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 BREAKS HALF-YEAR RECORD WITH HK$1.2B PROFIT UP 28.9%

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RECORD-BREAKING PERFORMANCE BOASTS RESULTS OF BUSINESS REORGANIZATION; TO ACTIVELY PARTICIPATE IN SHANGHAI'S STATE-OWNED ENTERPRISE INTEGRATION AND SPEED UP DEVELOPMENT

(September 2, 2008 – HONG KONG) Shanghai Industrial Holdings Limited ("SIHL") announced that for the six months ended June 30, 2008, the Group's profit attributable to shareholders broke the half-year record with approximately HK$1.202 billion, an increase of 28.9% from last year, and close to the full year profits in 2006. Earnings per share rose 16.3% to approximately HK$1.12. Turnover was approximately HK$6.289 billion, up 60.5%. SIHL's board of directors have resolved to pay an interim dividend of HK45 cents per share, 21.6% more than last corresponding period. Dividend payout ratio was 40.2%.

SIHL chairman Teng Yi Long said that the first half saw excellent performance in all key sectors, with profit growth in infrastructure, medicine and consumer products ranging between 18% and 70%. Real estate business, the new addition to the portfolio last year, began profit contribution this year. In July 2008 the company proposed its largest acquisition since listing – the HK$5.546 billion acquisition of the Shanghai Four Seasons Hotel and Hu-Hang Expressway (Shanghai section) from the parent company. The injection of these quality assets will provide SIHL with steady earnings, strengthened cashflow and optimized earnings structure – all adding momentum for future growth. Continuing its divestment strategy, the company sold its equity interests in Shanghai Information Investment to its parent company for HK$775 million, realizing a divestment gain of HK$332 million, to be used for core business development.

Looking into the second half of the year, Mr Teng said SIHL will consolidate the growth potential of existing businesses, enhancing operating efficiency and boosting earnings growth. At the same time, the company will reinforce its business re-organisation by quickening investment in the core businesses of infrastructure and real estate, building on a foundation of recurrent earnings with rich cashflow. It will also continue divesting non-core projects to redistribute resources to expand its core businesses. As the Shanghai SASAC is deepening the restructuring of state-owned assets in Shanghai, the company will capitalize on such favorable opportunities and acquire quality assets in the respective core businesses. On financial management, the company will raise its gearing ratio so as to increase capital efficiency and improve returns on equity and enhance shareholders' value.

SIHL's key businesses include infrastructure, medicine, consumer products and real estate.

INFRASTRUCTURE

Infrastructure business contributed approximately HK$170 million, an increase of 18.1% compared with the corresponding period last year and accounting for 14.4% of the Group's net business profit.

The widening project of the Shanghai-Nanjing Expressway (Shanghai Section) has progressed on schedule and will be completed by the end of 2008. After completion, the traffic flow and toll revenue will increase significantly. For the first half of the year Shanghai-Nanjing Expressway (Shanghai Section) recorded a toll revenue of approximately HK$170 million, with a traffic flow of 9.41 million vehicles, despite the snow storm in the beginning of the year that led to a slight decrease in traffic flow during the Chinese New Year peak season. Subsidies for the widening project of about approximately HK$90.03 million were received during the period.

General Water of China ("GWC") recorded a revenue from principal business of approximately HK$250 million, up 33.0% from last year. GWC Bengbu has successfully raised water tariff since March 2008, and Xiangtan Water is working on getting a second tariff adjustment by the end of 2008. Wenzhou Water's 100,000-tonne water treatment BOT project was inaugurated in March, and began operation. A similar inauguration ceremony was held in May for the Huzhou Tiger Lake project, marking the completion of the 2 1/2-year construction.

MEDICINE

Despite increasing inflationary pressure and stringent environmental and medicine quality regulations in the first half of 2008, the overall performance of the medicine industry remained positive. During the period, the medicine business achieved rapid growth in its principal operation with satisfactory economic efficiency. It contributed approximately HK$122 million, an increase of 70.1% over last year and accounting for 10.4% of the Group's net business profit. SI Pharmaceutical became for the first time one of the top 100 enterprises in Shanghai, ranking No. 71.

For Chinese medicine and health food, the "Dengfeng" series of injection medicine recorded robust sales, with "Shen Mai Injection" growing 48.3%, and sales of "Dan Shen Injection" and "Huang Qi Injection" increasing by 15.5% and 11.0% respectively. "Huqingyutang Stomach Rejuvenation Tablets" has been the focus of promotion, with sales increasing 32.4%; sales of "Herbapex Rupixiao Tablets" increased about 33.8%. For biomedicines, Guangdong Techpool's new biomedicine product "Kai Li Kang" obtained its own intellectual property. In June 2008, "Kai Li Kang" was confirmed a specialized project by the National Development and Reform Commission, and the product has so far been awarded five State invention patents. "Kai Li Kang" and "Techpool Luoan" achieved rapid growth in the first half of 2008. In March 2008, Guangdong Techpool announced the placement of new shares to raise a capital of RMB100 million. Upon completion, SI Pharmaceutical's shareholding in Guangdong Techpool will be reduced to 40.8%, but remained its largest shareholder.

