上海實業控股有限公司
SHANGHAI INDUSTRIAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 363)

Announcement of 2005 Annual Results

The Board of Directors of Shanghai Industrial Holdings Limited ("the Company") are pleased to announce the audited consolidated results of the Company and its subsidiaries ("the Group") for the year ended 31 December 2005, together with the comparative figures for the year 2004 as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	2005 HK$'000	2004 HK$'000 (As restated)
Turnover	3	**6,025,285**	3,428,939
Cost of sales		**(3,719,705)**	(1,505,051)
Gross profit		**2,305,580**	1,923,888
Investment income		**389,460**	233,570
Other income		**162,361**	31,127
Distribution costs		**(830,374)**	(741,799)
Administrative expenses		**(716,676)**	(401,784)
Other expenses		**(9,648)**	(144,532)
Finance costs		**(82,024)**	(19,317)
Share of results of jointly controlled entities		**2,839**	76,201
Share of results of associates		**102,532**	254,132
Net gain on disposal of interests in subsidiaries, associates and jointly controlled entities		**180,661**	698,523
Allowance for amount due from a jointly controlled entity		**–**	(33,376)
Impairment losses recognised in respect of goodwill relating to subsidiaries and interests in an associate and jointly controlled entities		**(26,185)**	(191,232)
Impairment loss on assets classified as held for sale		**(31,247)**	–

Discount on acquisition of additional interests in subsidiaries		**2,324**	–
Profit before taxation		**1,449,603**	1,685,401
Income tax expenses	4	**(194,042)**	(186,152)
Profit for the year	5	**1,255,561**	1,499,249
Attributable to			
– Equity holders of the Company		**1,027,940**	1,377,660
– Minority interests		**227,621**	121,589
		1,255,561	1,499,249
Dividends	6	**529,805**	495,067
Earnings per share	7		
– Basic		**HK$1.07**	HK$1.45
– Diluted		**HK$1.06**	HK$1.42

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2005

	Notes	**2005** *HK$'000*	2004 *HK$'000* (As restated)
Non-Current Assets			
Investment properties		**51,830**	45,672
Property, plant and equipment		**2,404,338**	1,892,434
Prepaid lease payments – non-current portion		**225,238**	185,782
Toll road operating right		**1,776,798**	1,784,651
Other intangible assets		**95,077**	39,206
Goodwill		**397,987**	346,204
Negative goodwill		**–**	(2,203)
Interests in jointly controlled entities		**2,390,508**	2,139,789
Interests in associates		**3,868,057**	4,367,157
Available-for-sale investments		**321,054**	–
Investments in other projects		**–**	51,032
Investments in securities		**–**	245,512
Loans receivables – non-current portion		**4,277**	2,748
Deposits paid on acquisition of property, plant and equipment		**26,326**	25,821
Deposit paid on acquisition of a subsidiary		**68,269**	–
Derivative financial instruments		**6,421**	–

	Notes		
Deferred tax assets		**25,876**	33,232
		11,662,056	11,157,037
Current Assets			
Inventories		**1,215,725**	877,785
Trade and other receivables	8	**1,539,861**	1,487,294
Prepaid lease payments – current portion		**8,129**	2,162
Loan receivables – current portion		**62,757**	–
Investments held-for-trading		**1,070,042**	–
Investments in securities		**–**	1,084,036
Placement of deposits with financial institutions		**–**	188,962
Pledged bank deposits		**28,000**	43,121
Bank balances and cash		**6,040,400**	5,766,464
		9,964,914	9,449,824
Assets classified as held for sale		**345,185**	–
		10,310,099	9,449,824
Current Liabilities			
Trade and other payables	9	**1,297,662**	1,226,846
Taxation payable		**65,236**	96,816
Short-term bank and other borrowings		**1,320,175**	1,240,645
		2,683,073	2,564,307
Net Current Assets		**7,627,026**	6,885,517
Total Assets Less Current Liabilities		**19,289,082**	18,042,554
Capital and Reserves			
Share capital		**96,753**	95,864
Reserves		**16,279,139**	15,518,997
Equity attributable to equity holders of the Company		**16,375,892**	15,614,861
Minority interests		**1,832,137**	1,476,366
Total Equity		**18,208,029**	17,091,227
Non-Current Liabilities			
Long-term bank and other borrowings		**973,574**	859,390
Deferred tax liabilities		**107,479**	91,937
		1,081,053	951,327
		19,289,082	18,042,554

