上海實業控股有限公司
SHANGHAI INDUSTRIAL HOLDINGS LIMITED
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Shanghai Industrial earns HK$3.023 billion in 1H2011
Pays HK50 cents interim dividend

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Speeding up M&A in water services, asset and operation integration in real estate following expansion

(30th August, 2011 – HONG KONG) Shanghai Industrial Holdings Limited ("SIHL", stock code 0363) announced its interim results for the six months ended 30th June 2011. Profit attributable to shareholders was approximately HK$3.023 billion, a 149.7% increase after excluding disposal gains and profit contributions from its medicine business in the same period in 2010. Revenue was approximately HK$5.528 billion, a 17.1% decline due to sales slowdown of property business following impacts from government policies in the mainland. SIHL's board of directors has declared to pay an interim dividend of HK50 cents per share, same as last year.

SIHL chairman Teng Yilong said that the company's core businesses maintained consistent growth in the first half, with operating profits from infrastructure, real estate and consumer products totaled approximately HK$2.021 billion, up 78.5% from previous year. The real estate business profit margin has increased, raising the company's overall gross profit margin by 12.8% to 40.4%. Benefiting from continuous growth in the number of private cars and self-drive tours in Shanghai, SIHL's three toll roads in the infrastructure sector recorded impressive rise in both traffic flow and toll revenue. While the sales of residential properties had slowed down due to related policies in the mainland, SIHL has completed the joint venture transaction regarding its Qingpu land in Shanghai, realizing a business strategy of its real estate sector -- monetizing the value of its land reserve by means of introducing strategic partners to such projects. Consumer products sector benefited from profit enhancement at Nanyang Tobacco through optimization of product mix, plus the disposal gain at Wing Fat Printing following divestment from the lower-margin container board business. Mr. Teng noted that in overcoming the impact on profit due to cyclical changes in respective sectors within its investment portfolio, SIHL as a conglomerate leverages on its advantage of achieving a balance of its diversified businesses to maintain a sustained and steady growth in the overall profit of the company.

Looking ahead, SIHL's toll roads, water services and consumer products would continue to provide stable earnings and cash flow. Water services division would speed up mergers and acquisitions to expand its investment scale on the basis of its current daily handling capacity of 6.35 million tonnes. By leveraging its brand values and economies of scale, this division aims at becoming a leading operator in China's water services industry. For real estate, the recently completed acquisition of SI Development, an A-share company listed in Shanghai, further expanded SIHL's scale of operation, with an aggregate landbank size of GFA 24.46 million square meters. SIHL would fully utilize the unique advantages of having plenty of large-sized and relatively low-cost land reserves, as well as competitive strength in integrated regional development – leading to enhanced core competitiveness and earnings growth. At the same time, SIHL would accelerate asset integration and consolidation to build up a unified strategic operating platform. In addition, SIHL would capitalize on state-owned assets restructuring and market opportunities in response to external circumstances to formulate a strategic plan for sustainable growth and generate higher returns for its shareholders.

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

(1) INFRASTRUCTURE FACILITIES

Profit contributions from infrastructure facilities amounted to approximately HK$486 million, representing an increase of 17.8% over the same period last year and accounting for 15.7% of the Group's Net Business Profit.

【Toll roads】

Jing-Hu Expressway (Shanghai section) recorded a net profit of approximately HK$168 million for the first half, representing an increase of 35.8%. Notwithstanding impacts from snow and floods on the road sections and surrounding areas, toll revenue climbed 8.7% to approximately HK$272 million, benefiting from continuous growth in the total number of private cars and self-drive tours. Traffic flow rose to 16.26 million vehicles, up 4.8%.

Net profit of Hu-Kun Expressway (Shanghai Section) for the first half grew 40.4% to approximately HK$168 million. Toll revenue increased 21.2% to approximately HK$413 million, a record high among the same period in all previous years; traffic flow rose 14.5% to 16.84 million vehicles. During the period, the number of vehicles using Electronic Toll Collection (ETC) cards also increased significantly by 1.3 times.

