



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

FOR IMMEDIATE RELEASE

**SHANGHAI INDUSTRIAL SWAPS ASSETS WITH SUBSIDIARY SI UNITED
TO DISPOSE 4 CHINESE MEDICINE COMPANIES
FOR EQUITY STAKES IN LIANHUA SUPERMARKET AND CENTURY
LIANHUA**

**A MILESTONE OF SHANGHAI INDUSTRIAL'S MEDICINE BUSINESS
REORGANIZATION**

(JUNE 21, 2005 – HONG KONG) Shanghai Industrial Holdings Limited ("SIHL") announced an asset swap agreement with its A-share subsidiary Shanghai Industrial United Holdings Co., Ltd. ("SI United"), by which SIHL will dispose all its equity interests of four traditional Chinese medicine companies, and acquire the equity interests of two commercial retail companies held by SI United.

The considerations for both the disposal and acquisition would be based on the carrying value of investment as shown in the respective consolidated accounts as at 31 March, 2005, plus adjustment to such values between 31 March, 2005 and the completion date of the agreement. The disposal assets are valued at approximately HK\$420 million (including the carrying value plus committed capital injection to these assets before the completion date of the agreement), while the acquisition assets are valued at approximately HK\$409 million (including the carrying value plus SI United's additional investment in one of the retail companies). Both SIHL and SI United will arrange for cash payments for the transactions.

The interests of the pharmaceutical assets to be disposed of by SIHL include 51% (after additional investment), 61%, 55% and 29% (after additional investment) of the total equity interests in Huqingyutang Pharmaceutical, Xiamen TCM, Liaoning Herbapex, and Huqingyutang Drugstore, respectively. All four companies are engaged in the production and distribution of traditional Chinese medicine products. The interests of the commercial assets to be acquired by SIHL include 21.17% of the total issued share capital of Lianhua Supermarket, a listed H-share company in the Stock Exchange of Hong Kong, and 25.54% (after additional investment) of the total equity interest in Century Lianhua, which is also engaged in the operation of supermarkets in the mainland.

According to the SIHL management, except for the transaction costs and relevant tax charges, SIHL is not expected to book any disposal gain or loss under this asset swap agreement as the considerations for both the disposal and acquisition are based on the carrying value of the pharmaceutical assets and commercial assets respectively. However, this move is expected to enhance shareholder value as the future development of SIHL's medicine business will benefit from the effective integration of medicine assets.

This asset swap agreement marks the implementation of the reorganisation of the medicine businesses under SIHL and SI United across different regions. By exchanging non-controlling stakes in companies engaged in non-pharmaceutical businesses for controlling shareholdings in pharmaceutical companies, SI United will become a listed company specialized in pharmaceutical products, thus strengthening its market niche, brand building capabilities and long term profitability. According to a pro forma calculation compiled by an independent financial advisor, SI United would see more than 20% increase of turnover, 58% increase of operating profit and 10.2% growth of net earnings in 2004 with the new business structure following the asset swap.

In addition, the asset swap agreement together with the share transfer agreement are on normal commercial terms and are fair and reasonable. With a reasonable basis for the considerations for the acquisition and the disposal, the value to shareholders of both SIHL and SI United will be enhanced. On the other hand, the asset swap would help alleviate the potential financial risk to SI United (and indirectly SIHL) which could be caused by the subsequent change of accounting method should Lianhua Supermarket issue new shares.

SIHL is a listed company at the Stock Exchange of Hong Kong, with a business portfolio comprising infrastructure facilities, medicine and consumer products and information technology. Its turnover and attributable profit for the financial year 2004 were approximately HK\$3,429 million and approximately HK\$1,383 million respectively.

SI United is a listed company in the Shanghai A-share market, with businesses in bio-medicine and commercial retail. Its turnover and net earnings for the financial year 2004 were approximately RMB2,239 million and approximately RMB105 million respectively.

#

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