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***Shanghai Industrial earnings jump 83.9% to record HK\$5.278B***

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***Highlighting water services and toll road acquisitions this year  
Shifting capital operations to high gear  
Full steam ahead with real estate integration***

(March 30, 2011 – HONG KONG) Shanghai Industrial Holdings Limited (“SIHL”, stock code 0363) announced its annual results for the year ended December 31, 2010. Turnover increased 80.0% to approximately HK\$12.71 billion. Profit attributable to shareholders jumped 83.9% to approximately HK\$5.278 billion – the highest earnings since listing; earnings per share also rose 83.8% to the record level of approximately HK\$4.89. Total assets and shareholders’ equity increased 36.7% and 19.5% to approximately HK\$87.831 billion and HK\$29.760 billion respectively. The Group’s board of directors proposed a final dividend of HK58 cents per share, making a total dividend of HK108 cents per share for the year.

SIHL chairman Teng Yilong noted satisfactory performance in all three core businesses – infrastructure facilities, real estate and consumer products. Its three toll roads in Shanghai – Jing-Hu Expressway (Shanghai Section), Hu-Kun Expressway (Shanghai Section) and Hu-Yu Expressway (Shanghai Section) -- saw increased traffic during the Shanghai Expo period, leading to rising toll revenue. The three roads together collected a total of about HK\$1.678 billion toll revenue in 2010, averaging about HK\$4.6 million per day. Its three water services entities – General Water of China, Asia Water Technology and United Runtong Water -- continued to contribute earnings. The infrastructure facilities sector reported annual earnings of approximately HK\$821 million, representing 73.2% growth after deducting government subsidies for Jing-Hu Expressway and Hu-Kun Expressway projects in 2009.

Benefiting from property sales at Shanghai Urban Development, and earnings contributions from the Shanghai Bay investment project, SIHL's real estate business reported about HK\$946 million earnings, up 29.4%. The newly acquired Shanghai Industrial Urban Development (formerly called Neo-China) had substantially reduced its loss in the second half of 2010 to about HK\$104 million. Excluding the attributable loss, SIHL's real estate sector earnings had climbed 42.7%. Consumer products maintained stable growth -- Nanyang Tobacco reported steady rise while Wing Fat Printing scored double-digit growth. Excluding disposal gains and related earnings contributions in the previous year, consumer products sector earnings rose 8.3% to approximately HK\$678 million.

Looking forward, Mr Teng said the company will secure mergers and acquisitions in water services and toll road projects in the coming year. Taking advantage of the fast-growing demand for water resources like sewage treatment in urban and rural areas with reference to the country's Twelfth Five-Year Plan, SIHL is poised to expand the production and operation capabilities of its water services projects, the current handling capacity of which already standing at 6.28 million tonnes per day. At the same time, SIHL is committed to integrate the water services business platforms to raise operation efficiency.

As well, SIHL would shift its capital operations to high gear and move full steam ahead with the integration of its real estate businesses -- by means of asset injection, equity placement and joint development. The objective is to instigate follow-up development, enhance brand building, thus keeping SIHL's leading position in the China real estate market. SIHL's acquisition of Shanghai Industrial Development from parent is expected to complete in the current year. Upon completion, the total land bank under SIHL would increase to about 23.43 million square meters, following the addition of Shanghai Industrial Development's land bank and lot G of Qingpu land. By then, SIHL's property development projects would span a number of key provinces and municipalities. The consumer products business is committed to bolster its operational prowess, actively develop potential markets, realise recurring earnings growth at the operation level, consequently feeding the company with steady cashflow and earnings contribution.

Mr Teng reiterated SIHL's unique strength in terms of holding quality core business assets -- toll roads, water services and consumer products projects all contribute steady cashflow and earnings growth while real estate offers value enhancing potential. In the future, SIHL would further enhance its core business development, optimise its asset structure, develop potential for future earnings -- enhancing shareholders value and delivering higher rate of returns.

Shanghai Industrial's three core businesses are infrastructure, real estate and consumer products.

