

PRESS RELEASE (C)

**SHANGHAI INDUSTRIAL FORMS JOINT VENTURE WITH  
CHINA ENERGY CONSERVATION INVESTMENT  
TO DEVELOP WATER SERVICES BUSINESS**

(August 29, 2003 -- HONG KONG) Shanghai Industrial Holdings Limited ("SIHL") has signed a heads of agreement with China Energy Conservation Investment Corporation ("CECIC") and its wholly-owned subsidiary China National Environmental Protection Corp. to form a joint venture called China Water & Sewage Treatment Company Ltd., where SIHL will have 50% interest. With a registered capital of RMB500 million, the joint venture will be engaged in businesses including the investment, construction and operation of water supply and wastewater treatment plants; sale, development and supply of water-related environmental protection equipment; research and development of water treatment technology and related patent transactions.

With a focus on developing urban sewage and industrial wastewater treatment businesses, China Water & Sewage Treatment Company will seek opportunities for urban sewage treatment projects in developed regions such as the Yangtze River Delta and Pearl River Delta, and also along the eastern and central pipelines for the South-to-North Water Diversion Project, as outlined in the environmental protection and pollution treatment scheme under the national Tenth Five-Year Plan. The joint venture has a three-to-five-year business objective of becoming a sizeable professional enterprise that could provide turn-key solutions covering project investment, technical services and operational management for urban sewage treatment, industrial wastewater treatment and potable water production projects.

SIHL chairman Cai Lai Xing was positive that water services has a very promising market against the fast-paced urbanization in the mainland. According to the national Tenth Five-Year Plan, the annual output value of the water supply industry alone would increase from RMB60-70 million to RMB 150-200 million. As the water environment deteriorates, urban sewage treatment ratio would also rise from the present 29% to 45%, requiring an increase of daily treatment capacity of 26 million ton. China Water & Sewage Treatment Company will invest and develop new wastewater treatment capacity reaching 4 million ton per day in the next three to five years, so as to secure a 15% share of the increase in the water services market during the Tenth Five-Year Plan period. Mr Cai believed that this joint venture with CECIC will provide SIHL with excellent investment opportunities and contribute stable and growth-enhancing income.

CECIC is the only national-level investment corporation in the fields of energy conservation and environmental protection in the PRC. It acts as the country's platform for foreign co-operation and exchange. In accordance with the country's energy conservation and environmental protection policies, CECIC is authorized to raise capital and invest in projects related to environmental protection, energy conservation, new energy resources and new materials. With a total registered capital of RMB22 billion, CECIC has taken leadership position in the industry. China National Environmental Protection Corp. is a wholly-owned subsidiary of CECIC. Also a national-level professional enterprise, China National Environmental Protection Corp. has rich experience and resources in urban water sewage treatment, industrial wastewater treatment and urban water supply.

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