PRESS RELEASE

SHANGHAI INDUSTRIAL INTERIM EARNINGS RISE 89.2% TO HK$930M
PAYS 20-CENT DIVIDEND, UP 2 CENTS

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STABLE GROWTH ACROSS EXISTING BUSINESSES WITH EXCEPTIONAL GAINS FROM SMIC

(August 30, 2004 -- HONG KONG) Shanghai Industrial Holdings Limited ("SIHL") announced that for the six months ended June 30, 2004, the company's net profit amounted to approximately HK$$930 million, an increase of about 89.2 % compared to last year. SIHL's board of directors resolved to pay an interim dividend of HK20 cents per share, up 2 cents from last year.

SIHL chairman Cai Lai Xing noted that the results represent the company's highest ever half-year earnings, and the highest growth rate since listing. Contributing factors included steady increase in profits of the company's business segments during this period, particularly its consumer products business; and a HK$480 million exceptional gain from the listing of Semiconductor Manufacturing International Corporation ("SMIC"). Excluding this year's net exceptional items in the information technology sector and last year's RMB 300 million after-tax compensation in relation to the fixed-return road projects, SIHL's half-year earnings increased by 102%.

Mr Cai said that the restructuring of the company's infrastructure business has gained momentum and is gradually developing as the source of stable cash income. SIHL's toll road and port facilities projects reported about 39.3% and 11.9% growth respectively in net earnings in the first half of 2004. Both projects are expected to benefit from the fast-paced economic development in Shanghai as well as the Yangtze River Delta. Investment in water services, which began operation towards the end of last year, has been steadily expanding its scale while taking full advantage of the water market opening opportunities in the mainland. So far this year the company has signed two water services investment contracts with a total value of approximately RMB480 million. On another front, SIHL's medicine business has been growing rapidly with its existing operations maintaining steady growth and M&A projects reporting smooth progress. The company has plans to strengthen its capabilities in scientific research and development in medicine through active mergers and acquisitions. In the consumer products business, SIHL's investments in tobacco, packaging and printing and dairy products reported approximately 87.1%, 57.6% and 17.1% respectively in net earnings increase in the first half year. These operations were expected to continue to capitalise on the persistent growth of China's consumer market.

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Mr Cai said that SIHL is currently in robust financial position with about HK$5.05 billion cash on hand or HK$3.31 billion net cash as of end of June. Total borrowings amounted to approximately HK$1.74 billion with a gearing ratio of about 10%.

Commenting on the outlook for the year, Mr Cai said the recent macro-economic control measures had achieved results and laid a solid foundation for maintaining steady and healthy development in the nation's economy. The tremendous market development potential in China is creating favourable opportunities for the company's investments and operations, especially in Shanghai and the Yangtze River Delta. SIHL will continue to pursue further development of its core businesses, consolidate its existing business performance, improve its overall operating management capabilities, achieve breakthroughs in profit growth, and seek to explore new horizons for further development, with the objective of creating greater value for its shareholders.

SIHL's principal business sectors include infrastructure, medicine, consumer products and information technology.

Infrastructure Facilities

Infrastructure investments include toll roads, water services and port facilities. Net profit contributed by infrastructure businesses totalled approximately HK$64.59 million, representing about 6% of SIHL's net business profit.

For Hu-Ning Expressway (Shanghai section), where SIHL has 100% equity interest, traffic flow in the first half year amounted to about 8.38 million vehicles, while toll-fee income totalled approximately HK$103.49 million, representing increase of about 46.4% and 39.3% respectively. As the traffic volume is expected to rise following the rapid development of the Yangtze River Delta economy, the Hu-Ning Expressway (Shanghai Section) will undertake expansion, with the construction works scheduled to start in 2005.

In water services, the joint venture company set up with CECIC, which commenced operation in November 2003, participated in bidding for water services projects in a number of Chinese cities. So far the joint venture has been successful in securing two sizeable projects – 60% stake in Bengbu Water Supply Company, Anhui province, with a daily production capacity of 410,000 tonnes, for approximately RMB155 million; 70% stake in Xiangtan Water Supply Company, Hunan province, with a daily production capacity of 425,000 tonnes, for approximately RMB140 million. It has also been awarded tender or has proceeded to the final stages of negotiation in a number of projects.

For the Shanghai Pudong Waigaoqiao Container Terminal Phase One Project, throughput in the first half year totalled 1.10 million TEUs, an increase of about 10.1% over the same period last year, while net profit grew by about 11.9% to approximately HK$160.86 million.

To further optimise the structure of the company's infrastructure business portfolio, SIHL has resolved to terminate its investments in logistics-related businesses and exit the EAS International logistics project. A shareholding transfer

agreement was signed with the PRC partner, and SIHL was reimbursed for its entire investment in the project, which is the Hong Kong dollar equivalent of approximately RMB205 million. Total profits gained during the project's operating period amounted to approximately HK$25.94 million.

Medicine

The overall operations of SIHL's medicine business maintained solid growth, contributing a net profit of HK$86.74 million, about 86.6% more than that for the corresponding period last year; and it accounted for approximately 8.1% of SIHL's net business profit.