For medical equipment, Shanghai Medical Instruments recorded sales growth of 20.4% with sales of major hospital facilities such as operation tables and shadowless surgical lamps increasing by 19.1%. Sales of medical and self-made environmental protection consumables increased 2.13 times. During the period, MicroPort Medical has been awarded the licence of foreign medical equipment manufacturer from the Ministry of Health, Labour and Welfare of Japan and became a recognized foreign manufacturer in Japan, a necessary pre-requisite for the export of its products to this overseas market.

CONSUMER PRODUCTS

Turnover from the consumer products business reached approximately HK$1,832 million, up 14.8%, and profits reached approximately HK$379 million, representing a decline of 39.2% as compared with the corresponding period last year, and accounting for 32.2% of the net business profit of the Group. The decline in profits was mainly due to the disposal of the Group's interests in automobiles and parts business during the corresponding period last year which contributed an exceptional gain. After deducting such exceptional gain and related profit contribution, actual profits from the consumer products business increased 18.7%.

Overall sales revenue from the tobacco business increased 7.4% to approximately HK$1 billion, with a net profit of approximately HK$233 million, up 15.9%. Sales volume in the Hong Kong market increased 21.5% while the Macau market achieved steady growth with an increase of 19.2% in sales volume. The newly developed canned "Portrait" collection grew 1.98 times in the duty free market. During the first half, the general costs of the dairy industry have been increasing leading to rising prices for certain products, resulting in an overall decline in dairy product consumption. Bright Dairy recorded a sales revenue from principal business of approximately RMB3,770 million (equivalent to about HK$4,165 million), and a net profit of approximately RMB140 million (equivalent to about HK$155 million), an increase of 38.3% from last year. In late March, the National Development and Reform Commission approved partial price increases for pure milk products. This helped to reduce Bright Dairy's cost pressure and enhance the overall profitability.

Wing Fat Printing reported a turnover of around approximately HK$931 million, an increase of 19.9%. Sales of container boards and printing products increased 23.8% and 20.3% respectively. Net profit before deduction of listing fees was approximately HK$96.07 million, up 8.5%. Due to volatile market conditions, the Board of Wing Fat Printing decided to postpone the spin-off for listing, but it may be resumed at a suitable time depending on market conditions.

Lianhua Supermarket reported revenue growth of 19.8% to approximately RMB10,739 million (equivalent to about HK$11,862 million). Profit attributable to shareholders reached approximately RMB227 million (equivalent to about HK$251 million), an increase of 61.8%.

REAL ESTATE

The operating results of Shanghai Urban Development ("SUD") have been consolidated into the accounts of SIHL in 2008 following the completion of the acquisition in 2007. For the first half of 2008, profit contribution from the real estate business comprising property sales, rental income and increase in fair value upon revaluation of investment properties amounted to approximately HK$250 million.

SUD has eight property development projects, four in progress and four in planning stage. The four current projects include Urban Cradle in Shanghai, Kuncheng Dijing Garden in Kunshan, Rose City in Hefei and Toscana in Changsha. Phase One apartment units of Urban Cradle were sold in 2007 and delivered for occupancy in March 2008. Sale in the first half of 2008 was primarily for car-parks, achieving pre-sale of approximately HK$21.99 million. Pre-sale of residential units in Kuncheng Dijing Garden and Toscana in the first half of 2008 totalled approximately HK$78.17 million and approximately HK$42.71 million respectively, with an aggregate gross floor area of 22,075 sq. m. Total pre-sale contracts in the first half were approximately HK$142.9 million.

Projects in planning stage include Xujiahui Centre in Shanghai, Wuxi Lihu Technology Building in Wuxi, Ivy International Community in Chongqing and Huaqiao International Service Business Park in Kunshan. The Chongqing and Kunshan projects were acquired earlier this year, with a total gross floor area of 288,692 sq. m. and a land reserve area of 160,763 sq.m. Total gross floor area of all projects under SUD presently exceeds 3 million sq. m.

Investment properties under SUD totaled 76,875 sq. m., including Urban Development International Tower, Huimin Commercial Tower and other smaller projects. Most are on long-term leases. Rental income in the first half totaled approximately HK$52.59 million.

OTHERS

The disposal of 20% equity interest of Shanghai Information Investment for approximately HK$775 million was completed, realizing a disposal gain of approximately HK$332 million. In the first half, SMIC completely exited the commodity DRAM business, thus reducing DRAM shipment, with overall revenue decreasing 7.6% over last year to approximately HK$5,501 million. An impairment loss of approximately HK$825 million in regard to the long-lived assets of its Beijing facility was recorded.

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2008 Interim Results Highlights

	1H2008 (HK$)	1H2007 (HK$)	Change (%)
Turnover	**6,289M**	3,917M	+60.5%
Profit attributable to shareholders	**1,202M**	933M	+28.9%
Earnings per share (basic)	**HK$1.12**	HK$0.963	+16.3%
Interim dividend	**HK45 cents**	HK37 cents	+21.6%
Payout ratio	**40.2%**	38.4%	

Net Business Profit of the Group contributed by each business segment