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Shanghai Industrial earns HK1.675 billion in 1H2013
Pays HK42 cents interim dividend

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Speed up property project development, enhance synergy and unlock real estate value

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Expand investments in water services, environmental protection and energy

(August 29, 2013 – HONG KONG) Shanghai Industrial Holdings Limited ("SIHL", stock code 0363) announced its interim results for the six months ended 30th June 2013. Unaudited profit attributable to shareholders totalled approximately HK$1,675 million, a year-on-year decrease of 34.1%, mainly due to a considerable disposal gain from selling lot G of the Qingpu District in Shanghai recorded during the first half of the previous year -- as real estate is one of SIHL's core businesses. Excluding such non-comparable factor, profits rose 18.7%. Total revenue amounted to approximately HK$8,789 million, a year-on-year increase of 40.9%, arising mainly from increase in property units completed during the period. SIHL's board of directors has declared to pay an interim dividend of HK42 cents per share.

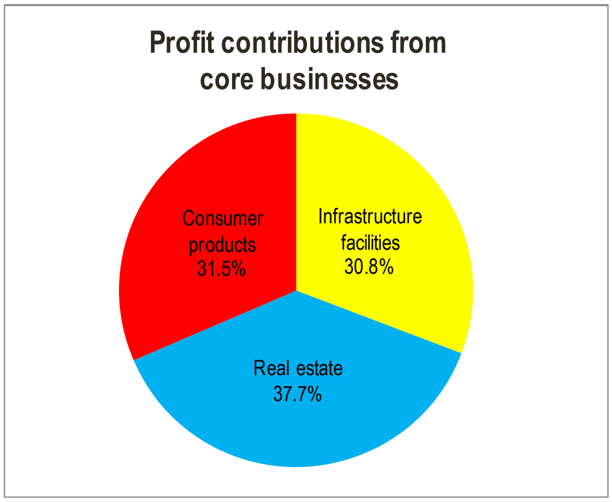
The newly appointed SIHL chairman Wang Wei, who took office in June, noted the continued impact of the global financial crisis, coupled with a slowdown in China's economic growth and the continued tightening of the regulatory policies within the country. Despite these, the Group has continued to capitalize on its competitive advantage in a balanced portfolio and asset structure, and managed to maintain stable development for its three core businesses.

Infrastructure facilities business continued to contribute stable profits and cashflow to the Group. Earnings in the first half year totalled approximately HK$532 million, an increase of 12.2%. Water services had quickly expanded the scale of investment, with current aggregate handling capacity reaching nearly 9 million tonnes/day, ranking it among the top three players nationwide. The two water services subsidiaries -- SIIC Environment and General Water of China -- saw their half-year earnings grow by 80.1% and 35.1% respectively. **Real estate business** posted earnings of approximately HK653 million, a decline of 58.6%, mainly due to the HK$1,132 million disposal gain from selling lot G of the Qingpu District in Shanghai that was booked in the corresponding period last year. Subsidiary SI Urban Development turned around from loss and reported HK$482 million net profit. **Consumer products business** earnings dropped 14.3% to approximately HK$544 million. Tobacco operations maintained earnings growth with 6.7% profits increase. Major milestones in the first half year included the launch of three new product lines, and the product entry into three Central and South American countries. Mr Wang added that the Group successfully seized a market opportunity in early 2013 to issue a HK$3.9 billion zero-coupon 5-year convertible bond, thus providing the Group with the advantage of strong funding for its future development at a low cost.

Looking ahead, unpredictable factors in the domestic and overseas markets as well as uncertainty in policies within the country will continue to loom, posting considerable challenges to the Group. SIHL will continue to adopt a more refined development strategy for its real estate business. By means of establishing closer links among its various entities, enhancing synergy and speeding up project development, the Group would further improve its profit margin and cash income. As well, the real estate subsidiaries are also seeking breakthroughs to unlock the value of existing projects.

On infrastructure facilities, the water services segment will speed up its business consolidation process and expand the scale of investment. Measures will be taken to diversify financing activities through better utilizing capital resources to promote rapid development. The toll roads segment will continue to ensure steady growth in revenue while maintaining operational efficiency. In the future, the Group will enlarge its scale of investment in the new frontier -- energy and environmental protection to expand earnings growth. On consumer products, tobacco operations will accelerate product development and broaden its earnings base, while printing will seek to acquire projects with development potential.

