



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 INTERIM EARNINGS RISE 6.7% TO HK\$1.403B***

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### ***MORE ACQUISITIONS AND ASSET INJECTION FROM PARENT TO BOOST PROPERTY AND INFRASTRUCTURE CORE BUSINESSES***

(September 1, 2009 – HONG KONG) Shanghai Industrial Holdings Limited ("SIHL") reported approximately HK\$1,403 million profit attributable to shareholders for the six months ended June 30, 2009, up 6.7% from corresponding period last year. Earnings per share rose 6.3% to approximately HK\$1.302. SIHL's board of directors has resolved to pay an interim dividend of HK48 cents per share, 6.7% increase from corresponding period last year.

SIHL chairman Teng Yilong noted that 2009 will be a record year for the company -- interim earnings and dividend have both achieved record high, while the pace and magnitude of the company's assets restructuring also reached the highest levels since listing. Year to date SIHL has successfully divested a number of non-core assets, and embarked on substantial expansion of its real estate business, delivering significant results in the company's restructuring efforts.

Within eight months this year, SIHL has sold its entire interests in four non-core assets – Lianhua Supermarket, Bright Dairy, MicroPort Medical and SMIC. Consequently SIHL will realize divestment proceeds of close to HK\$5 billion, which would be used for expanding its core businesses as they become the main source of income and earnings growth in the future.

In the first half year in 2009, SIHL has expanded its real estate portfolio by making two investments -- RMB 2 billion (approximately HK\$2.272 billion) in the Shanghai Bay residential property project located in the vicinity of the Shanghai Expo site, and RMB1.525 billion (approximately HK\$1.732 billion) in Qingpu Land reserves from its parent company.

Looking forward to the second half of the year, SIHL would boost its real estate and infrastructure businesses by means of more substantial acquisitions, while continuing the medicine business reorganization, and stabilizing the development of its consumer products business. Upcoming moves include (i) adding more land reserves and property projects by means of mergers and acquisitions and asset injection from parent; (ii) adding more toll road projects bearing promising earnings growth in Shanghai and other rapid-growth regions. Overall objective is to optimize its investment portfolio to enjoy both steady cash flow as well as robust growth.

Mr Teng described the current year as a landmark for optimizing business structure, expanding operation scale and increasing shareholder value. As of now, the company has generally accomplished the objective of non-core assets divestment. Upcoming challenges would be speeding up acquisition of real estate and infrastructure projects to maximize its unique competitive edge in Shanghai to enhance earnings growth, expand earnings contribution and create further shareholder value.

Shanghai Industrial's current businesses comprise infrastructure facilities, medicine, consumer products and real estate.

## **INFRASTRUCTURE FACILITIES**

Profit from infrastructure facilities amounted to approximately HK\$333 million, representing 24.8% increase over the same period last year and accounting for 22.9% of the Group's net business profit.

### ● Toll Roads

The widening project of Hu-Ning Expressway (Shanghai Section) was completed at the end of 2008. During the first half of 2009, Hu-Ning Expressway (Shanghai Section) recorded significant increase in both toll revenue and traffic flow, the former rising 24.1% to HK\$211 million and latter climbing 32.5% to 12.47 million vehicles.

On Hu-Hang Expressway (Shanghai Section), the widening project of the Xin-Song section had started in January 2009. Some of the lanes were closed during the first half, resulting in 46.2% decline in traffic flow and 39.4% decrease of toll revenue. Net profit from Hu-Hang Expressway (Shanghai Section) nevertheless rose 136.0% to HK\$227 million, mainly due to approximately HK\$143 million subsidies received for the widening project.

### ● Water Services

General Water of China recorded HK\$282 million revenue, up 12.9% over the corresponding period last year. The company's current development strategies are to actively pursue mergers and acquisitions as well as integration of its business, establish a healthy profit structure and enhance return on assets.

## **MEDICINE**

The medicine business recorded a turnover of HK\$2,915 million, up 6.9% over the same period last year. Profit contribution amounted to HK\$508 million, up 316.1% over the same period last year and accounting for 35.1% of the Group's net business profit. A disposal gain of approximately HK\$383 million was recorded for the disposal of its entire 18.89% interest in MicroPort Medical.

- **Chinese Medicine and Health Food**

Overall sales of Chinese medicine grew while the sales of health food declined. Major TCM products “Huqingyutang” Stomach Rejuvenation Tablets, Herba Dendrobium Grain and Qiangli Pipa Syrup recorded sales increase of 15.9%, 21.6% and 12.2% respectively. Accumulated sales of cordyceps at Huqingyutang Drugstore increased 30.2%. Sales of major products of Xiamen TCM rebounded rapidly in June following the completion of plant relocation in May 2009. “Dengfeng” Shen Mai Injection sales grew 9.3%, and as a key State project, subsidies from government funds were received during the period.

- **Biomedicine**

“Techpool Luoan” and “Kai Li Kang” recorded sales increase of 42.5% and 85.6% respectively over the same period last year.

- **Chemical Medicine**

The wholesale and retail sales of Changzhou Pharmaceutical in the first half of 2009 increased by 22.4% and 14.9% respectively. In general chemical drugs maintained relatively strong profits while pharmaceutical products maintained stable sales.

- **Medical Equipment**

Sales in major products achieved stable growth while sales for consumables such as indwelling needles grew significantly.

## **CONSUMER PRODUCTS**

Profit contribution from the consumer products business was approximately HK\$761 million, accounting for 52.4 % of the Group’s net business profit. During the period, SIHL disposed its entire shareholding of 21.17% in Lianhua Supermarket, and 5% shareholding of Bright Dairy, recording a combined disposal gain of approximately HK\$358 million.