Notes:–

(1) STATUTORY FINANCIAL STATEMENTS

The financial information in this results announcement does not constitute the Group's statutory financial statements for the year ended 31 December 2005 but is derived from those financial statements.

(2) BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as explained in the accounting policies set out below.

The Group has adopted all new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards and Interpretations (collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are effective for accounting periods commencing on or after 1 January 2005 pertinent to its operations. The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2004 except for those changes in relation to the adoption of the new HKFRSs. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Companies Ordinance.

The adoption of the new HKFRSs has also resulted in changes to the Group's accounting policies and has an effect on how the results for the current or prior years are prepared and presented. Additional information is set out in note (11).

(3) SEGMENT INFORMATION BY BUSINESS

For the year ended 31 December 2005

	Infrastructure facilities *HK$'000*	Medicine *HK$'000*	Consumer products *HK$'000*	Information technology *HK$'000*	Consolidated *HK$'000*
TURNOVER					
External sales	**181,578**	**3,567,264**	**2,276,443**	**–**	**6,025,285**
Segment results	**146,673**	**336,477**	**551,149**	**109,578**	**1,143,877**
Net unallocated corporate income					**156,826**
Finance costs					**(82,024)**
Share of results of jointly controlled entities	**26,669**	**48,677**	**(104,648)**	**32,141**	**2,839**
Share of results of associates	**–**	**26,632**	**162,386**	**(86,486)**	**102,532**
Net gain on disposal of interests in subsidiaries, associates and jointly controlled entities					**180,661**
Impairment losses recognised in respect of goodwill relating to subsidiaries and interests in an associate and jointly controlled entities					**(26,185)**
Impairment loss on assets classified as held for sale					**(31,247)**

Discount on acquisition of additional interests in subsidiaries	**2,324**
Profit before taxation	**1,449,603**
Income tax expenses	**(194,042)**
Profit for the year	**1,255,561**

For the year ended 31 December 2004 (As restated)

	Infrastructure facilities *HK$'000*	Medicine *HK$'000*	Consumer products *HK$'000*	Information technology *HK$'000*	Consolidated *HK$'000*
TURNOVER					
External sales	189,208	1,283,622	1,956,109	–	3,428,939
Segment results	145,880	251,186	504,737	66,497	968,300
Net unallocated corporate expenses					(67,830)
Finance costs					(19,317)
Share of results of jointly controlled entities	1,419	9,733	60,895	4,154	76,201
Share of results of associates	783	9,347	170,019	73,983	254,132
Net gain on disposal of interests in subsidiaries, associates and jointly controlled entities					698,523
Allowance for amount due from a jointly controlled entity					(33,376)
Impairment losses recognised in respect of goodwill relating to subsidiaries and interests in an associate and jointly controlled entities					(191,232)
Profit before taxation					1,685,401
Income tax expenses					(186,152)
Profit for the year					1,499,249

(4) INCOME TAX EXPENSES

	2005 ***HK$'000***	2004 *HK$'000* (As restated)
Current tax		
– Hong Kong	**75,952**	66,633
– Other regions in the PRC	**111,313**	66,437
	187,265	133,070

(Over)underprovision in prior years		
– Hong Kong	**(15,759)**	30,704
– Other regions in the PRC	–	2,342
	(15,759)	33,046
Deferred tax	**22,536**	20,036
	194,042	186,152

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profit for the year.

