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 SIIC

PRESS RELEASE

SHANGHAI INDUSTRIAL REPORTS HK$625M INTERIM PROFIT UP 20.1%

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INFRASTRUCTURE EARNINGS SHOW MARKED INCREASE
INFORMATION TECHNOLOGY TURNS PROFIT FROM LOSS
MAJOR M&A BREAKTHROUGH EXPECTED WITHIN THE YEAR

(August 23, 2006 – HONG KONG) Shanghai Industrial Holdings Limited ("SIHL") announced that for the six months ended June 30, 2006, the Group's turnover increased by 25.3% to HK$3.402 billion. Profit attributable to shareholders increased by 20.1% to HK$625 million, and earnings per share was HK64.6 cents. Net asset value rose 5.5% to HK$16.787 billion. SIHL's board of directors have resolved to pay an interim dividend of HK22 cents per share, 10% more than last year. Dividend payout ratio was 34.1%.

SIHL chairman Cai Lai Xing indicated that this year's interim profit took account of the combined HK$247 million exceptional losses brought by the A-share reform plans of SI United and Bright Dairy, as well as an after-tax exceptional gain of HK$244 million from the disposal of 10% stakeholding in Pudong container port. Infrastructure facilities earnings before exceptional items rose 101%, contributing significantly to the interim profit growth. Medicine profit contribution before exceptional items decreased by 26.5%, primarily caused by market fluctuations in the pharmaceutical industry and last year's disposal of Sunve Pharmaceutical. Meanwhile the operating results of health products and OTC drugs recovered significantly. Consumer products posted a flat earnings growth, after deducting exceptional items and other factors, as a result of declining results from Bright Dairy and poor performance of Huizhong Automotive. Information technology turned from loss to profit, after deducting the exceptional gain from the China Netcom (HK) disposal last year.

Mr Cai said SIHL had taken successive measures to further rationalize its business structure and strengthen the core businesses. They included (1) divesting its port container business in Waigaoqiao to optimise the infrastructure facilities portfolio; (2) initiating the widening works project of Shanghai-Nanjing Expressway (Shanghai Section) from four lanes to eight lanes, paving way for increasing traffic flow and toll revenue; (3) speeding up the commercialization of new drugs and setting up new incentive schemes for R&D personnels to enhance core competitiveness; and (4) implementing A-share reform plans for SI United and Bright Dairy, thus converting the non-tradable shares to tradable shares and enhancing the value of the Group's stockholdings.

Mr Cai added that SIHL will scale up its investment in infrastructure facilities and medicine by acquiring more toll roads and sizeable medicine projects. The successful conclusion of the A-share reform will bring forth favourable opportunities on which SIHL would capitalize to speed up the formation of a unified platform for the medicine businesses. For the consumer product businesses, measures will be taken to expand market share, reduce costs and improve efficiency in order to offset impacts from industrial cyclical fluctuations and maintain sustainable earnings growth.

Mr Cai highlighted the Group's robust financial health with an interest coverage exceeding 19 times and consolidated bank and cash deposits exceeding HK$6.6 billion. Leveraging on its background with strong support from Shanghai and its favourable position in China, SIHL shall focus on the new wave of economic developments in Shanghai. It shall capitalize on opportunities arising from the restructuring of state-owned assets and secure new investment projects to reach new horizons and achieve major breakthroughs.

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

Infrastructure Facilities

Profit contribution before exceptional items from infrastructure facilities increased 101% to HK$205 million, accounting for 36.5% of the Group's net business profit before exceptional items*.

Following the completion of the Shanghai-Nanjing Expressway (Jiangsu Section) widening program, toll revenue from the Shanghai-Nanjing Expressway (Shanghai Section) increased significantly, with daily traffic flow averaging 57,000. In June this year, agreements relating to the expansion and widening of the Shanghai Section were entered, with investment funds totalling HK$1,683 million. Compensation for loss in toll revenue during the construction period was included in the agreements, and the combined toll revenue and compensation would amount to HK$452 million each year, effective January 1, 2006. Toll revenue from Yongjin Expressway, newly opened in December 2005, totalled HK$49.58 million in the first half of 2006. Traffic flow in Yongjin is expected to increase, contributing to earnings growth in the Group's toll road business.

Water pricing reforms based on supply and demand and the opening up of the water services market in China to investors have created huge investment potential and attracted strong interest from domestic and foreign investors. Despite intensified competition, SIHL's investment arm in water services, General Water of China ("GWC") successfully secured a sewage treatment project in Central Wenzhou, increasing the total number of investment projects to twelve, and the daily combined processing capability to 4.1 million tonnes. In the first half of 2006 GWC's turnover increased by 75.5% to HK$163 million. Construction for most of the BOT/BOO water projects had commenced and completion for operation is expected successively by year-end. Among the top 10 most influential water services companies appraised by H2O-China.com for the year 2005, GWC ranks the fifth.

