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**SHANGHAI INDUSTRIAL 2001 EARNINGS
ROSE 6% TO HK\$1.202 BILLION**

**MADE NEW INVESTMENT IN FOUNDRY AND LOGISTICS
POISED FOR BRIGHT DAIRY A SHARE LISTING**

(HONG KONG – April 15, 2002) Shanghai Industrial Holdings Limited ("SIHL") announced that for the year ended December 31, 2001, the Group's turnover amounted to approximately HK\$3.2 billion, representing an increase of 8.1% compared to the previous year. Profit attributable to shareholders went up by 6.0% to approximately HK\$1.202 billion; earnings per share rose by 5.5% to approximately HK\$1.34. Net asset value increased by 6.9% to approximately HK\$12.44 billion. The Group's board of directors proposed a final dividend of HK34 cents, an increase of 13.3% over the previous year. Total dividend for the year was HK48 cents.

Mr. Cai Lai Xing, Chairman of SIHL said, "We had a good performance last year with most of our invested companies maintaining earnings growth. Among the most outstanding performers were Shanghai Jahwa, Shanghai Optical Communications, Nanyang Tobacco and Bright Dairy, which reported net earnings growth of about 70%, 55%, 47% and 46% respectively."

SIHL has broken new grounds in making investment in information technology and modern logistics last year, according to Mr Cai. The company has become the largest single shareholder of Semiconductor Manufacturing International Corp, currently the most advanced foundry in mainland China. SIHL also made investment through its Compass Fund, a venture capital fund set up together with Time Warner Inc., in Clear Media Limited which was listed in the Hong Kong Stock Exchange last year. For modern logistics, SIHL set up two new joint ventures with Shanghai Waigaoqiao Free Trade Zone United Development Co., and the Sinotrans Group, laying the foundation for developing international logistics network with nationwide coverage.

Mr Cai noted that the company enjoyed robust financial health, with interest coverage increasing from 12 to 18 times, and the ratio of current assets over current liabilities exceeding two times, indicating high liquidity. SIHL also made good progress in maximizing shareholders return as it reported a positive EVA (economic value added) of HK\$96.08 million, compared against negative HK\$92.36 million the previous year. As of 2001 year-end, SIHL was holding HK\$3.12 billion cash on hand, with a net cash level of HK\$1.89 billion. Total debts stood at HK\$1.23 billion, with gearing ratio declining from 12.8% to 8.7%.

Mr Cai said the management is focusing on four main tasks for the year: (1) speed up acquisition with emphasis on modern logistics and bio-pharmaceuticals; (2) reinforce restructuring efforts to integrate internal resources; (3) strengthen internal management to control costs; (4) get ready for fund raising through A share listing for Shanghai Bright Dairy.

As Shanghai is quickly developing into an international financial, trading, shipping and information centre, the company will maximize its competitive edges by securing quality investment opportunities in Shanghai, and ultimately maximizing returns for the company's shareholders, said Mr Cai.

SIHL has investment in five business sectors: infrastructure/logistics, consumer products/retail, automotive parts, information technology and SIIC Medical Science and Technology. Their respective contribution to SIHL's net earnings in 2001 were 55.7%、17.4%、11.7%、3.6% and 11.6% respectively.

A net profit of approximately HK\$718 million from the **Infrastructure/Logistics** sector came from Shanghai's elevated road projects, representing stable investment returns and cash flow. The company's new investment in Pudong Waigaoqiao Container Terminal Phase One, in alliance with Hutchison Whampoa, COSCO Pacific and the Shanghai Port Authority, has received official approval by the PRC government authorities. With a total investment of RMB 3 billion, the terminal is expected to commence joint-venture operation in May 2002.

The new logistics joint venture set up with Shanghai Waigaoqiao Free Trade Zone United Development Co. commenced operation last May. Phase one investment amounted to RMB 150 million. Focusing on developing import/export logistics and OEM factory logistics, the new joint venture has signed service agreements with a number of sizable overseas companies.

The other logistics joint venture, with the Sinotrans Group, had obtained official approval from the government authorities, and will provide logistics services for chemicals and computer chips businesses. SIHL will continue to acquire and participate in more logistics business-related projects, as the company is developing a nation-wide logistics information and delivery network catering to international market demands.

Net profit from the **Consumer Products / Retail** sector amounted to approximately HK\$ 224 million, representing an increase of 29.2%. Nanyang Tobacco's net profit rose by 47% to HK\$91.6 million. Major achievements last year included adding more than 400 retail outlets of 7-Eleven convenience stores to the distribution network of the "Chunghwa" brand of cigarettes distributed by Nanyang, and winning the distribution rights for "DJ Mix" Lemon Fresh cigarettes in Hong Kong and Macau. This year, Nanyang will continue to introduce new products in new markets including Taiwan and Singapore. Wing Fat Printing achieved a net profit of about HK\$70 million, an increase of 20% over last year.