Pursuant to the relevant laws and regulations in the PRC, the Group's PRC subsidiaries are entitled to certain exemption and reliefs from PRC income tax for a number of years. Certain PRC subsidiaries are also entitled to reduced tax rates because they are classified as "high technology entities" under relevant rules. The current year's PRC income tax charges are arrived at after taking into account these various tax incentives, ranging from 7.5% to 33%.

(5) PROFIT FOR THE YEAR

	2005	2004
	HK$'000	*HK$'000*
		(As restated)
Profit for the year has been arrived at after charging (crediting):		
Amortisation of goodwill (included in administrative expenses)	–	15,462
Amortisation of toll road operating right (included in cost of sales)	**41,950**	41,626
Amortisation of other intangible assets (included in administrative expenses)	**6,978**	–
Depreciation and amortisation of property, plant and equipment	**211,538**	119,843
Release of prepaid lease payments to income statement	**5,500**	2,196
Impairment loss on bad and doubtful debts/allowance on doubtful debts and bad debts written off	**24,424**	19,135
Impairment loss recognised on available-for-sale investments (included in other expenses)	**9,648**	–
Impairment loss recognised in respect of investments in securities (included in other expenses)	–	35,855
Research and development costs	**64,711**	15,468
Share of PRC income tax of jointly controlled entities (included in share of results of jointly controlled entities)	**7,968**	15,230
Share of PRC income tax of associates (included in share of results of associates)	**45,949**	30,597

(6) DIVIDENDS

	2005	2004
	HK$'000	*HK$'000*
Interim dividend of HK20 cents (2004: HK20 cents) per share	**193,458**	191,602
2004 final dividend of HK35 cents (2003: HK32 cents) per share	**336,347**	303,465
	529,805	495,067

A final dividend of HK22 cents (2004: HK35 cents) per share has been proposed by the Board of Directors and is subject to approval by the shareholders in annual general meeting. The final dividend proposed after the balance sheet date has not been recognised as liability on balance sheet date.

(7) EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the parent is based on the following data:

	2005	2004
	HK$'000	*HK$'000*
		(As restated)
Earnings:		
Profits for the purposes of basic earnings per share (profit for the year attributable to equity holders of the parent)	**1,027,940**	1,377,660
Effect of dilutive potential ordinary shares – adjustments to the share of results of a jointly controlled entity and an associate based on potential dilution of its earnings per share	**(2,240)**	(15,986)
Earnings for the purposes of diluted earnings per share	**1,025,700**	1,361,674

	2005	2004
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**963,971,274**	952,088,546
Effect of dilutive potential ordinary shares – share options	**2,925,399**	6,159,364
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**966,896,673**	958,247,910

(8) TRADE AND OTHER RECEIVABLES

	2005	2004
	HK$'000	*HK$'000*
Trade receivables		
Within one year	**914,024**	675,219
Over one year	**29,123**	19,450
	943,147	694,669
Other receivables	**596,714**	792,625
	1,539,861	1,487,294

(9) TRADE AND OTHER PAYABLES

	2005	2004
	HK$'000	*HK$'000*
Trade payables		
Within one year	**554,178**	494,704
Over one year	**24,297**	11,207

	578,475	505,911
Other payables	**719,187**	720,935
	1,297,662	1,226,846

(10) TRANSFER TO AND FROM RESERVES

During the year, the Group's subsidiaries, jointly controlled entities and associates in the PRC appropriated, net of minority interests' share, approximately HK$68,826,000 (2004: HK$68,018,000) out of profit for the period to the PRC statutory reserves. Also, approximately HK$800,000 (2004: HK$736,000) was transferred out of the PRC statutory reserves to the accumulated profits on disposal of interests in jointly controlled entities.

