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**Shanghai Industrial earns HK2.543 billion in 1H2012  
Pays HK50 cents interim dividend**

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**Speeding up m&a in water services and toll roads  
Integrating resources and revitalizing assets in real estate**

(August 30, 2012 – HONG KONG) Shanghai Industrial Holdings Limited ("SIHL", stock code 0363) announced its interim results for the six months ended 30th June 2012. Unaudited profit attributable to shareholders was approximately HK\$2.543 billion, representing a 3.6% increase after excluding disposal benefits from selling Four Season Hotel Shanghai in the same period in 2011. Revenue was approximately HK\$6.236 billion, a 16.3% 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 Group's core businesses maintained steady growth against the declining global economic growth and China's continued tightening regulations and control policies. Infrastructure and consumer products reported 5.8% and 9.5% growth in operating profits respectively. In particular, water services has quickly expanded its operation scale following a series of mergers and acquisitions, reaching an aggregate daily handling capacity of about 8.45 million tonnes, an increase of 2.1 million tonnes from the previous year. Real estate has been under the influence of government's home purchase and mortgage restrictions and the operating profits declined by 11.7%, largely attributed to its subsidiary SI Urban Development ('SIUD') reporting loss in the first half, and the absence of investment income from the Shanghai Bay project in the previous year. During the period, the Group successfully completed the disposal of lot G of the Qingpu land in Shanghai and initiated joint venture projects located in Qingpu with SI Development, its A-share subsidiary in Shanghai. These projects are expected to put the Group in a favorable position in the future development of the Qingpu land bank. Mr. Teng noted that SIHL, as a conglomerate, is well equipped to cope with the impact caused by cyclical changes in the business sectors in its portfolio. The Group would leverage on its competitive advantage of achieving a balance of its diversified businesses to maintain sustained and steady growth in overall profits.

Looking ahead, SIHL's toll roads, water services and consumer products businesses would continue to provide stable earnings and cash flow. On infrastructure, the Group would seize asset acquisition opportunities to further increase earnings from toll roads; water services division would also speed up mergers and acquisitions to expand its investment scale. By leveraging its brand values and economies of scale, water services division aims at becoming a leading operator in China's water services industry. For real estate, it is not optimistic about the domestic and international markets as well as the policy environment. The management team will continue to optimize operation, integrate resources and enhance operation and development efficiency. Subsidiary SIUD will actively promote sales, impose stringent cost control, and implement effective strategies to realize sales and development objectives. The company will actively promote asset operation, enhance operation efficiency and improve business performance within the year. SIHL would fully utilize the unique advantages of having abundant large-sized and relatively low-cost land reserves, as well as competitive strength in integrated regional development. It would seek strategic investors in the process of revitalising the value of its land bank resources and create maximal value. On consumer products, measures would be taken to optimize products and assets to enhance production and operation efficiency for increasing earnings contribution.

Shanghai Industrial runs three core businesses: infrastructure facilities, real estate and consumer products.

**(1) INFRASTRUCTURE FACILITIES**

Profit contribution from infrastructure facilities amounted to HK\$474 million, slightly dropping 2.4%, mainly due to the lack of fair value gain in the acquisition of Asia Water in the same period last year. After deducting this non-operating profit item, earnings saw an increase of 5.8%. Infrastructure facilities accounted for approximately 17.7% of the Group's Net Business Profit. In response to the rapid development of the water-related environmental protection sector, SIHL has been actively expanding its water services business; the toll roads business continued with its growth momentum in both toll revenue and traffic flow.

## 【Toll Roads】

**Jing-Hu Expressway (Shanghai Section)** recorded net profit of HK\$170 million, an increase of 0.7% over the same period last year. Benefiting from natural growth in the total number of motor vehicles in Shanghai, toll revenue and traffic increased by 7.9% and 6.4% to HK\$294 million and 17.30 million vehicles respectively.

**Hu-Kun Expressway (Shanghai Section)** recorded net profit of HK\$179 million, an increase of 6.5% over the same period last year. Toll revenue rose 4.1% to the record level of HK\$430 million; traffic flow continued to grow to a total of 18.75 million vehicles, an increase of 11.3%.

**Hu-Yu Expressway (Shanghai Section)** recorded net profit of HK\$80.33 million, an increase of 9.4% over the same period last year. Toll revenue and traffic flow rose 3.7% and 7.2% to HK\$225 million and 14.84 million vehicles respectively, driven by continuing increases in the number of vehicles, as well as shopping and scenic attractions along the expressway.

## 【Water Services】

**Asia Water's** net profit and revenue jumped 503.6% and 206.0% to RMB44.70 million and RMB336 million respectively over the same period last year. Following last year's injection of United Environment, Asia Water announced the acquisition of 69.378% equity interests in Nanfang Water for a total consideration of RMB409.3 million in June; the transaction was completed in July. Incorporated in 2002, Nanfang Water is a professional sewage treatment enterprise in southern China operating 17 sewage treatment and recycled water projects across five provinces -- Guangdong, Hunan, Jiangsu, Yunnan and Fujian, with a daily handling capacity of up to 1.165 million tonnes. Upon completion of the acquisition, total daily handling capacity of Asia Water would be increased to nearly 3.3 million tonnes.