Shanghai Bright Dairy reported a net profit of RMB 165 million, an increase of 46%. Bright Dairy is currently the leading dairy company in the mainland, with operations covering the rearing of dairy cows, milk processing, retail and milk delivery services. Net profit of Shanghai Orient Shopping Centre rose by 3% to approximately RMB 25.67 million.

Shanghai Sunway Biotech successfully completed Phase I clinical trials of the "H101" anti-cancer medicine in April 2001 and received approval for Phases II and III clinical trials. Current progress of Phase II clinical trials has been satisfactory. Mergen Limited had installed some of the most advanced array production workshops and equipment in the industry. In 2001, the U.S. Patent Office granted a patent for Mergen's Single Nucleotide Polymorphism (SNP) detection technology.

Performance at Shanghai Sunve Pharmaceutical continued to improve in 2001. The successful development of the new medicine, "Doxichichau", represented a breakthrough in the company's research and production of anti-cancer drugs. In September 2001, Sunve Pharmaceutical signed joint venture agreement with Vita Life Sciences Limited of Australia and Lovin Pharmaceutical of Ireland for producing effervescent tablets and capsules, with a total investment of US\$12 million.

Automotive Parts businesses registered a net profit of approximately HK\$150 million, at the same profit level as in the previous year. The first quarter of 2001 saw noticeable increase in the demand for domestic cars. However, consumers' demand was dampened in the fourth quarter with China's accession to the WTO, resulting in slowdown in automobiles sales growth.

Huizhong Automotive enjoyed a 5% growth in revenue for the year but profit growth was flat. In November 2001, Huizhong and Benteler Automobiltechnik from Germany signed a joint venture agreement to produce automotive parts including welding ASM, axle and engine cradle. To cope with the difficult market in the wake of the lowering of customs tariffs and the increase in quotas for imported cars, Shanghai Huizhong is speeding up the production of commercial vehicles (mainly heavy trucks and large passenger coaches) so as to add to its product line medium- to high-end heavy trucks attaining to international standards.

Other two autoparts makers, SIIC Transportation Electric and Shanghai Wanzhong Automotive Components, posted net profits of RMB 54.55 million (up 12.5%) and RMB 3.18 million respectively.

Net profit from the **Information Technology** sector amounted to approximately HK\$47 million, an increase of 176.5% over the previous year. Shanghai Information Investment ("SII") maintained steady growth in operating returns from its Shanghai Infoport projects, with profits primarily coming from Shanghai Cable Network ("SCN") and Shanghai Information Pipeline Network ("SIP"). In 2001 SCN had completed two-way cable television network upgrade for 400,000 subscribers, raising the two-way network coverage to over 1,400,000 cable TV subscribers. The "Cableplus" services provided on the upgraded network has registered over 20,000 commercial subscribers. Cableplus had also completed IP phone testing on its network. In 2001, SIP completed 550 kilometers of the city-wide network and installed over 38,000 kilometers of optic fibres. The information pipeline facilities covering Shanghai's major commercial areas are close to completion. Other SII projects reporting promising progress included IP Broadband Value-added Services, Consumer Credit Information Service and Comprehensive Logistics Information System.

SIHL's newly acquired foundry, SMIC, has become the first foundry in the mainland to produce 8-inch wafers with 0.25-micron and below technology. Currently it has received sales orders for the full year's production capacity. Starting the first quarter of 2002, SMIC has been producing FCRAM, standard logic, analogue IC, flash memories and LCD driver IC's. It is expected to attain a monthly production capacity of 30,000 wafers by the end of 2002.

SIHL made investment through Compass Fund, a venture capital fund set up together with Time Warner Inc., in Clear Media Limited which is one of the largest outdoor advertising companies in the mainland. Clear Media was listed in the Hong Kong Stock Exchange in December 2001, raising approximately HK\$995 million. Its net profit for 2001 amounted to HK\$59 million.

Net profit contributed by **SIIC Medical Science and Technology ("SIIC MedTech")** rose by 219.3% to approximately HK\$149 million, including an exceptional income of approximately HK\$100 million resulting from the listing of Shanghai Jahwa on the A share market. SIIC MedTech has been active in developing overseas markets. In November 2001 SIIC MedTech signed a letter of intent with a German pharmaceutical manufacturer to introduce barbary wolfberry fruit tablets made of fresh barbary wolfberry fruit grown in the Ningxia Hui Autonomous Region. SIIC MedTech also entered into negotiations with a Japanese company to develop a series of healthcare tea products tailor-made for the Japanese market. A new "slimming tea" product has been developed in collaboration with specialists from the Shanghai University of Traditional Chinese Medicine and is scheduled to be launched in the Japanese market later this year.

To consolidate its foundation in the medical and health-care business sector, SIIC MedTech made investments in Guangdong Biolight, a manufacturer of high-tech medicare equipment, and E-COM Technology, a developer and supplier of medical imaging system. Another major investment was a 24% equity interest in the renowned Hangzhou Huqingyutang Drugstore.

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