(11) CHANGES IN ACCOUNTING POLICIES

(A) Details on Changes in Accounting Policies

The adoption of the new HKFRSs has also resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior years are prepared and presented:

HKFRS 2 "Share-based Payment"

HKFRS 2 requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"). Prior to the application of HKFRS 2, the Group and the jointly controlled entity did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 January 2005 and applied retrospectively to share options that were granted after 7 November 2002 and which were not yet vested on 1 January 2005.

HKFRS 3 "Business Combination"

HKFRS 3 is effective for business combinations for which the agreement date is on or after 1 January 2005. The Group adopted HKFRS 3 "Business Combination" with effect from 1 January 2005. Goodwill previously recognised in reserves of HK$889.6 million has been transferred to the Group's accumulated profits on 1 January 2005. With respect to goodwill previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from 1 January 2005 onwards and goodwill will be tested for impairment at least annually or in the financial year in which the acquisition takes place. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. Comparative figures for 2004 are not required to be restated.

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost, previously known as "negative goodwill". In accordance with HKFRS 3, negative goodwill is recognised immediately in profit or loss in the year in which the acquisition takes place. In accordance with the relevant transitional provisions in HKFRS 3, the Group derecognised all negative goodwill on 1 January 2005 (of which negative goodwill of HK$52.1 million was previously recorded in reserves and of HK$2.2 million was previously presented as a deduction from assets), with a corresponding increase to accumulated profits as at 1 January 2005.

HKAS 17 "Leases"

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and is stated at cost or valuation less depreciation and amortisation at the balance sheet date and any accumulated impairment losses. In the current year, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to lease premium for land under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. Where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

HKAS 21 "The Effects of Changes in Foreign Exchange Rates"

In the current year, the Group has also applied HKAS 21 "The Effects of Changes in Foreign Exchange Rates" which requires goodwill to be treated as assets and liabilities of the foreign operations and translated at closing rate at each balance sheet date. Previously, goodwill arising on acquisitions of foreign operations was reported at historical rate at each balance sheet date. In accordance with the relevant transitional provisions in HKAS 21, goodwill arising on acquisitions prior to 1 January 2005 is treated as a non-monetary foreign currency item of the Group. Therefore, no prior period adjustment has been made. In the current year, the Group acquired foreign operations, and goodwill arose on the acquisition of those foreign operations have been translated at the closing rate at 31 December 2005. As there was no significant difference between the exchange rates at the acquisition dates and the closing rate at 31 December 2005, such transaction has had no material effect on the balance of the translation reserve at 31 December 2005.

HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement"

HKAS 32 "Financial Instruments: Disclosure and Presentation" requires retrospective application whereas HKAS 39 "Financial Instruments: Recognition and Measurement" which is effective for annual periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis.

On 1 January 2005, the Group classified and measured its debt and equity securities in accordance with the requirements of HKAS 39. Investments in other projects (equity investments) and investments in securities classified under non-current assets with carrying amounts of approximately HK$51.0 million and HK$245.5 million were reclassified to available-for-sale investments. Included in the HK$296.5 million available-for-sale investments was approximately HK$275.3 million unlisted equity investments of which fair value cannot be measured reliably and was therefore stated at cost less impairment loss at subsequent balance sheet dates. The remaining HK$21.2 million available-for-sale investments represented listed equity securities and was stated at fair value. Investments in securities classified under current assets with carrying amount of approximately HK$1,084.0 million was reclassified to investments held-for-trading on 1 January 2005.

From 1 January 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the non-derivative host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The corresponding adjustments on changes in fair values would depend on whether the derivatives are designated as effective hedging instruments, and if so, the nature of the item being hedged. For derivatives that are deemed as held for trading, changes in fair value of such derivatives are recognised in profit or loss for the period in which they arise. In prior period, the Group entered into a structured interest rate hedging agreement with a financial institution. The Group designated the interest rate hedging agreement as a hedging instrument to hedge against the exposure as to changes in cash flow of interest payments of the Group's HK$800 million long-term portion syndication loan, which bear interest at floating rates.