**Exceptional items refer to exceptional losses of HK$247 million brought by the share reform plans of SI United and Bright Dairy and an exceptional gain after tax of HK$244 million received from the disposal of 10% interest in Pudong Container Port.*

Medicine

Profit contribution before exceptional items from medicine decreased 26.5% to HK$70.02 million, representing 12.5% of the Group's net business profit before exceptional items. The decline was mainly attributable to effects arising from the change in rules and regulations towards China's pharmaceutical industry and an increase in operating costs. In addition, the results for the comparative period last year included a HK$18.91 million contribution from Sunve Pharmaceutical, which was disposed last August.

SI United had completed its A-share reform in June this year, with SIHL's shareholding in SI United converted from non-tradable shares of 56.63% to tradable shares of 43.62%. Despite an exceptional loss of HK$215 million due to the reduction in shareholding, the value of assets held appreciated substantially.

The first half of 2006 saw sales drop in some prescription drugs such as Shen Mai Injection which declined by 24.1%. This was primarily caused by the change in rules and regulations in the pharmaceutical industry. Nevertheless, sales of health products and OTC drugs managed to resume growth. Sales of health food series "Qingchunbao" and "Huqingyutang" increased by 40.3% and 38.6% respectively while the sales of "Qingchunbao" anti-ageing tablets recorded a marked increase of 67.6% to HK$155 million.

In the bio-medicine business, Guangdong Techpool continued to pursue the application of "Ulinastatin" products to critical illnesses, with emphasis on academic researches in anesthesiology and burns. In the first half of 2006, sales of "Ulinastatin" increased by 15.0%.

The launching of the three State Category One new drugs developed by SIHL companies went smoothly. Approval for production for the H101 project was obtained and inspection of the GMP plant was completed. The new drug will have the commercial name of "Oncorine". "Kai Li Kang" is already available for sale in the domestic market. Construction of the GMP plant and trial runs for the TNF project was also completed.

Consumer Products

Earnings performance of consumer products remained the same as in the last corresponding period (after deducting exceptional items and other factors) due to continued losses from Huizhong Automotive as well as declining results from Bright Dairy. Profit contribution totalled HK$251 million, accounting for 44.7% of the Group's net business profit before exceptional items.

Turnover of Nanyang Tobacco increased by 8.6% to HK$784 million while net profit reached HK$161 million, representing an organic growth of 10.7%.

Turnover of Bright Dairy stood at HK$3,334 million, same as last year. Net profit was HK$87.04 million, a decrease of 39.0%, mainly attributable to an increase in marketing and promotion expenses for yogurt products. The A-share reform proposal for Bright Dairy was approved by the shareholders in August, and approvals by relevant authorities expected later this year. Upon completion, SIHL's shareholding in Bright Dairy will be converted from non-tradable shares of 30.78% to tradable shares of 25.17%. Although the reduction in shareholding resulted in an exceptional loss of HK$32.14 million, the value of assets held appreciated substantially.

Turnover of Wing Fat Printing rose 147.0% to HK$698 million following its increased stakes in companies including Chengdu Wing Fat and Hebei Yongxin in the second half of last year, resulting in extended consolidation of subsidiaries' financial results. Net profit increased 4.8% to HK$67.33 million.

As a result of rising costs and declining product prices, Huizhong Automotive had recorded losses since the second quarter of last year. Although turnover improved by 52.6% to HK$2,426 million, Huizhong reported a loss of HK$68.18 million in the first half of 2006. On the contrary, another auto parts maker Transportation Electric saw turnover and net profit increased by 35.6% and 217.4% to HK$225 million and HK$43.33 million respectively. Automobile sales in China have been recovering steadily after nearly two years of stagnant growth. However, adverse factors such as excess production capacity and price fluctuations in production components continued to constrain the growth of the automobile industry.

Information Technology

Profit contribution from information technology as a whole decreased by 10.9% to HK$35.08 million, accounting for 6.3% of the Group's net business profit before exceptional items. However, after deducting the exceptional gain recorded last year from the disposal of shares of China Netcom (HK), operating results achieved a turnaround.

Turnover of SMIC saw marked improvement as it increased by 34.9% to HK$5,558 million. Although SMIC continued to record losses in the first half of 2006, net losses were reduced substantially to only HK$50.71 million compared to a net loss of HK$549 million for the same period last year. In the second quarter of this year, SMIC successfully qualified and commenced commercial production of its first 90nm logic products at its 300mm Beijing facility, with volume production expected in the fourth quarter of 2006.

Net profit of SII increased by 69.4% to HK$86.37 million. Dongfang Cable acquired 39,000 new broadband users for "Cableplus", an increase of 18.2%, reaching an accumulated total of 260,000 users. This makes "Cableplus" a strong competitor in the urban broadband market in Shanghai. Information pipelines of a total of 339 duct kilometres were built by Shanghai Pipelines Co., providing new network access to 186 buildings, an increase of 22.4%.

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