Net profit of Hu-Yu Expressway (Shanghai Section) grew 22.2% to approximately HK$73.45 million during the period. Toll revenue and traffic flow amounted to approximately HK$217 million and 14.97 million vehicles, representing an increase of 10.9% and 9.9% respectively. In May 2011, the project company significantly reduced its finance costs through restructuring of its existing loans.

【Water services】

During the first half of 2011, General Water of China ("GWC") was committed to expand its markets, promote regional deployment, and actively explore new business opportunities in sludge treatment, water-related real estates and industrial wastewater, while focusing on urban water services. GWC's revenue increased 36.7% to approximately HK$528 million; net profit decreased 47.9% to approximately HK$21.44 million as certain government subsidies and water price adjustments have yet to be materialized.

Upon completion of the rights issue in the first quarter of 2011, Asia Water ("AW") raised a net proceed of S$72 million. During the period, Asia Water's revenue decreased 11.1% to approximately RMB110 million; profit grew 47.6% to approximately RMB7.41 million over the same period last year. AW has entered into a desalted water project in

Guangdong with a contract amount of approximately RMB46.50 million.

For the first half of 2011, United Runtong Water's ("URW") revenue and net profit totalled approximately HK$191 million and HK$44.89 million respectively. The two sewage treatment plants of URW in Luohe City and western Weifang had commenced operation during the period. In March 2011, URW spent RMB30 million for a sewage treatment plant franchised BOT project in Yiyang, Hunan with a daily production capacity of 30,000 tonnes for Phase I. Construction of the new project is expected to commence in late July.

(2) REAL ESTATE

Profit from real estate amounted to approximately HK$2.021 billion, an increase of 168.5% over the same period last year and accounting for 65.4% of the Group's Net Business Profit.

Qingpu land: In February 2011, SIHL announced the disposal of its 90% equity interest in lots F and G of the Qingpu land project and 77% equity interest in the Four Seasons Hotel Shanghai project to Chow Tai Fook group, with consideration of RMB2,432 million and HK$1,164 million respectively. SIHL and Chow Tai Fook will jointly develop the respective land lots and operate the Four Seasons Hotel Shanghai. The transaction for the disposal of the said equity interests in lot F and the Four Seasons Hotel Shanghai project was completed at the end of June this year, resulting in a disposal gain of approximately HK$1,842 million. The disposal of 90% equity interest in lot G of the Qingpu land is expected to be completed next year.

In addition to a 10% equity interest held by SIHL in lot F, SIHL also owns lots D and E of the Qingpu land and indirectly owns lots A, B and C of the Qingpu land through SI Development; lot G is yet to be injected into SIHL. Comprising a planned total gross floor area of 1,429,200 square meters, the Qingpu land lots will be developed into property projects under an approach that integrates both sole development and joint development with strategic partners.

SI Development: SIHL announced the acquisition from its parent company of 63.65% equity interest in SI Development, a company listed in the A-share market in Shanghai, for a consideration of RMB5,130 million in August last year. The transaction was completed in early July this year and the annual results of SI Development for 2011 will be consolidated into SIHL's accounts according to the merger accounting method in the second half of the year. During the period, SI Development recorded a net profit of RMB228 million and a revenue of RMB1,736 million. As at 30th June 2011, SI Development owned 20 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 5,972,600 square meters.

Shanghai Urban Development: For the first half of the year, Shanghai Urban Development ("SUD") recorded a revenue of HK$1,148 million and a net profit of HK$139 million, representing a year-on-year decrease of 67.0% and 52.1% respectively. During the period, presale amounted to HK$680 million, accounting for a total gross floor area of approximately 38,238 square meters. Rental income totaled HK$83.78 million and accounting for a total gross floor area of 77,056 square meters. As at the end of June 2011, SUD owns 11 projects with a planned total gross floor area of 4,688,000 square meters. In July, SUD took a pioneering initiative to adopt an e-commerce platform for the launch of its "Yoooou.net" apartment and "Urban Cradle • Up County" deluxe apartment projects – drawing overwhelming response and record sales on the launch day.