HKAS 40 "Investment Properties"

In previous years, the Group's investment properties were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged.

In the current year, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the year in which they arise.

(B) Summary of the Effects of the Changes in Accounting Policies

The effects of the changes in the accounting policies described above on current and prior years are as follows:

(i) On results

	2005	2004
	HK$'000	*HK$'000*
Goodwill arising on acquisition of subsidiaries no longer amortised	**22,149**	–
Goodwill arising on acquisition of interest in jointly controlled entities no longer amortised	**1,959**	–
Goodwill arising on acquisition of interest in associates no longer amortised	**5,407**	–
Recognition of share options granted to directors and employees of the Group as expenses	**(6,138)**	(2,800)
Recognition of share options granted by a jointly controlled entity to its directors and employees as expenses	**(667)**	(3,020)
Recognition of discount on acquisition as income at the time the acquisition took place	**2,324**	–
Gains arising from changes in fair value of investment properties	**7,133**	–
Increase in deferred taxes relating to investment properties	**(2,126)**	–
Increase (decrease) in profit for the year	**30,041**	(5,820)

(ii) On income statement line items

	2005	2004
	HK$'000	*HK$'000*
Increase in other income	**7,133**	–
Decrease (increase) in administrative expenses	**16,011**	(2,800)
Decrease in share of results of jointly controlled entities	**(6,676)**	(18,250)
Decrease in share of results of associates	**(40,542)**	(30,597)

Decrease in income tax expenses	**51,791**	45,827
Increase in discount on acquisition of additional interests in subsidiaries	**2,324**	–
Increase (decrease) in profit for the year	**30,041**	(5,820)

(iii) On balance sheet items

	As at 31.12.2004 (originally stated) *HK$'000*	Adjustments *HK$'000*	As at 31.12.2004 (restated) *HK$'000*	Adjustments *HK$'000*	**As at 1.1.2005 (restated)** ***HK$'000***
Impacts of HKFRS 2 & HKFRS 3					
Interests in jointly controlled entities	2,142,809	(3,020)	2,139,789	1,759	**2,141,548**
Impact of HKFRS 3					
Interests in associates	4,367,157	–	4,367,157	43,560	**4,410,717**
Impact of HKFRS 3					
Goodwill	346,204	–	346,204	(45,319)	**300,885**
Negative goodwill	(2,203)	–	(2,203)	2,203	**–**
Impact of HKAS 17					
Property, plant and equipment	2,080,378	(187,944)	1,892,434	–	**1,892,434**
Prepaid lease payments	–	187,944	187,944	–	**187,944**
Impact of HKAS 39					
Available-for-sale investments	–	–	–	296,544	**296,544**
Investments in other projects	51,032	–	51,032	(51,032)	**–**
Investments in securities (non-current assets)	245,512	–	245,512	(245,512)	**–**
Investments held-for-trading	–	–	–	1,084,036	**1,084,036**
Investments in securities (current assets)	1,084,036	–	1,084,036	(1,084,036)	**–**
Derivative financial instruments	–	–	–	(3,328)	**(3,328)**
Net effects on assets and liabilities	10,314,925	(3,020)	10,311,905	(1,125)	**10,310,780**
Accumulated profits	5,904,157	(5,400)	5,898,757	(834,788)	**5,063,969**
Share options reserve	–	2,800	2,800	–	**2,800**
Investment property revaluation reserve	514	–	514	(514)	**–**
Hedging reserve	–	–	–	(3,328)	**(3,328)**
Goodwill reserve	(837,505)	–	(837,505)	837,505	**–**
Net effects on equity attributable to equity holders of the parent	5,067,166	(2,600)	5,064,566	(1,125)	**5,063,441**
Minority interests	–	1,476,366	1,476,366	–	**1,476,366**
Net effects on total equity	5,067,166	1,473,766	6,540,932	(1,125)	**6,539,807**
Minority interests	1,476,786	(1,476,786)	–	–	**–**

The application of the new HKFRSs has had no effect to the Group's equity at 1 January 2004, except for the change in presentation of minority interests with a carrying amount of HK$380,934,000.