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



1. INFRASTRUCTURE FACILITIES

Profit contribution from infrastructure facilities totalled approximately HK$532 million, up 12.2%, accounting for 30.8% of the Group's Net Business Profit. During the period, SIHL actively expanded its infrastructure business, including toll roads, water services, solid waste disposal and renewable energy. Steady growth were maintained for the traffic flows, revenues and profits for the expressways. Investments in water services have expanded quickly, resulting in an aggregate daily operating capacity of 9 million tonnes.

【Toll Roads】

Despite government measures to waive toll fees for small passenger cars, plus other toll policy adjustments, the three toll roads in Shanghai managed to maintain stable returns by means of cost control and traffic enhancement, while benefiting from the increase in traffic flow in Shanghai.

Jing-Hu Expressway (Shanghai Section)'s net profit amounted to HK$166 million, a decline of 2.4%. Benefiting from economic growth, toll revenue and traffic flow increased by 3.3% and 10.4% to HK$303 million and 19.09 million vehicle journeys respectively. Phase III of the standardized alteration of the Electronic Toll Collection (ETC) system had been completed, facilitating the use by ETC-equipped vehicles.

Hu-Kun Expressway (Shanghai Section) reported net profit of HK$190 million, up 6.4%. Toll revenue rose 2.3% to the record level of HK$440 million; traffic flow grew 10.9% to 20.80 million vehicle journeys.

Hu-Yu Expressway (Shanghai Section) recorded net profit of HK$85.65 million, up 6.6%. Toll revenue rose 4.8% to HK$236 million. Traffic flow reached 16.63 million vehicle journeys, representing a 12.1% growth. Phase III of the standardized alteration of the ETC system had been completed.

【**Water Services**】

For the first half of 2013, **SI Environment**'s revenue and net profit jumped 48.1% and 80.1% to RMB498 million and RMB80.51 million respectively. Subsequent to the consolidation of the accounts of Nanfang Water, SI Environment further issued consideration shares to the vendor for the acquisition of 69.378% interests in Nanfang Water, representing approximately 8.9% of SI Environment's enlarged capital. Subsequently, SIHL's equity interest in SI Environment was adjusted to 50.33% accordingly. During the period, SI Environment won a bid for an engineering-procurement-construction (EPC) project for desalination with an aggregate contract value of approximately RMB80 million. The project is expected to be completed in mid-2014. SI Environment also entered into two bidding agreements for a waste water treatment plant and won a bid for an entrustment management project for contingency treatment for contamination of the Guannan River in Shenzhen. Looking ahead, SI Environment will continue to expand its scale of operation and enhance its performance. The company will also seize opportunities to acquire quality assets in relation to environmental protection in order to strengthen its position as a first-tier water services company in China. Initiatives will be made to introduce suitable strategic partners to the company. Capitalizing on its favorable position as a listed company and its shareholders' background, SI Environment will deploy capital operation along with the pace of its development.

General Water of China ("GWC")'s net profit and revenue increased 35.1% and 1.6% to HK$36.90 million and HK$808 million respectively. Emphasizing on both scale and efficiency, GWC had been identifying potential quality projects and acquired a waste water treatment plant in Bengbu, Anhui (daily operating capacity of 300,000 tonnes). The asset possession right and a 30-year franchise of wastewater treatment plants #2, 3 and 4 in Bengbu were also acquired. In June 2013, the 240t/d central sludge drying and incineration project taken over by a subsidiary of GWC was under pilot operation, marking the full-scale application of this promising approach in sludge treatment. Construction work for the water treatment plant #3 in Suifenhe city and the Wuhua Mountain reservoir project (Daju section and Yihongdao section) progressed smoothly. In addition, GWC had been recognized as one of the most influential enterprises in the water services industry in China for 10 consecutive years.

2. REAL ESTATE

For the six months ended 30 June 2013, profit from real estate business declined by 58.6% to approximately HK$653 million; it accounted for approximately 37.7% of the Group's Net Business Profit. The decline was due to a relatively large gain recorded from the disposal of lot G of Qingpu land in Shanghai during the same period in the previous year. Apart from speeding up sales and delivery of property units, the real estate subsidiaries had also continued brand development and streamlined resources allocation to efficiently capitalize their property assets.

