



上海實業控股有限公司

SHANGHAI INDUSTRIAL HOLDINGS LIMITED

上海實業集團成員 A Member of SIHC

FOR IMMEDIATE RELEASE

SHANGHAI INDUSTRIAL SIGNS RMB461 MILLION  
XIAMEN WATER INVESTMENT PROJECT  
DAILY HANDLING CAPACITY 1.56 MILLION TONNE

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2004 INVESTMENT IN WATER PROJECTS TOTALS RMB1435 MILLION

(December 27, 2004 – HONG KONG) The investment arm of Shanghai Industrial Holdings Limited (“SIHL”) in water services has signed an agreement with Xiamen Water Services Group to acquire equity stakes of all existing water supply and sewage treatment plants in Xiamen. General Water China (“GWC”), 50% owned by SIHL, will invest RMB461 million, the largest amount in water investment projects in China for the year 2004, in these facilities that have a combined daily handling capacity of 1.56 million tonnes. SIHL will be paying cash for this investment.

Since the commencement of GWC in November 2003, this SIHL joint venture has made investments in water services projects in five Chinese cities: Xiamen (Fujian province), Huzhou (Zhejiang province), Bengbu (Anhui province), Xiangtan (Hunan province) and Chongqing Municipality. Total investment amounted to RMB1,435 million. These projects combined serve a total population of 3.26 million, and have a daily water supply capacity of 2.075 million tonnes and sewage treatment capacity of 650,000 tonnes.

SIHL chairman Cai Lai Xing described the Xiamen project as a milestone achievement of SIHL’s water services investment, as it is the company’s biggest investment in water services so far. The company will capitalize on the favourable environment in water services investment under the current circumstances following the government’s conducive policy, according to Mr Cai. It will maximize its competitive strength in capital, technology and management know-how and pursue the largest shareholders’ value. Mr Cai also said that within a relative short period of time GWC has successfully built up a strong professional team who has been active in expanding and optimizing water supply, sewage treatment and supply network investment. The objective of GWC is to become one of the top three water investment companies in China.

According to the Xiamen agreement, GWC will form two joint ventures with Xiamen Water Services Group, one responsible for water supply and the other for sewage treatment. GWC will have 45% equity interest of the water supply JV and 55% of the sewage treatment JV. The two joint ventures provide water services to a population of about 1.37 million people covering the Xiamen city and the majority of the suburb areas. They are also granted the priority to invest and operate all water supply and sewage treatment facilities under planning within the city.

The water supply JV has a daily supply capacity of 1 million tonnes while the sewage treatment JV has a daily treatment capacity of 559,000 tonnes, marking a treatment ratio of 72.08%.

A joint venture between SIHL and China Energy Conservation Investment Corporation ("CECIC"), GWC is engaged in businesses including the investment, construction and operation of water supply and sewage 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, GWC seeks 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.

Xiamen Water Services Group was formed by integrating a total of 14 organizations including Xiamen Waterworks, Xiamen Sewage Treatment Investment Development, and Xiamen Environmental Technology Development Company. It has a total asset value of RMB 4.5 billion, and a net asset value of 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 early Special Economic Zones set up with the country's economic reform. After more than two decades of economic development, Xiamen has become a city with comprehensive infrastructure facilities and considerable economic prowess. The city boasted a GDP of RMB76 billion, and GDP per capita of RMB35,029 in 2003. Disposable income of the urban population stood at RMB12,915. As a major city in the coastal provinces, Xiamen enjoys stable economic growth and is uniquely positioned in attracting investment of Taiwanese companies. 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.

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