## **INFRASTRUCTURE FACILITIES**

Benefiting from the Shanghai Expo and the increase of private vehicles in Shanghai, as well as higher profit contribution from the water services projects, SIHL's infrastructure sector earnings for the year amounted to approximately HK\$821 million, representing an increase of about 11% and accounting for approximately 33.6% of the Group's net business profit. Excluding government subsidies for road widening projects in 2009, the infrastructure sector profit increased by about 73.2%.

### ● ***Toll Roads***

During the year, toll revenue and traffic flow for Jing-Hu Expressway (Shanghai Section) increased 10.9% and 14.6% to approximately HK\$532 million and 32.52 million vehicles respectively. Project company Hu-Ning Expressway's net profit was approximately HK\$286 million, representing an increase of 4.3% after excluding the factor of government subsidies for the widening works in 2009.

Traffic flow and toll revenue increased rapidly following the re-opening of the Hu-Kun Expressway (Shanghai Xinsong Section) on January 1, 2010, and the increased number of trade visitors to Shanghai during Shanghai Expo. Toll revenue and traffic flow reached approximately HK\$736 million and 31.87 million vehicles, representing an increase of 101.1% and 132.5% respectively. Its annual toll revenue ranked number one among all Shanghai toll roads. Project company Luqiao Development's net profit rose 79.6%, after excluding the factor of government subsidies for the widening project in 2009, to approximately HK\$265 million.

The acquisition of Hu-Yu Expressway (Shanghai Section) was completed in May 2010. Benefiting from the Shanghai Expo and the increase of motor vehicles, the annual toll revenue and traffic flow of Hu-Yu Expressway (Shanghai Section) maintained a steady growth to approximately HK\$410 million and 27.72 million vehicles respectively.

### ● ***Water services***

General Water of China's ("GWC") revenue increased 62.6% to approximately HK\$1,040 million; profit rose above the 100 million mark to HK\$130 million, representing an increase of 55% over the previous year. As at December 31, 2010, GWC had 14 water projects with a total handling capacity of 4,339,000 tonnes per day. GWC's development projects had significantly enhanced operational efficiency while a number of entities successfully raised the water tariff.

The acquisition of Asia Water Technology ("AWT"), a listed company in Singapore, was completed in February 2010. AWT presently owns 11 water projects with a total capacity of 1,015,000 tonnes per day. AWT reported approximately HK\$324 million turnover and approximately HK\$26.78 million net profit. As at the end of December in 2010, AWT announced a rights issue of 1,282,854,649 shares at S\$0.06 each which was completed in the first quarter of 2011. During the year, the Qianchuan and Panlong sewage treatment projects in Wuhan Huangpo had been added with a combined production capacity of 75,000 tonnes per day.

In September 2010, SIHL acquired 60.4% equity interest in United Runtong Water for a total consideration of approximately RMB361 million, which was completed in November. United Runtong Water is principally engaged in sewage treatment, sludge treatment and recycling water treatment, urban water supply and garbage disposal. Its projects are located in Shandong, Hunan, Guangxi and Guangdong with a total capacity of 935,000 tonnes per day as at the end of 2010. United Runtong Water recorded a turnover of approximately HK\$332 million and a net profit of approximately HK\$55.42 million.

## **REAL ESTATE**

Profit from real estate business amounted to approximately HK\$946 million, an increase of 29.4% over the previous year and accounting for approximately 38.7% of the Group's net business profit. Newly acquired SI Urban Development ("SIUD") reported loss in 2009, albeit a sharp decrease in magnitude of loss after SIHL's acquisition in June 2010. Profit contribution from real estate business rose by 42.7% after deducting the attributable loss of SIUD.

Notwithstanding the impact of macro adjustment policies on the China property industry, SIHL's real estate business still achieved significant progress during the year. In addition to the completed acquisition of 45.02% equity interest in SIUD as well as lot F of Qingpu land, the acquisition of a controlling stake in Shanghai Industrial Development ("SI Development") was also initiated during the year, leading to SIHL's land bank covering all major cities across China and facilitating rapid expansion of business scale.