(12) POST BALANCE SHEET EVENTS

Proposed Share Reform Plans

(i) Shanghai Industrial YKB Limited ("Shanghai Industrial YKB"), an indirect wholly-owned subsidiary of the Company, proposed a share reform plan of Shanghai Industrial United Holdings Co. Ltd. ("SI United") that would offer three Non-Tradable Shares of SI United to all holders of A Shares for every ten A Shares held by each such holder in exchange for the consent by the holders of A Shares to the conversion of all Non-Tradable Shares held by Shanghai Industrial YKB into tradable A Shares. This share reform plan is subject to the approval of the shareholders and all other necessary approval as may be required to be obtained pursuant to the applicable requirements or provisions of the laws. If the proposed plan is implemented, the equity interest in SI United held by the Group will be reduced from 56.63% to 43.62%.

(ii) The Company announced a proposed share reform plan of Bright Dairy and Food Co. Ltd. ("Bright Dairy"). Under the proposed plan, S.I. Food Products Holdings Limited ("SIFP"), a wholly-owned subsidiary of the Company, together with the holders of the remaining Non-Tradable Shares, would offer to all holders of A Shares RMB8.46 in cash and 1.2 Non-Tradable Shares for every ten A Shares held by each such holder, in exchange for the consent by the holders of A Shares to the conversion of all Non-Tradable Shares into tradable A Shares. SIFP will also transfer 44,099,410 Non-Tradable Shares to Danone Asia Pte Ltd., another holder of Non-Tradable Shares, as part of the share reform plan. If the proposed plan is implemented, the equity interest in Bright Dairy held by the Group will be reduced from 30.78% to 25.17%.

Disposal of 10% Equity Interest in Pudong Container

S.I. Infrastructure Holdings Limited ("SI Infrastructure"), a wholly-owned subsidiary of the Company, entered into a Share Transfer Agreement with COSCO Ports (Pudong) Limited, a fellow subsidiary of an existing shareholder of Shanghai Pudong International Container Terminals Ltd. ("Pudong Container"), on 19 April 2006. According to that Share Transfer Agreement, SI Infrastructure will dispose 10% equity interest in Pudong Container for a consideration of approximately HK$447.12 million. The completion of this disposal is subject to the approval from relevant government authorities.

FINANCIAL REVIEW

I. Financial Performance of the Group

1. *Turnover*

The turnover of the Group was increased by 75.7%, it is mainly attributable to adding of new sources of turnover from newly consolidated subsidiaries from the medicine and consumer products businesses. This attractive sales growth was partly offset by the adjustment in the turnover of the infrastructure facilities and tobacco business due to the change in sales terms.

Turnover in the medicine business increased by 177.9%, which was mainly driven by the consolidation of subsidiaries after the completion of the acquisition of 56.63% equity stake in SI United and increase of equity stake in Hangzhou Huqingyutang Pharmaceutical Co. Ltd. ("Huqingyutang Pharmaceutical") to 51%. Apart from the growth in turnover, the composition of the turnover from the medicine business during the year also changed from mainly comprising of traditional Chinese medicine, to also covering chemical compound OTC drugs, biomedicine, medical equipment and medicine retailing.

Turnover of infrastructure facilities business primarily reflected the toll fee income of Shanghai Hu-Ning Expressway (Shanghai Section) Co. Ltd. ("Hu-Ning Expressway"). As a result of the expansion works undergone at other sections of Shanghai-Nanjing Expressway, the toll fee income was adversely affected. However with the introduction of sales tax reduction from 5% to 3% with effect from 1 June 2005, the pressure resulted from the fall in toll fee income of Hu-Ning Expressway was partly mitigated.