SIHL's proposed acquisition of 56.63% stake of Shanghai Industrial United Holdings Co., Ltd, an A-share listed company in Shanghai, has received approval from the State-owned Assets Supervision and Administration Commission of the State Council. It is just awaiting the approval by the Ministry of Commerce, as well as the China Securities Regulatory Commission's waiver of an obligation to make a general offer. In March, the company acquired a 55% stake in Liaoning Herbapex Pharmaceutical (Group) Company Limited for RMB85 million. The company's principal product – "Rupixiao Tablets", used for treating fibrocystic disease – presently ranks among SIHL's top five pharmaceutical products. Going further, SIHL has plans to strengthen its capabilities in scientific research and development through active mergers and acquisitions.

The first half of 2004 saw steady growth in SIHL's Chinese medicine and health food businesses, with sales revenue reaching approximately HK$600 million. The sale of its many flagship products reported satisfactory growth – the sale of "Shen Mai Injections", a cardiovascular drug, rose about 13.5%; "Xinhuang Tablets", an antibiotic and anti-inflammatory analgesic drug, increased by nearly 17%; "Qingchunbao Beauty Capsules", a health food product, went up approximately 50.6%.

Of all the company's medicine businesses, biomedicine is believed to have the greatest potential for future development. Research and development of anti-adenosis drugs to combat adenovirus are making satisfactory progress. The H101 project on curing head and neck neoplasm has completed Phase III clinical trials and is expected to be certified as a State Class One New Drug by the State Food and Drug Administration. Commercial production will commence within this year. Phase I clinical trials for the H103 project on curing the spread of tumours had started; whereas mechanism research for the H102 project on curing liver cancer was completed and various pre-clinical experiments are now underway.

On medical equipment, MicroPort Medical (Shanghai) Co. Ltd, a company engaged in producing interventional therapy equipment such as heart vessel catheters and stents, recorded sale increase of approximately 120%. With the first generation of the "Firebird" brand of drug stent products being granted certification for trial production, MicroPort has became the first manufacturer in China to obtain a registration certificate for drug stent products. As a result of this certification and its intention to expand into the Japanese market, Firebird is expected to enjoy rapid sales growth in the future. MicroPort Medical also made applications for trial production of neuro stents and aorta stent grafts for use in surgical operations.

Consumer Products

Consumer spending in mainland China is growing rapidly and the national consumption power continues to rise. The earnings of all SIHL's consumer products businesses, including tobacco and printing, dairy products, and automobiles and parts, grew steadily during the first half of 2004. Net profit contributed by consumer products businesses increased by about 30.5% to approximately HK$360.69 million, representing about 33.7% of SIHL's net business profit.

The sales of SIHL's tobacco business grew steadily and recorded satisfactory results in the first half of 2004, with total turnover increasing about 72.4% to approximately HK$865.01 million, and net profit jumping by around 87.1% to approximately HK$159.18 million. Besides strengthening its sales in mainland China, Taiwan and Singapore, and in respective duty-free outlets, the SIHL tobacco operation also expanded into the Korean market, achieving increased sales for its Super Mild and Ultra Mild cigarettes.

The company's printing business also reported a strong sales growth of about 37.8% to approximately HK$234.71 million. Gross profit margin was up by around 29.9%. Net profit rose to approximately HK$63.28 million, a significant increase of around 57.6%. Construction work on a new factory in Dongguan, Guangdong province, was completed at the end of 2003. With the full-scale operation of the new Dongguan factory, both its production and product-design capacities will be further enhanced, providing further scope for expansion.

SIHL's dairy business continued to maintain double-digit growth as sales grew about 13.7% to approximately HK$3,054.29 million, and the net profit attributable to SIHL was approximately HK$42.73 million, up by around 15.5%.

SIHL's automobile companies, including Shanghai Huizhong and SIIC Transportation achieved a total sales revenue of approximately RMB3,446.11 million, about 15.1% more than that for the same period last year. They contributed a net profit of approximately HK$91.44 million, about 14.2% more than that in the same period last year. While the macro-economic control measures will further affect SIHL's automobiles and parts business in the coming months, their impact is likely to be slight for the whole year.

Information Technology

Net profit contributed by information technology businesses totalled approximately HK$559.44 million, representing about 52.2% of SIHL's net business profit.

With persistent increase in demand for integrated circuit products in both the global and the China market, SMIC gave satisfactory performance with the half-year results turning around from loss to a net profit of approximately HK$480.62 million. Sales totalled approximately HK$3,181.82 million, up almost 260%; gross profit margin was about 29.8%. Wafer shipments for the first half year were about 95.2% higher; average selling price was approximately US$1,022, about 79.9% more than in the same period last year. Looking ahead, commercial production has commenced at the Tianjin facilities, while the first new 12-inch fab in Bejing is scheduled to start production in the second half. In addition, construction of a new assembly and testing plant in Chengdu has also started.

On the Shanghai information infrastructure projects, the cumulative number of "Cableplus" subscribers reached nearly 200,000, and measures were taken to offer a wider range of value-added services. Sales of information pipes and fibre-optics also grew steadily. A total of 1,100 kilometres of information pipelines had been built by the end of June, providing network access to 142 more buildings.

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