In August 2010, SIHL announced the acquisition from its parent company of 63.65% equity interest in SI Development, a company listed in the A shares market in Shanghai, for a consideration of approximately HK\$5,827 million. The transaction is expected to be completed within this year and the results of SI Development will be consolidated into SIHL's accounts according to the merger accounting method. SI Development owned 17 real estate projects, most of which are located in Shanghai, Huzhou, Harbin, Qingdao, Quanzhou, Chongqing, Chengdu and Dali, with a planned total gross floor area of 5,610,000 square meters as at the end of 2010. The company has the priority to participate in the development of Dongtan land on Chongming Island in Shanghai.

In February 2011, SIHL announced its strategic cooperation with Chow Tai Fook to jointly develop the Qingpu project in Shanghai and form joint venture operation for the Four Seasons Hotel Shanghai. SIHL will sell 90% equity interest in lots F and G of the Qingpu land in Zhujiajiao Town of Shanghai (considerations of the two land lots were approximately RMB1,131 million and RMB1,305 million respectively) and 77% equity interest in Four Seasons Hotel Shanghai (for a consideration of approximately HK\$1,168 million) to Chow Tai Fook's subsidiary. Upon completion of the three transactions, SIHL will realize total cash proceeds of approximately HK\$3,526 million and after-tax exceptional gain of approximately HK\$2,867 million.

### ● *Land Reserve*

As at the end of 2010, Shanghai Urban Development ("SUD") owned 11 real estate projects in five regions -- Shanghai, Jiangsu, Anhui, Hunan and Chongqing, with a total site area of approximately 2,380,000 square meters and a planned total gross floor area of approximately 4,530,000 square meters. During the year, a 250,570-square-meter site area was added to SUD's portfolio, including 163,244 square meters of Ivy Aroma Town Phase II in Chongqing, and Meilong Nanfang Shangcheng and the railway superstructure Xinzhuang block No.222 in Xinzhuang Town (both in Shanghai). SUD held 40% and 35% equity interests in the two Shanghai projects respectively.

In 2009, SIHL had acquired from parent company the land lots D, E, F and G situated by the side of Dianshan Lake, Zhujiajiao Town, Qingpu District of Shanghai with a total site area of approximately 1,700,000 square meters and planned total gross floor area of approximately 850,000 square meters. Lots D, E and F have been consolidated into SIHL while lot G is pending government approval. These lots are earmarked for the development of low density luxury residential blocks and villas. SIHL's Qingpu project is further augmented by lots A, B and C owned by SI Development, reaching a total site area of about 2,820,000 square meters.

The acquisition of 45.02% equity interest in SIUD was completed in June 2010. SIUD currently has 15 real estate projects in 11 cities with an accumulated site area of approximately 7,460,000 square meters and a planned total gross floor area of approximately 12,720,000 square meters. Last September, a subsidiary company of SIUD and SUD were awarded by way of joint bidding the Meilong Nanfang Shangcheng lot in Shanghai, holding 25% interest of the project.

As at 31 December 2010, taking into account of the lots D, E and F of Qingpu land owned by SIHL, together with the land banks under SUD and SIUD, SIHL owns a planned total gross floor area of approximately 17,620,000 square meters. Upon injection of SI Development and lot G of Qingpu land, SIHL's total land reserve will be increased to approximately 23,430,000 square meters.

#### ● *Property Development and Investment*

For SUD, newly added construction area during the year amounted to approximately 435,769 square meters. Sales proceeds rose 118.6% to HK\$4,276 million with a total sales area of 108,890 square meters in 2010. Gross floor area presold amounted to approximately HK\$2,094 million, including the projects of Urban Cradle in Shanghai, Royal Villa in Kunshan, Toscana in Changsha, Rose Town City Villa in Hefei and Ivy Aroma Town in Chongqing. Rental income from investment properties totalled about HK\$146 million, which included Urban Development International Tower, Huimin Commercial Tower and other retail properties, covering a total gross floor area of approximately 77,000 square meters.