SI Urban Development: Following the completion of acquisition of 45.02% equity interest in the Hong Kong-listed SI Urban Development ("SIUD") (formerly known as Neo-China) last year, SIHL announced in April 2011 the sale to SIUD of its 59% equity interest held in SUD together with an assignment of RMB395 million dividend receivables for a total consideration of approximately HK$6,110 million. SIUD will issue approximately 2,180,000,000 new shares at HK$2.8 each to SIHL for settlement of the consideration. The transaction is conditional upon the approval of the Stock Exchange and the Securities and Futures Commission as well as independent shareholders of SIUD. This transaction is expected to enhance significantly the operating capabilities of SIUD while creating synergy with optimization of SIHL's real estate portfolio.

Since SIHL's acquisition of SIUD in mid-2010, active measures had been taken to integrate and restructure SIUD's business operation and management platform. Subsequently SIUD had significantly reduced its debt and the property sales process had accelerated. During the first half of 2011, SIUD recorded a revenue of approximately HK$882 million, representing a decrease of 63.5%, and a turnaround in profitability with a net profit of approximately HK$56.70 million. Sales revenue from real estate totaled HK$798 million and accounting for a total gross floor area of 110,000 square meters. Completed and delivered projects included "Laochengxiang" in Tianjin, "Forest Garden" in Changsha, "Top City" in Chongqing and "Youngman Point" in Beijing. Rental income for the first half of the year totaled HK$32.87 million. A presale amount of approximately HK$521 million was recorded for the period, accounting for a total gross floor area of 78,099 square meters. As at 30th June 2011, SIUD owned 15 projects, most of which are located in Beijing, Shanghai, Tianjin, Chongqing, Chengdu, Xian, Changsha, Zhuhai and other cities with a planned total gross floor area of approximately 12,716,200 square meters.

Shanghai Bay: A 2009 investment project, Shanghai Bay contributed approximately HK$65 million profit during the period. Pursuant to the original share acquisition agreement, Glorious Property shall repurchase the entire equity interest in this project at the original consideration of RMB2 billion in the mainland. On 29th July this year, SIHL and Glorious Property reached an agreement and announced the disposal of the entire equity interest in an overseas holding company of the relevant project for the same consideration. Early completion of the transaction is expected with the consideration to be paid in Hong Kong on or before 1st December, 2011.

(3) Consumer Products

Profit contribution from consumer products was approximately HK$585 million, an increase of 44.5% over the same period last year and accounting for approximately 18.9% of the Group's Net Business Profit.

Nanyang Tobacco continued to record growth, of which Double Happiness cigarettes achieved an increase in total sales of 9.5%. During the period, effective product restructuring and price adjustments, cost control measures which partially offset the rising costs of tobacco and production materials, and favourable sales performance in all markets -- all contributed to Nanyang Tobacco's profitability. Revenue and net profit rose 16.3% and 11.4% to approximately HK$1.226 billion and HK$359 million respectively.

Wing Fat Printing maintained stable growth. Operating revenue declined 10.1% to approximately HK$1.210 billion, mainly due to decreases in operating income as a result of the disposal of its containerboard business. Net profit increased 186.8% to approximately HK$245 million. Due to volatility in the containerboard business, SIHL announced the disposal of its entire 78.13% equity interest held in Hebei Yongxin Paper in January for a consideration of RMB564 million. The transaction was completed in May and Wing Fat Printing recorded a disposal gain of approximately HK$162 million.

Media enquiries:
Derek Fung
Corporate Communications Department
Shanghai Industrial Holdings Limited
(Tel: 2821-3919, 9306-3800)