SI Urban Development ("SIUD") recorded a revenue of HK$2,966 million, up 172%. Profits attributable to shareholders amounted to HK$482 million, turning around from a loss of HK$309 million the previous year. The significant increase was mainly due to increase in the number of deliveries since last year and higher revenues from properties. In addition, the disposal of a 21,600 square-meter land lot in the "U Center" project in Minhang District, Shanghai to an independent third party was completed with a total consideration of approximately RMB1.175 billion, resulting in a disposal gain of approximately HK$737 million. Liquidating a portion of the asset value of the "U Center" project, the transaction has made a significant profit contribution to SIUD and further enhanced the company's financial resources. It has also accelerated the development of existing projects and created a favorable environment for obtaining potential new projects.

Project delivered in the period mainly included “CBE International Peninsula” in Xi’an and “Urban Cradle” in Shanghai, together accounting for a total gross floor area of 236,000 square meters. SIUD contract sales in the first half amounted to RMB3,340 million, accounting for a total gross floor area of 174,000 square meters, comprising mainly “Urban Cradle” and “Shanghai Jing City”, both in Shanghai. A rental income of HK$118 million was recorded for the period. In May this year, SIUD reached agreement with the Shanghai Xuhui District Planning and Land Administration Bureau to swap its existing site originally designated for the development of “Xujiahui Centre” (approximately 35,343 square meters) for four other pieces of land in Binjiang, Xuhui District, Shanghai (approximately 83,220 square meters). No land premium or any other costs were required for the swap arrangement. The four pieces of land acquired are located at the Binjiang district, a key development area in Shanghai with considerable appreciation potential. With the completion of the transaction, SIUD will have full control over the development of the new project instead of having interest in one of the six pieces of land in the “Xujiahui Centre” project. The transaction will also enable the company to allocate resources more effectively and ensure a comprehensive and smooth development of the project.

SI Development (“SID”) recorded a revenue of RMB2,184 million for the first half of 2013, an increase of 16.9%. Net profits attributable to shareholders amounted to RMB291 million. SID had continued to streamline its businesses and resources and refined its assets and funding structure. The company has also continued to strengthen its profit base and make adjustments in operations in order to enhance its competitiveness in the market, create better value for the company and maintain a steady development.

During the period, SID has adopted a “fast, accurate and pragmatic” marketing strategy for its project sales. In order to respond to rapid changes in the market, the company has embarked on bold and creative marketing strategies to speed up sales for its projects including “Rhine Town” in Tianjin, “Sea Melody” in Dali, “Hi-Shanghai” in Chengdu, “Flos Granati” in Shanghai and “Longines Bay” in Harbin, accounting for a total gross floor area of approximately 86,635 square meters. Investment properties were operated under the principle of “innovative development, refined management, quality service and comprehensive improvement”. By fully developing the potential of investment properties, SID has been able to build up a quality customer base and recorded a rental income of approximately RMB94.41 million with a stable occupancy rate and steadily increasing income.

3. CONSUMER PRODUCTS

During the period, profit contributions from the consumer products business dropped 14.3% to approximately HK$544 million, accounting for approximately 31.5% of the Group’s Net Business Profit. The business segment continued to provide steady earnings and cash flow for SIHL.

【Tobacco】

Nanyang Tobacco’s revenue and net profit rose 5.8% and 6.7% to HK$1,406 million and HK$421 million respectively. During the period, the cumulative sales volume was approximately 909,776 cases, with Double Happiness contributing over 90% of the sales volume. Three new products were developed this year, namely “Classic Infinity”, “Southern Brotherhood” and “Peony Deluxe”. They are up-graded versions of existing products, to be launched in stages beginning with the Mid-autumn Festival through to the National Day holidays and the Lunar New Year next year. The company has also been expanding its overseas sales market and successfully entered the duty-free market in the Dominican Republic and Venezuela as well as markets in Peru. During the period, smooth progress was reported on alteration projects on production lines.

【**Printing**】

Wing Fat Printing recorded a revenue and net profit of HK$457 million and HK$135 million, representing a decline of 9.1% and 44.5% respectively. The decline was mainly due to considerable gains recorded from the disposal of 70% equity interests in Chengdu Wingfat Printing during the same period the previous year, as well as a significant drop in sales of packaging printing influenced by the promulgation of the consumption restriction regulations for high-end tobacco and white wine products in the mainland. Wing Fat Printing has entered into an agreement in December last year to dispose of its entire 30% interests in Zhejiang Tianwai to an independent third party for a consideration of RMB124 million. The transaction was completed in the first half of the year, contributing an after-tax gain of HK$87.95 million.

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