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

FOR IMMEDIATE RELEASE

SHANGHAI INDUSTRIAL REPORTS HK$1.258 BILLION PROFIT UP 22.4%
PAYS HK 52 CENTS DIVIDEND

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MAINTAIN STEADY GROWTH IN CONSUMER PRODUCTS
EXPAND INVESTMENT IN INFRASTRUCTURE, MEDICINE
SPEED UP NON-CORE DIVESTMENT

(April 20, 2007 – HONG KONG) Shanghai Industrial Holdings Limited (" SIHL ", stock code 0363) announced its annual results for the year ended December 31, 2006. The Group's turnover totalled HK$6.851 billion, an increase of 13.7% over the previous year. Profit attributable to shareholders increased by 22.4% to HK$1.258 billion and earnings per share climbed 21.5% to HK$1.30. The Group's board of directors proposed a final dividend of HK30 cents per share, making a total dividend of HK52 cents per share for the year, up 23.8% and raising the dividend payout ratio to 40%.

The Group's **consumer products** businesses have maintained steady growth, setting the foundation of its growing profit. Satisfactory earnings increase at Nanyang Tobacco and Wing Fat Printing, further enhanced by the turnaround of Huizhong Automotive, contributed to a HK$595 million net profit from recurring operations[#], up 27.1%. On the Group's **infrastructure** facilities business, extension works for widening the Hu-Ning Expressway had commenced, and the Group received compensation for adverse impact on toll revenue from the authorities; Yongjin Expressway entered its first year of operation. Infrastructure facilities net profit from recurring operations increased by 99.7% to HK$371 million. On **medicine**, sales of prescription drugs declined as a result of fluctuations in the pharmaceutical market in Mainland China. Net profits from recurring operations of medicine businesses dropped by 31.0% to HK$163 million, despite the resumption of growth in the sales of health food and OTC drugs.

On divestment of non-core businesses, the Group sold its 10% equity interest in Pudong Container Terminal for HK$447 million, exiting the container terminal business.

In 2006, SIHL completed the A-share reform for SI United (subsequently renamed SI Pharmaceutical) and Bright Dairy, significantly raising the market value of SIHL's shareholding. The market capitalization value of the two A-share companies had increased to about HK$17 billion*, as SIHL's tradable shareholding at SI Pharmaceutical and Bright Dairy stood at 43.62% and 25.17% respectively.

*Net profits from recurring operations refers to profit contribution before Exceptional Items.*
** According to closing prices at the Shanghai A-share Stock Exchange on Apr 19, 2007*

SIHL chairman Cai Lai Xing indicated that the growing economy in the mainland, the accelerating pace of financial reform, and industry policy adjustment all foster positive development opportunities for SIHL. Mr Cai said that the Group will leverage on its Shanghai background and participate in the new phase of economic planning of the municipality. SIHL will take advantage of the opportunities provided by SOE reform and restructuring as it increases its stakes in acquisition and develops new growth drivers. The Group is presently enjoying robust financial health, with an interest cover exceeding 21 times and a consolidated cash balance of more than HK$6.8 billion.

Mr Cai said that SIHL will strive to maintain steady growth of existing businesses while increasing in both magnitude and pace in acquisition activities. The Group will further expand its business in toll roads, water services and medicine, and consider tapping into the real estate business. As well, the Group will speed up its divestment of non-core projects, taking profit at the appropriate time or exploring opportunities for asset appreciation. It will also make use of its shareholding in the A-share companies, following the completion of A-share reform, to raise the market value of its investment portfolio, thereby maximizing SIHL's shareholders interest.

The Group's core businesses comprise infrastructure facilities, medicine and consumer products.

INFRASTRUCTURE FACILITIES

Net profit from recurring operations of infrastructure investment increased by 99.7% to HK$371 million, accounting for 33.2% of the Group's net business profit before exceptional items▲. During the year, the Group sold all of its equity interest in Pudong Container for HK$447 million, subsequently generating an after-tax exceptional gain of HK$244 million.

- **Toll roads**

The traffic flow of Hu-Ning Expressway (Shanghai section) reached 22,890,000 vehicles, representing an increase exceeding 50%. Widening works of Hu-Ning Expressway (Shanghai section) had started, doubling the capacity from four lanes to eight lanes. SIHL will be compensated for the adverse impact on toll revenue during the three-year construction period commencing 2006. The toll revenue and compensation received in 2006 amounted to HK$452 million.

Yongjin Expressway (Jinhua section) was opened for traffic in 2006, reporting an annual toll revenue of HK$107 million. Toll revenue in the second half had increased by 15.9% over the first half, showing signs of growth in traffic flow.

▲*Exceptional items refer to exceptional losses of about HK$243 million brought by the share reform plans of SI Pharmaceutical and Bright Dairy and an after-tax exceptional gain of about HK$244 million derived from the disposal of a 10% interests in Pudong Container.*

- **Water services**

Three new projects were added to the investment portfolio of General Water of China in 2006 – the Wenzhou sewage project, the Suifenhe water supply project and the Xiangtan sewage treatment project. As of the end of 2006, General Water of China had secured a total of 14 investment projects in nine cities nationwide in the areas of raw water, water supply and sewage treatment. These represent an accumulated daily capacity of 4,299,000 tonnes, including water supply capacity of 2,875,000 tones and sewage treatment capacity of 1,424,000 tonnes.

During the year, the adjustment of water tariff for different user categories proposed by GWC's investment project in Bengbu was approved by the government authorities. The tariff increase ranges from 8% to 36%. A number of BOT/BOO projects are expected to commence operation in 2007, including sewage treatment projects in Huzhou, Chongqing, Shenzhen and Wenzhou. The reservoir works in Tiger Lake, Huzhou is also in progress, with water induction pipeline network to commence in the third quarter of 2007, and be completed in 2008.

