



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

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SHANGHAI INDUSTRIAL REPORTS HK\$1.259 BILLION PROFIT,  
UP 11.8%

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ROBUST GROWTH FOR MEDICAL, CONSUMER AND AUTO PRODUCTS  
SMIC INVESTMENT CONTRIBUTES HK\$239 MILLION EXCEPTIONAL PROFIT

(April 16, 2004 – HONG KONG) Shanghai Industrial Holdings Limited (“SIHL”, stock code 0363) announced that for the year ended December 31, 2003, the Group’s profit attributable to shareholders increased by 11.8% to approximately HK\$1.259 billion and earnings per share grew 9.8% to approximately HK\$1.34. Net asset value increased by 7.4% to approximately HK\$14.49 billion. The Group’s board of directors proposed a final dividend of HK32 cents, making a total dividend of HK50 cents for the year, up 11.1%.

Mr Cai Lai Xing, chairman of SIHL, described 2003 as an extraordinary year with numerous challenges. The Group had experienced tremendous pressure from both external challenges such as the war in Iraq and the SARS outbreak, and internal crises such as the issue of terminating guaranteed fixed return projects in mainland China. However, the management team was successful in implementing several important operating and development initiatives, achieving outstanding results. At the same time, the Group’s core businesses enjoyed satisfactory performances stemming from improved operational environment during the second half of 2003. Key earnings contributors within the Group reported substantial earnings growth. They include *Nanyang Tobacco*, *Bright Dairy*, *Huizhong Automotive* and *Hangzhou Qingchunbao* which reported earnings growth of 60.3%, 34.6%, 42.1% and 21.5% respectively. *Semiconductor Manufacturing International Corporation* (“SMIC”) operations turned around in the 4<sup>th</sup> quarter and produced earnings, resulting in substantial reduction of losses for the full year. Two successive preference shares issues undertaken by SMIC further contributed approximately HK\$239 million exceptional profit to the Group.

Mr Cai highlighted the prospects for SIHL’s investments in infrastructure and medicine and bio-technology projects.

He noted that a solid foundation for the continued development of the Group's infrastructure facilities business had been laid by projects such as the acquisition of the *Shanghai-Nanjing Expressway (Shanghai section)* with 25-year operation rights, the entry into water services market in the wake of the PRC government's opening of mainland public utilities for investment, and the co-ownership of *Shanghai Pudong International Container Terminal* which commenced operation in March 2003. Such an infrastructure portfolio will benefit from the continued steady growth of the Chinese economy, and turn around the declining trend of earnings from the previously-owned Shanghai elevated road projects caused by the amortisation of investment costs, according to Mr Cai.

*Shanghai-Nanjing Expressway (Shanghai section)* is one of the busiest toll roads in the Yangtze River Delta. Traffic volume in 2003 totalled 12.33 million vehicles, and toll fee income was RMB 173 million. A daily average of about 45,000 vehicles passed through this section during the first quarter of 2004, with a daily average toll fee income of RMB 627,000.

*China Water & Sewage*, SIHL's investment vehicle in water services, had actively developed water supply and sewage treatment projects in provinces including Jiangsu, Zhejiang, Anhui, Fujian, Hubei, Hunan and Shandong. Currently a number of these projects are undergoing final phase negotiations, which are expected to be concluded in the near future.

Medicine and bio-technology has been a relatively fast-growing business for SIHL. The company has been undertaking a number of restructuring measures including the acquisition of *Shanghai Industrial United Holdings ("SI United"*, an A-share listed company in Shanghai) and the privatization of *SIIC Medtech* (previously a GEM board-listed company). Total funding involved amounted to approximately HK\$1.335 billion. The *SIIC MedTech* privatization was completed in September 2003 while the *SI United* acquisition is currently awaiting final approval by mainland government authorities. Upon completion of these restructuring measures, all Shanghai Industrial medicine-related businesses, incorporating Chinese medicine, bio-medicine, chemical drugs and medical equipment, will be aligned on a single investment and operating platform. The Group has plans for further investment in this sector, which is expected to contribute more than 30% of SIHL's net earnings in three years' time.