Lower turnover of consumer products was attributable to the change of sale terms by Nanyang Tobacco, which sales discounts were deducted directly from turnover instead of being expensed as distribution costs in the previous year. This change only affected the turnover and the distribution costs of Nanyang Brothers Tobacco Co. Ltd. ("Nanyang Tobacco"), but not on its profit and cash flow. Growth in turnover of the printing business remained stable, following its development of business in the PRC. Increase the equity percentage in a recycle paper manufacturing entity to controlling stake in the mainland was completed during the year, realising a vertical business expansion.

2. *Profit Contributions from Each Business*

The profit contributed by each business in the Group for the year 2005 and the comparative figures last year was summarised as follows:

	2005	2004	Change
	HK$'000	*HK$'000*	*%*
		(As restated)	
Infrastructure facilities	185,769	156,131	19.0
Medicine	235,625	149,522	57.6
Consumer products	467,764	586,554	(20.3)
Information technology	45,336	599,377	(92.4)

While General Water of China Co. Ltd. ("GWC") expanded its water supply and water processing capacity, it also started to contribute to the earnings of the Group. This, together with the continuous stable profit contribution from Pudong Container and Hu-Ning Expressway, infrastructure facilities business recorded a 19.0% growth in profit contribution this year.

The medicine businesses recorded a magnificent growth this year, which was mainly due to the profit contribution from SI United, which the acquisition was completed at the end of last year, as well as the profit breakthrough of MicroPort Medical (Shanghai) Co. Ltd. ("MicroPort Medical"), which improved the earnings performance of the medicine business as a whole, upon the launch of its Firebird® Rapamycin Eluting Stent early this year after years of research and development dedication. MicroPort Medical was invested by the Group in 2002 and the Group currently holds a 21.31% equity stake.

In respect of the consumer products business, our stable profit contributor, the Group recorded a loss in its automobile and parts business for the first year due to the marco economic measures, cost hikes and price competition in China market. However, tobacco and printing, which also belonged to the consumer products business, achieved continuous growth in profit contribution, offsetting in part the negative impact of the automobile and parts business. Nevertheless, the profit contribution from the overall consumer products business showed a decline.

Even though the semiconductor industry experienced a downturn, the performance of Semiconductor Manufacturing International Corporation ("SMIC") operations continued to remain strong. Cash from operations in 2005 increased by 24.9% from that in 2004. However, being a new foundry with only four years of commercial operations, SMIC incurred enormous depreciation charges in its operations, and hence recorded a loss in its operating results for the year. Furthermore, the profit derived from the information technology business this year was mainly attributable to the gain of disposal of investments in China Netcom Group Corporation (Hong Kong) Ltd. ("China Netcom (HK)"), for which was not comparable to the significant exceptional profit derived from the gain in the spin-off of SMIC last year.

3. *Profit before Taxation*

(1) Gross profit margin

Gross profit margin for the year was 38.3%, representing a decrease of 17.8% as compared to 56.1% last year. The decrease was attributable to the consolidation of SI United's profit and loss during the year. Since a portion of SI United's turnover belonged to low-margin medicine retailing business, the Group's overall gross margin fell despite the increase in turnover of the medicine business.

(2) Investment income

Investment income increased from HK$233.57 million to HK$389.46 million for the year, which was mainly attributable to the gain from disposal of investment in China Netcom (HK), the increase of dividend received from Pudong Container and the increase in interest income resulting from upward adjustments in interest rates.

(3) Other income

Other income was increased by approximately HK$131.23 million, which was primarily due to the written back of risk provision for the consumer product business last year, the increase of re-investment tax refund and the appreciation of Renminbi that bought forth with foreign exchange income.

