entity to profitability with a net profit of RMB4.75 million. Mergen Limited finalised its contracts with leading bio-technology company CuraGen to provide the latter with microarrays supply, custom array design, production and array hybridization services. During the period, Mergen was granted patents for two of its technologies.

Subsequent to the period under review, SIHL subscribed RMB52.69 million for about 9% of the equity interests in Shanghai Fudan-Zhangjiang Bio-pharmaceutical to enhance synergy in SIHL's bio-medical research businesses.

Consumer Products/Retailing

Net profit from the consumer products/retailing sector amounted to HK$131 million, representing an increase of 15%. Nanyang Tobacco reported a net profit of HK$46.78 million, up 18.3%. The tobacco company successfully strengthened its Singapore market and made its debut in Taiwan. Overall exports and domestic sales in the Hong Kong market were stable, with sales of cigarettes under distribution in Hong Kong recording growth. "Chunghwa", "Peony" and "Liushuiyin Lights" recorded sales growth of 12.2%, 8.8% and 15.6% respectively. Wing Fat Printing posted a net profit of HK$43 million, representing an increase of 16%.

Bright Dairy contributed a net profit of approximately RMB95.5 million, an increase of 40%. During the period, sales of Bright Dairy's bottled milk rose 322%. With the newly established Guangzhou Bright Dairy and Beijing Bright Health Dairy both starting production in the second half of 2002, Bright Dairy's market share is set to expand. Bright Dairy was successfully listing on the "A" share market after it issued 150 million new shares and raised a net proceeds of RMB950 million. SIHL will record an exceptional gain of HK$220 million in the second half of the year. Subsequent to the listing, the company's shareholding at Bright Dairy has decreased from 40% to 30.8%.

Orient Shopping Center realised a net profit of approximately RMB18.2 million in the first half of 2002, an increase of 23%.

Automotive Parts

The automotive parts sector registered a net profit of HK$42.3 million for the first half of 2001, a drop of 52%. Although sales of Huizhong Automotive rose compared to the same period last year, profit targets were not met due to substantial price cuts in domestically manufactured sedans. Total profit of Huizhong Automotive was RMB66.85 million, a decline of 61%. Shanghai Wanzhong generated a net profit of RMB1.84 million and it is tightening up the implementation of its heavy truck technology renovation project to consolidate its market share. Shanghai SIIC Transportation Electric posted RMB37.93 million net profit, up 56%. It is focusing on developing high value-added and high-tech products.

Outlook

Mr Cai said that as Shanghai's economy is continuing its sustained growth and providing outstanding investment environment and development potential, SIHL will be actively participating in key development projects being planned by the Shanghai Municipal Government. Since the company has clearly defined objectives of focusing on developing infrastructure facilities, modern logistics, information technology, and medicine and bio-technology businesses, the management is stepping up investment activities and speeding up the company's business transformation.

SIHL will continue to strive for a better financial structure, adopt stringent controls on operating costs and risks, and work to create sound business and economic returns. The company will also continue to allocate resources efficiently and regulate corporate management in order to raise its standards of corporate governance and transparency in a bid to establish a competitive business platform, which will subsequently enhance integrated profitability and secure better returns for shareholders.

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