

PRESS RELEASE

**SHANGHAI INDUSTRIAL SIGNS RMB1B WATER SERVICES AGREEMENTS  
WITH XIAMEN AND ZHENJIANG NEW AREA  
SHORTLISTED FOR PROJECTS IN NANJING, ZHENJIANG, HEFEI AND  
HARBIN**

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**TO INVEST RMB10B IN THREE YEARS  
IN WATER SUPPLY, SEWAGE TREATMENT AND DRAINAGE NETWORK**

(October 30, 2003 -- HONG KONG) Shanghai Industrial Holdings Limited ("SIHL") reported satisfactory progress with its water services investment projects as the two joint ventures the company formed with China Energy Conservation Investment Corporation ("CECIC") -- China Water & Sewage Treatment Company and Zhong Huan Water Treatment Construction Limited Corporation -- had commenced operation. China Water & Sewage Treatment had recently signed heads of agreements with Xiamen Water Services Group and Zhenjiang New Area Administrative Commission in Jiangsu province for water services investment projects. Total investment amount exceeds RMB 1 billion. In addition, China Water & Sewage Treatment has been shortlisted in public tender for water services projects in a number of major cities including a 300,000-ton sewage treatment plant in northern Nanjing, a 400,000-ton water supply facility in Zhenjiang city, a 325,000-ton sewage treatment project in Harbin, and a 300,000-ton sewage treatment project in Hefei.

In addition to a nation-wide investment program, China Water & Sewage Treatment has launched a national recruitment campaign for water services professionals to strengthen its professional team who will be dedicated to run the various water services projects. The joint venture also has plans to team up with a multinational company with professional expertise in the water services industry.

According to Mr Yang Xincheng, general manager of CECIC, the quickened urbanization across the country has induced a substantial demand for water supply and sewage treatment facilities and services. With such promising potential in the water services market, CECIC is convinced that the cooperation with SIHL, over other potential joint venture partners, will forge a mutually beneficial alliance best positioned to play a leading role in this market.

SIHL chairman Mr Cai Lai Xing noted that the public utilities market in China has lifted the entry barrier and opened up to different types of capital starting this year. Shanghai Industrial's active development in the water services market, supported by the alliance with CECIC, will provide a window of opportunities for the international investment community to benefit from the rapid growth in this market. It will also help strengthen the foundation of SIHL's basic urban infrastructure business sector, comprising toll roads, water services and port facilities.

China Water & Sewage Treatment had signed a heads of agreement with Xiamen Water Services Group on October 21 to form joint venture companies to operate the principal water supply and sewage treatment facilities in Xiamen. Presently the daily water transportation capacity in Xiamen is 1.5 million ton, including water supply capacity of 1 million ton and sewage treatment capacity of 514,000 ton. Xiamen Water Services Group was formed by integrating a total of 14 organizations including Xiamen Waterworks, Xiamen Water Treatment Investment Development, and Xiamen Environmental Technology Development Company. Its total asset value is RMB 4.5 billion, and net asset value about RMB 3 billion.

Xiamen was one of the "Five Ports Opened for Foreign Trade" in the early days of Sino-foreign trade, and one of the four Special Economic Zones set up with the country's economic reform. After more than two decades of economic development, Xiamen today has become a city with comprehensive infrastructure facilities and considerable economic prowess. The city boasted a GDP of RMB 64.8 billion, and GDP per capita of US\$5,634 in 2002. Disposable income of the urban population stood at RMB 11,768. As a major city in the coastal provinces, Xiamen Special Economic Zone enjoys stable economic growth and is uniquely positioned in attracting investment of Taiwanese companies. With the upcoming increased trade activities with Taiwan, Xiamen is destined to benefit in even more vigorous development. While the city is enjoying a fast-tracked economic growth, it emphasizes on preserving a quality living environment, thus winning the acclaim of "international garden city". In recent years Xiamen has made efforts in improving the environment and maintaining its ecological equilibrium by implementing pollution prevention and ecological preservation measures. It is determined to continue to upgrade the urban environmental protection infrastructure facilities and secure a positive cycle of ecological environment.

On another front, China Water & Sewage Treatment signed a heads of agreement on October 16 with Zhenjiang New Area Administrative Commission in Jiangsu province for exclusive right of operating water supply and sewage treatment facilities in Zhenjiang New Area. China Water & Sewage Treatment is expected to invest by 2006 a total of US\$30 million in a 100,000-ton waterworks BOT (Build-Operate-Transfer) project, a 60,000-ton sewage treatment plant TOT (Transfer-Operate-Transfer)+BOT project, and a drainage network BT (Build-Transfer) project for water supply and sewage collection in the Zhenjiang New Area. China Water & Sewage Treatment

will invest and wholly-own these water services facilities and the operation rights. Revenue for these projects will come from the water rates and sewage treatment charges, at present levels and anticipated raised levels in the future, collected in the area covered by the projects.

Zhenjiang New Area is situated on the southern bank of the Yangtze River and along the Beijing-Hangzhou grand canal. It has a planned area of 82 sq km at present, to be extended to 220 sq km by 2010. A designated national-level export processing zone, Zhenjiang New Area has attracted a cumulative amount of US\$3.43 billion foreign investment and 32 large-scaled industrial projects each with value exceeding US\$10 million. Multinational corporations with investments in Zhenjiang New Area include Total-Fina-Elf from France, Fiat from Italy, Cargill from the U.S., Asia Pulp & Paper Company from Singapore, Infun from Spain, Mitsubishi from Japan, Chi Mei and GPPC from Taiwan. Leading industries are paper mills, engineering plastic, biochemistry, precision casting and food processing. As the New Area is expanding its territories with an increasing number of industrial companies establishing presence in the territory, the demand for water supply and sewage treatment will considerably outstrip the current provision and induce sizeable growth opportunities.

To conclude, Mr Cai noted that China Water & Sewage Treatment has plans to invest a total of RMB 10 billion within the next three years in operating water supply, sewage treatment and drainage network. The objective is to become one of the top three water services companies in the China market. At the same time, the joint venture will maximize on the advantage of the government's incentive policy in encouraging investment in water services by allowing financing leverage on capital loan and project financing. In so doing, China Water & Sewage Treatment could expand its scale of investment and capture the largest possible return on investment.

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Media enquiries: Derek Fung  
Corporate Communications Department  
Shanghai Industrial Holdings Limited  
(Tel: 2821-3919)