With more than HK\$5.3 billion cash on hand and a net asset value of approximately HK\$14.49 billion, SIHL is presently in sound financial condition and well positioned to secure quality investment opportunities.

Looking ahead, Mr Cai said the Group's investment portfolio -- from medical, consumer products and automobile, infrastructure to container terminal -- will benefit from the sustained growth of domestic consumption in mainland China, particularly in Shanghai which is fast developing into a regional economic, financial, trading and shipping centre. Leveraging its parent company's unique background and advantages in Shanghai, SIHL will further develop businesses in Shanghai and the Yangtze River Delta that will benefit from the region's booming economy, creating greater value for shareholders.

The Group's core businesses comprise four sectors -- infrastructure facilities, medicine and bio-technology, consumer products and automobile and parts, and information technology.

### **Infrastructure Facilities**

Net profit from infrastructure totalled approximately HK\$302 million, representing about 23.0% of SIHL's net business profit. A shortfall of approximately HK\$407 million, compared to the previous year, was mainly caused by early termination of SIHL's investment in the Inner Ring Road, the North-South Elevated Expressway and the Yanan Elevated Road projects following government policy change leading to cancellation of fixed-return projects. The Group disposed of its entire interests in the elevated road projects to the joint-venture partner and received full reimbursement of the carrying value of the investments, amounting to about US\$702 million, plus an after-tax compensation of RMB300 million.

While settling the issue of fixed-return projects, the Group actively pursued quality toll road projects, and successfully acquired 100% interest of *Shanghai-Nanjing Expressway (Shanghai Section)* for a consideration of RMB2 billion. With its revenue directly linked to the increasing volume of road traffic in the Shanghai area, this investment project is expected to enjoy a high potential for growth while providing the Group with steady cashflow.

As urbanization in China is gaining momentum, further tightening of environmental protection laws and regulations coupled with the opening of the water services market in China generated huge demand for investments in water supplies and sewage treatment facilities and services. The Group made a strategic move in collaborating with China National Environment Protection Corp -- a State-level integrated environmental protection company -- to invest in and operate water-related business in China. The two parties formed a joint-venture company, *China Water & Sewage* in which each owns 50% stake. Since the company commenced operation in the second half of 2003, its business has been growing rapidly. It was elected as one of the 'Ten Most Influential Enterprises' in China's water services market, according to the industry news portal [www.H2O-China.com](http://www.H2O-China.com).

Another newly formed joint-venture, *Shanghai Pudong International Container Terminal*, located in Waigaoqiao, had satisfactory performance since it commenced operation in March 2003. Revenue for the period March-December amounted to approximately RMB596 million and net profit approximately RMB261 million. Total throughput during the period exceeded 1.76 million TEU's, up 49.9% over the same period in the previous year.

## **Medicine and Bio-technology**

Net profit contributed by medicine and bio-technology businesses increased by about 1.8 times to approximately HK\$125 million, representing about 9.6% of SIHL's net business profit.

The two Shanghai Industrial flagship companies engaged in Chinese medicine and health food business – *Hangzhou Qingchunbao* and *Xiamen TCM* – had satisfactory performances in 2003. *Hangzhou Qingchunbao* reported approximately RMB1.078 billion turnover and approximately RMB227 million profit after tax, increasing by about 27.4% and 21.5% respectively, while *Xiamen TCM* enjoyed approximately RMB99.87 million turnover and approximately RMB24.87 million profit after tax, growing by about 28.7% and 2.8 times respectively.

The Group's principal Chinese medicine products -- Qingchunbao Anti-ageing Tablets, Shen Mai Injection, Dinglu Xinhuang Tablets -- all enjoyed robust growth, reporting sales revenue increase of 16.1%, 15.5% and 20.2% respectively. The new health product Qingchunbao Beauty Capsule also received favourable response, evidenced by a 3.8-time jump in sales revenue.