**General Water of China's ("GWC")** revenue and net profit increased 50.7% and 27.4% to HK\$795 million and HK\$27.32 million respectively over the same period last year. GWC has obtained domestic sewage (Class A) and industrial wastewater (Class A) operator accreditation, further strengthening its competitiveness and position in the industry. The project on reservoir works in Tiger Lake, Huzhou was successfully completed during the period.

Putting a strategic focus on the water-related environmental protection sector, SIHL would be active in expanding its water services business. Operating as a capital platform for SIHL's water services business, Asia Water is taking active steps to expand its scope of business by means of asset acquisitions and water plant extensions. Following the consolidation of United Environment and the acquisition of Nanfang Water, the total daily handling capacity under SIHL Group will reach about 8.45 million tonnes, ranking among top tiered companies in the industry.

## 2. REAL ESTATE

In view of China's related policies on the domestic real estate sector, SIHL saw a continued slowdown in real estate sales during the period. Profit from real estate business declined by 27.3% to HK\$1,577 million. After deducting the proceeds of the sales of equity interests of Four Seasons Hotel Shanghai and other non-operating profit items over the same period last year, the profit of real estate business declined by 11.7%. Real estate business accounted for approximately 58.7% of the Group's Net Business Profit. To improve overall profitability, active measures have been taken to integrate and upgrade existing real estate resources, to enhance synergy among the respective real estate enterprises, and to facilitate assets operation.

In April, SIHL announced the signing of an amendment deed with Chow Tai Fook Group for the disposal of lot G in the Qingpu District, Shanghai, pursuant to which the parties agreed that the completion date for the original agreement would be moved forward by eight months and that the total consideration be adjusted accordingly for earlier payment of the consideration by the purchaser. The transaction was completed in late April and the partial sale proceeds of approximately RMB551 million was received by the end of June. A HK\$1,132 million profits on disposal have been booked during the period, boosting SIHL's available funds for real estate development projects.

For the first half of 2012, **SI Urban Development's** ("SIUD") revenue was HK\$1,092 million; loss attributable to shareholders was HK\$309 million. The company is taking a prudent approach for the development of its real estate projects and taking active steps to broaden sales channels. Efforts had been made to solidify the "SI Urban Development" brand as a real estate enterprise across all China. During the period, projects delivered included "Neo Water City" in Xi'an, "Urban Cradle" in Shanghai and "Park Avenue" in Chengdu, accounting for a total gross floor area of approximately 145,000 square meters. SIUD recorded a contract sale for the period of HK\$2,100 million, accounting for a total gross floor area of 146,000 square meters including "Urban Cradle" in Shanghai, "Neo Water City" in Xi'an and "Top City" in Chongqing. The company is actively seeking strategic investors for the revitalization of its assets.

**SI Development** ("SID") recorded a revenue of RMB1,869 million and a net profit of RMB523 million, rising 7.7% and 129.8% respectively over the same period last year. During the period, the sale of 50% equity interests in the Tangdao Bay project in Qingdao was completed. At present, SIHL is actively facilitating joint developments with SID in respect of lots A to E in the Qingpu District, Shanghai. Total ground floor area built under Phase I construction work upon lots A and B (Phase I of Belle Rive) together with Phase I construction work upon lot C (Phase I of Shanghai Bay) amounted to approximately 85,000 square meters. Sales for these projects have already begun. Construction work on lot D started late last year. Sales of these respective lots in Qingpu are expected to deliver favorable profits to SIHL in the future.

### 3. CONSUMER PRODUCTS

Profit from consumer products amounted to approximately HK\$635 million, an increase of 8.7% over the same period last year. After deducting the proceeds on disposal of equity interests in its subsidiaries, profit rose 9.5%. Consumer products accounted for approximately 23.6% of the Group's Net Business Profit.

For the first half of 2012, **Nanyang Tobacco**'s revenue and net profit rose 8.4% and 13.7% to HK\$1,329 million and HK\$408 million respectively. Cumulative sales volume made during the period increased 2.7%, with high value-added products' sales volume going up by 9.8% and Double Happiness "Classic Deluxe" cigarettes up by 22.53%. During the period, the company continued to actively implement its strategies for product upgrade and product mix adjustment and stayed committed to focusing on market expansion and brand excellence. Restructuring projects for cigarette packaging machine and tobacco production line were also initiated during the period to further enhance the company's production capacity and operation capabilities.

**Wing Fat Printing**'s revenue declined 58.4% to HK\$503 million, mainly due to a decline in total sales that resulted from the disposal of containerboard business in May last year. Net profit slightly dropped 0.8% to HK\$243 million. In June, Wing Fat Printing disposed of its entire equity interests in Chengdu Wing Fat Printing, mainly for disposing land assets held under the company, while existing wine packaging operations were transferred to the newly-established Sichuan Wing Fat. The transaction has realized total proceeds of RMB231 million and generated a disposal gain of HK\$172 million.

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