- **Tobacco**

Nanyang Tobacco focused on high-value-added products and achieved satisfactory results in restructuring its product portfolio. The company recorded an after-tax profit of approximately HK\$309 million. Sales of relatively high-value-added products such as “Double Happiness Classic Deluxe” in the mainland market had increased significantly. A relatively large increase in sales was recorded for canned “Portrait” and “Scenery” tobacco products in the duty free market. Sales in the Hong Kong market declined due to a significant increase in tobacco product duty, while sales growth was recorded in the Macau market. Following completion of the trial operation, production on expanded cut tobacco has begun in June.

- **Printing**

Wing Fat Printing's turnover declined by 14.9% to HK\$792 million, but net profit rose 14.9% to HK\$80.59 million. Printing business remained stable growth with 2.0% turnover increase. The newly developed packaging business for drugs has brought about a new growth driver for the segment.

- **Dairy**

Bright Dairy's turnover increased to RMB3,852 million (approximately HK\$4,375 million) while its net profit dropped 67.8% to RMB45.34 million (approximately HK\$51.50 million). The decline was contributed by the RMB165 million Danone compensation received same period last year. In line with SIHL's strategy of divesting non-core businesses, a 5% shareholding in Bright Dairy was disposed of through trading in the Shanghai Stock Exchange in June 2009 for a consideration of approximately HK\$391 million. A pre-tax disposal gain of approximately HK\$261 million was recorded for the period. SIHL also entered into a share transfer agreement with Bright Food Group to dispose of all its remaining interest of 30.176% in Bright Dairy in July. The transfer is subject to approval by relevant authorities in the PRC. SIHL is expected to record a pre-tax disposal gain of approximately HK\$945 million upon completion of this transaction.

- **Supermarket Chains**

SIHL disposed 21.17% interest in Lianhua Supermarket for a consideration of RMB1,056 million (approximately HK\$1,199 million) in January 2009. The transaction was completed in March and a disposal gain of approximately HK\$125 million was recorded.

## **REAL ESTATE**

Profit contribution from the real estate business amounted to approximately HK\$53.50 million, accounting for approximately 3.7% of the Group's net business profit.

- **Land Reserve**

As at the end of June 2009, Shanghai Urban Development's land reserve totaled a gross floor area of 3,260,000 square meters, covering eight real estate projects in five regions, namely Shanghai, Jiangsu, Anhui, Hunan and Chongqing. New additions in the first half of 2009 amounted to approximately 190,000 square meters.

- **Property Development**

Shanghai Urban Development (“SUD”) recorded a total turnover of approximately HK\$493 million during the period, 68.5% less than the same period last year. Net profit rose 133.8% to approximately HK\$129 million after excluding the factor of property revaluation. Total pre-sale in the first half of 2009 amounted to approximately HK\$3,124 million, including contributions from four development projects -- Urban Cradle in Shanghai, Kuncheng Dijing Garden in Kunshan, Toscana in Changsha and Rose City in Hefei. Total pre-sale gross floor area was approximately 222,000 square meters. Since the launch of “Urban Cradle – Lounge City” apartments in 2008, the response has been very positive. Altogether 688 units had been sold in 2009, generating a pre-sale proceeds of approximately HK\$2,544 million.

Rental income from SUD’s investment properties amounted to approximately HK\$68.86 million, with an aggregate gross floor area of approximately 77,056 square meters.

- **New Investment**

In June 2009, SIHL acquired four residential blocks of Shanghai Bay from Glorious Property for approximately RMB2 billion (approximately HK\$2.272 billion). These blocks are currently under development with 396 units and a total gross floor area of approximately 100,000 square meters. Glorious Property was entrusted for the construction and management of the project, and shall be responsible for the construction, promotion and sale of the properties. Glorious Property has also undertaken that SIHL will receive a total guaranteed profit return of approximately HK\$1,022 million in three years.

On 12th August 2009, SIHL acquired a development site (land lots D and E) of about 950,000 square meters located by the lakeside of Dingshan Lake, at Zhujiajiao Town in the southwest of Qingpu District, Shanghai from the parent company for a total consideration of about HK\$1.732 billion. The site is intended to develop into low density mid-to-high-end luxury residential buildings and villas. SIHL will pursue the injection of the adjacent parcels of land for development purposes.

- **Hotel Operations**

Affected by reduced demand from overseas visitors, price competition among high-end hotels in Shanghai was intensified in the first half of 2009. Room rates of the Four Seasons Hotel Shanghai remained at a high level compared to its peers, ranking the second most expensive hotel in the city. The turnover of SIIC South Pacific Hotel in the first half of 2009 was approximately HK\$95.18 million.

## **OTHERS**

The sales of SMIC during the first half of 2009 decreased 41.3%, mainly due to a drop of 40.5% in the quantity of wafer shipped. Net loss for the period amounted to HK\$2,157 million, an increase of HK\$47.21 million loss compared with the same period last year. SIHL's share of loss in SMIC was HK\$206 million during the period. In July 2009, SIHL entered into a share transfer agreement with a wholly-owned subsidiary of SIIC, its controlling shareholder, to dispose of its entire shareholding of approximately 8.2% in SMIC. The transaction represented a divestment proceed of HK\$1,100 million and a disposal loss of approximately HK\$840 million.

### **2009 Interim Results Highlights**

	<b>1H2009</b>	1H2008 (Restated)	Change (%)
Turnover	<b>HK\$5,579M</b>	HK\$6,771M	-17.6%
Profit attributable to shareholders	<b>HK\$1,403M</b>	HK\$1,315M	+6.7%
Earnings per share- basic	<b>HK\$1.302</b>	HK\$1.225	+6.3%
Interim dividend per share	<b>HK48 cents</b>	HK45 cents	+6.7%
Payout ratio	<b>36.9%</b>	36.7%	

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