On R&D projects, SIHL and the University of Hong Kong worked together to identify bio-active components of one of the Group's principal Chinese medicines, Shen Mai Injection. The joint research project had discovered specific components in ginseng and radix ophiopogonis which are effective in protecting cardiac cells and inhibiting low-density fat and protein oxidation. Several distinctly-structured pure compound had been extracted from the components; bio-active and functional tests are currently conducted on such compounds.

Newly acquired Chinese medicine investment projects included 30% interest of *Huqingyutang Pharmaceutical* for a consideration of RMB78.67 million (key products include "Stomach Rejuvenation Tablets", good for curing stomach illness, reporting RMB171 million turnover last year); and 55% stake in *Liaoning Herbapex Pharmaceutical* which was worth RMB85 million (principal products include "Cang Song" Rupixiao Tablets for curing fibrocystic disease, logging sales revenue of RMB82.67 million in 2003).

On bio-medicine products, the new anti-tumour drug H101 developed by *Sunway Biotech* has completed phase III clinical trials. Preparations for the manufacture and sale of H101 are already underway. *Sunway Biotech* had also started phase I clinical trials for H103 and preparations for trials for H102. To facilitate the company's development, *Sunway Biotech* raised capital during the year, with Shanghai Alliance Investment Ltd. injecting US\$10.80 million for 18.6% interest in *Sunway Biotech*. SIHL's equity holding was adjusted to about 70.4%. Synthetic chemicals producer *Sunve Pharmaceutical* recorded a turnover of approximately RMB389 million, and a net profit of approximately RMB62.73 million.

On medical equipment, *MicroPort Medical* suffered a slight setback during the SARS outbreak, but its full year sales revenue still grew to about 1.4 times over that of the previous year. In the first quarter of 2004, a Japanese pharmaceutical company acquired 40% interest of *MicroPort* for US\$18 million, helping *MicroPort* to develop overseas markets. *Guangdong Biolight Medical Technology* reported sales increase of 94.3% due to the increased demand for monitoring apparatus during the SARS outbreak. *E-COM Technology* reached an agreement with a renowned U.S. medical images equipment company to cooperate in the manufacture of "DR" digitized radiation system products for distribution to overseas markets such as Europe and the Asia Pacific region.

## **Consumer Products & Automobile and Parts**

The consumer products & automobile and parts businesses together contributed approximately HK\$547 million, representing about 41.7% of SIHL's net business profit.

Net profit from consumer products alone amounted to approximately HK\$404 million. After deducting the exceptional profit of HK\$28.23 million brought by the disposal of Orient Shopping Center in 2003, and the exceptional profit of HK\$218 million generated from the listing of Bright Dairy on the Shanghai Stock Exchange in 2002, SIHL's consumer products business posted a net profit year-on-year increase of about 22.6%.

*Nanyang Tobacco's* turnover rose by about 42.9% and net profit grew 60.3% to approximately HK\$192 million. Both domestic and overseas markets had good performance, particularly in mainland China where sales went up by 25.5% following the launch of Ultra Mild "Double Happiness" and Classic "Double Happiness". *Wing Fat Printing* reported 7.9% sales growth and 11.5% profit increase to approximately HK\$95.52 million.

*Bright Dairy's* sales revenue and profit both attained double-digit growth for the eighth consecutive year. Sales in 2003 went up 20.3% and net profit rose by 34.6%. Net profit attributable to the Group was approximately RMB92.31 million. Sales of *Bright Dairy's* dairy products outside Shanghai had made up about 72% of all dairy products. Its sales network has extended to cover the northern, central, northwest and southern parts of China. Personal care products manufacturer *Shanghai Jahwa* reported an increase of 15.3% in income from principal businesses and 2.8% profit increase. Profit attributable to the Group amounted to approximately RMB14.41 million.