MEDICINE

Net profit from recurring operations of medicine businesses decreased by 31.0% to HK$163 million, accounting for 14.6% of the Group's net business profit before exceptional items. The decrease was mainly attributable to effects arising from the change in rules and regulations towards the pharmaceutical industry in the mainland and the fact that the comparative figure included profit contributions from Sunve Pharmaceutical and other investment projects which were disposed in previous year.

The operating environment of the pharmaceutical industry in Mainland China went through significant changes in 2006. Pharmaceutical companies were adversely affected by such factors as tighter regulatory controls, adjustment of industry policies, continued increase of raw material prices, and decline of medicine prices. As a result, the sales of prescription drugs under the Group dropped significantly. However this was offset by the resumed growth in the operating results of health food and OTC drugs under the Group. In June 2006, the share reform of SI Pharmaceutical was completed, for which the 56.63% non-tradable shares held by the Group were converted to 43.62% tradable shares.

- **Chinese medicine and health food**

During the year, the sales of "Qingchunbao" health food and OTC drugs series resumed growth. The sales of health food series increased by 15.2%, and the sales of "Qingchunbao"Anti-ageing Tablets, an OTC drug, increased by 26.2% to HK$238 million. Nevertheless, due to negative news coverage relating to other products in the industry and adjustment of the pharmaceutical industry policies in Mainland China, the overall sales of the prescription drugs under the Group declined, offsetting the growth of Chinese medicine and health food businesses.

- **Biomedicine**

A major product of Guangdong Techpool, "Techpool Luoan", a urinary protein product, achieved sales revenue of HK$134 million, up 7.2% from the previous year. The company continued to expand the development of Luoan's application in the area of critical illness including narcotics and burns.

- **Chemical medicine**

The "Changzhou Pharmaceutical" series of chemical medicines recorded a turnover exceeding HK$300 million in 2006, indicating satisfactory sale of key medicine products. The sales of "Captopril Tablets" and "Compound Reserpine Tablets" went up by 18.8% and 15.5% respectively. Raw pharmaceuticals "Raw Captopril" and "Raw Chlordiazeposide" achieved sales increase of 21.0% and 14.9% respectively.

In addition, Changzhou Pharmaceutical was granted in early 2007 as one of the first 10 pharmaceuticals manufacturers supplying basic medicines for cities, communities and villages in Mainland China.

- **Medical equipment**

MicroPort Medicine saw rapid development in 2006. In particular, the sales network of Firebird "Eluting Coronary Stents" expanded into countries in the EU, Latin America, Japan and Southeast Asia, reporting an accumulated sales of over 100,000 units. The company's innovation and independent development was well recognized by the State and local authorities, including a Second Prize for the 2006 State Technology Advancement Award for the design and key production technology for "Coronary Drug Stents".

Consumer Products

Net profit contribution from recurring operations of the consumer products business to the Group rose 27.1% to HK$595 million, accounting for 53.2% of the Group's net business profit before exceptional items.

- **Tobacco**

Turnover of Nanyang Tobacco increased by 7.8% to HK$1,638 million, and net profit after deducting non-recurring factors in the previous year increased 2.4% to HK$328 million. The year's accomplishments included market expansions covering Thailand, the Middle East, Australia, New Zealand and Indonesia. Sales volume in the duty-free market and the government-sanctioned sales channel increased remarkably by 30% during the year.

- **Dairy**

Turnover of Bright Dairy rose 4.5% to HK$7.002 billion, but net profit declined 27.6% to HK$148 million. The share reform of Bright Dairy was completed in October 2006, and SIHL's stakes of 30.78% non-tradable shares had been converted to 25.17% tradable shares.

- **Printing and paper products**

Turnover of Wing Fat Printing increased by 48.15% to HK$1.4 billion and net profit grew 18.4% to HK$149 million. In 2006, Wing Fat further expanded its business of cigarette package production in Mainland China under the favourable CEPA policy. Total sales of cigarette package recorded a significant increase of 55.76% over the previous year.

In recent years, Wing Fat had expanded its customer base, with packaging for Nanyang Tobacco products accounting for only 13.77% of its business in 2006. Apart from cigarette packaging, Wing Fat is also engaged in paper manufacturing. The demand for high quality paper for printing products and packaging is expected to remain strong as a result of rapid economic development and technological advancements of related industries.

- **Automobiles and parts**

The automobiles market in the mainland showed signs of improvement in 2006 after two years of sluggish growth. Huizhong Automotive's results for the year returned to the black following active market development and stringent cost reduction. Turnover increased by 43.0% to HK$5.533 billion.

Shanghai SIIC Transportation Electric reported a net profit increase of 134.5% to HK$68.84 million, and a turnover increase of 33.6% to HK$443 million. The aggregate sales of automatic windows, a major product of the company, grew 44.2 % to HK$170 million.

- **Supermarket chains**

Turnover of Lianhua Supermarket grew 15% to HK$1.597 billion. Profits attributable to shareholders totalled HK$235 million, about the same as in the previous year. During the year, the number of new stores of Lianhua reached 107, of which 78 were located in the Eastern China region.

OTHERS

Information technology businesses reported a loss of HK$10.42 million, an improvement from the HK$46.40 million loss in the previous year, after deducting exceptional gains generated from the disposal of strategic investment projects in the previous year.

The net loss of Semiconductor Manufacturing International Corporation ("SMIC") decreased significantly from the corresponding period last year, and its turnover increased by 25.1% to HK$11.43 billion. The net profit of Shanghai Information Investment Inc. ("SII") increased 42.5% to HK$121 million.

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