For SIUD, turnover rose to approximately HK\$4,110 million, a seven-fold increase compared to the eight months ended December 2009; net loss was HK\$750 million, a decrease in loss of HK\$1,360 million as compared to the loss of HK\$2,110 million for the same period in the previous year. During the second half of 2010, an adjustment to SIUD's debt structure was carried out to reduce its debt levels, including the redemption of high interest loans of a total principal amount of RMB1.2 billion. Gross floor area presold totalled approximately 516,000 square meters, logging a pre-sale amount of approximately HK\$3,430 million. Presale projects included Tianjin Old Downtown, Xi'an Neo Water City, Chongqing Neo-China Top City, Changsha Forest Garden, Chengdu Park Avenue and Shanghai Jiujiu Youth City.

SIHL's four residential blocks under development in Shanghai Bay, located in Xuhui District of Shanghai, include 396 units with a total gross floor area of approximately 100,000 square meters. Glorious Property is currently responsible for the development, sale and day-to-day management of the properties. This project contributed a profit of approximately HK\$442 million during the year.

#### ● *Hotel Operations*

Shanghai Expo has bolstered the recovery of the tourism industry in Shanghai, resulting in a significant rebound in the performance of the Four Seasons Hotel Shanghai during the year. The hotel capitalized on opportunities arising from the Expo and increased efforts to expand the China market. Average room rates picked up steadily and the hotel's revenue increased 36.1% to approximately HK\$286 million.

## **CONSUMER PRODUCTS**

Profit contribution from consumer products business was approximately HK\$678 million, an increase of 8.3% after deducting the disposal gain and profit contribution from Lianhua Supermarket and Bright Dairy, which were divested in 2009. Consumer products profit accounted for approximately 27.7% of the Group's net business profit.

- *Nanyang Tobacco*

Nanyang Tobacco's net profit and turnover rose about 6.2% and 9.5% to approximately HK\$531 million and HK\$2,196 million respectively. During the period, satisfactory growth rate was recorded for high-value-added products such as Double Happiness Classic Deluxe, Double Happiness Premium and unique memorial cans, the sales of which increased by about 78.53%, 362% and 25.01% respectively. Nanyang Tobacco also expanded its overseas market with the rollout of Double Happiness Classic Deluxe in duty-free shops in Singapore, Indonesia and Japan.

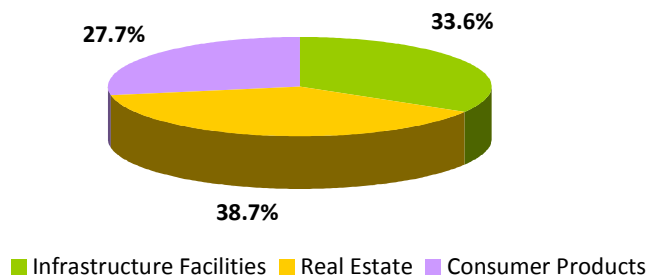
- *Wingfat Printing*

Wing Fat Printing's revenue (including the containerboard business which had been sold earlier this year) increased 42.7% to approximately HK\$2,850 million; net profit rose 14.8% to approximately HK\$155 million. Maintaining a relatively stable performance, Wing Fat had added the new joint venture WF Top Weld Packaging that is expected to drive the company's profit growth. This joint venture is principally engaged in the manufacture of matt tin can and pop-top cap as well as metal packaging. Chengdu Wingfat Printing consolidated its customer groups during the year and recorded double-digit growth in the printing services for various brands including Maotai Platinum Wine, Langjiu, Xi Feng Jiu and Jin Liu Fu. In January 2011, SIHL announced to dispose of all its 78.13% equity interests held in Hebei Yongxin Paper for a consideration of approximately RMB564 million as it withdrew completely from the containerboard business. SIHL received proceeds from the disposal (including shareholder loans to be repaid) totalling approximately HK\$1,200 million and a disposal gain of approximately HK\$140 million.

### **2010 Annual Results Highlights**

	2010	2009 (restated)	Change
Turnover	HK\$12,712 million	HK\$7,062 million	+80.0%
Profit attributable to shareholders	HK\$5,278 million	HK\$2,870 million	+83.9%
Earnings per share	HK\$4.89	HK\$2.66	+83.8%
Dividend per share	HK108 cents	HK108 cents	-

### **Profit contribution by sector**



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