The Group's automobile and parts business reported a net profit of approximately HK\$143 million, an increase of about 34.3%.

*Huizhong Automotive* saw its sales revenue go up by about 44.6% and net profit increase by 42.1% to approximately RMB222 million. Its newly developed automobile production projects made good progress. The manufacture and sale of heavy trucks broke the 1,000 mark, and light passenger vehicles began trial production. The new Huizhong vehicle "ISTANA" was launched in March 2004.

*SIIC Transportation Electric* reported 28.1% growth in sales, and 50.6% increase in net profit to approximately RMB124 million. Milestone initiatives in the year included forming a joint-venture with the U.S. company Lear Corporation (Mauritius) Limited to invest in wire harnesses, switches and junction boxes.

### **Information Technology**

Information technology business posted a net profit of approximately HK\$337 million, representing about 25.7% of the Group's net business profit. It mainly came from two successive private placements undertaken by *SMIC* which contributed approximately HK\$ 239 million exceptional profit to the Group.

In September 2003, *SMIC* issued Series C preference shares to both existing and new shareholders including U.S. venture capital investors, raising HK\$5 billion. *SIHL*'s shareholding was diluted from 16.2% to about 13.6%. Later, *SMIC* issued Series D preference shares to Motorola in exchange for Motorola's 8-inch wafer foundry in Tianjin. Consequently, the Group's stake was adjusted to about 12%.

In March 2004, *SMIC* was listed in the United States and Hong Kong, with the issue of about 5.15 billion ordinary shares. Despite having its stake diluted to about 10%, *SIHL* remains the single largest shareholder of *SMIC*. A remarkable exceptional profit resulted from the listing will be accounted for in 2004.

At present, *SMIC* owns production plants in Shanghai, Beijing and Tianjin. Its 8-inch wafer foundry in Shanghai has been operating to full capacity, producing 49,000 wafers for wafer fabrication and 9,000 wafers for copper interconnects per month. Trial productions in one of the three newly-constructed 12-inch wafer foundries in Beijing is scheduled to begin by the end of 2004. With the acquisition of the MOS17 production line in Tianjin, *SMIC* projects that by the end of 2005, its total production capacity will increase to 170,000 8-inch or equivalent wafers for wafer fabrication and 15,000 wafers for copper interconnects per month. Notwithstanding the relatively high fixed cost and depreciation cost for its equipment, the company has been reporting positive EBITDA since the fourth quarter of 2003. Total sales for 2003 amounted to approximately US\$366 million. Net loss was approximately US\$66.15 million and EBITDA approximately US\$164 million.

Another IT investment project, *Shanghai Information Investment* ("SII"), reported a net profit of approximately RMB53.23 million, up 52.8%. The cable network company owned by SII heavily promoted its value-added broadband services, resulting in the number of "Cableplus" subscribers reaching 138,000 and the number of digital television subscribers jumping to 11,000. A total of 167 additional kilometers of information pipelines were built last year, providing network access to 231 new buildings, boosting the sales of pipes and fibre-optics. As of year-end of 2003, the credit information system developed by SII had personal credit information of 3.7 million individuals in its databank. The customs transaction data platform developed by SII in collaboration with the Shanghai Customs Bureau had facilitated customs transactions services. Currently there are 30,000 subscribers to this service.

During the year, the Group made adjustments to its strategic investments in IT projects. It disposed of all its stake in *Clear Media Ltd.* in the latter half of 2003, and reported an accumulated book profit of approximately HK\$19 million. The largest travel information web-site in China, *ctrip.com*, in which SIHL held about 6.4% interest, was listed on NASDAQ in December 2003, raising about US\$75.60 million. SIHL disposed of 1.2% of its stake through the listing, realizing approximately HK\$19.63 million. SIHL currently holds about 4.2% of *ctrip.com*.

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