(4) Share of results of jointly controlled entities

Being affected by the macro economic measures, cost hikes and price competition in the PRC, Shanghai Huizhong Automotive Manufacturing Co. Ltd. ("Huizhong Automotive") incurred an operating loss for the year. Even though MicroPort Medical, another jointly controlled entity, recorded substantial profit after the launch of its products with years of product development dedication, the share of results of jointly controlled entities was reduced by approximately HK$73.36 million.

(5) Share of results of associates

The major reason for the decrease in the Group's share of results of associates by approximately HK$151.60 million was attributable to the enormous depreciation charges that resulted in an operating loss of SMIC for the year compared with an operating profit made last year.

(6) Net gain on disposal of interests in subsidiaries, associates and jointly controlled entities

The net gain from the disposal of interests for the year was mainly derived from the disposal of Shanghai Sunve Pharmaceutical Co. Ltd. ("Sunve Pharmaceutical") and another two medicine companies under SI United. Such net gain decreased significantly by approximately HK$517.86 million as compared with the net gain from the spin-off of SMIC last year.

(7) Impairment loss on assets classified as held for sale

It was resolved in a shareholders' meeting of Shanghai Jahwa United Co. Ltd., an associated company of the Group, to repurchase all the shares held by the Group. At the balance sheet date, this repurchase arrangement is still subject to the approvals from relevant government authorities. Provisions on impairment was estimated on the basis of the proceeds from the disposal, the dividends to be received and the carrying amount of the investment on the date the transaction is expected to complete.

4. Dividends

The Group adopts a stable growth dividend payout policy. The Board of Directors of the Group has proposed to declare a final dividend of HK22 cents per share, together with an interim dividend of HK20 cents per share, the total dividend amounts to HK42 cents per share for the year, the payout ratio was approximately 39.3% as compared with the payout ratio of approximately 37.9% last year, increased by 1.4%.

II. Financial Position of the Group

1. Capital and shareholders' equity

As at 31 December 2005, the Group had a total of 967,533,000 shares in issue. The number of shares in issue increased by 8,895,000 shares as compared with the 958,638,000 shares in issue at the end of 2004.

Shareholders' equity increased HK$761.03 million to HK$16,375.89 million during the year, which was attributable to the increase in number of shares and the operating profits for the year after deducting the dividend actually paid during the year.

2. Indebtedness

(1) Borrowings

As at 31 December 2005, the total borrowings of the Group amounted to HK$2,293.75 million, which was mainly comprised of loans of HK$693.75 million of subsidiaries and a HK$1,600 million five-year term syndication loan of the Company. The syndication loan was comprised of a long-term loan amounting to HK$800 million and a revolving loan of HK$800 million, which have been stated in the balance sheet as long-term bank borrowings and short-term bank borrowings respectively. Unsecured credit facility accounted for 82.9% of the total borrowings.

(2) Pledge of assets

As at 31 December 2005, the following assets were pledged by the Group in order to secure general credit facilities granted to the Group:

(a) plant and machinery with a net book value of approximately HK$32,034,000;

(b) leasehold land and buildings with a net book value of approximately HK$230,099,000; and

(c) motor vehicles with a net book value of approximately HK$165,000.

(3) Contingent liabilities

As at 31 December 2005, the Group has given guarantees to banks in respect of banking facilities utilised by 西安永發醫藥包裝有限公司 (Xian Wing Fat Packing Co., Ltd.) and a third party of HK$19.63 million in total.

3. Bank deposits and short-term investments

As at 31 December 2005, bank balances and short-term investments held by the Group amounted to HK$6,068.40 million and HK$1,070.04 million respectively. The proportions of US dollars, Renminbi and HK dollars were 47%, 39% and 14% respectively. Short-term investments mainly consisted of investments such as funds, equity-linked notes, bonds and Hong Kong listed shares.

At present, the Group is in net cash position. Having sufficient working capital and a healthy interest cover, there are sufficient financial resources and fund raising capability available to the Group for the funding of capital investments and operations should the needs arise.

III. Management Policies for Financial Risk

1. Exchange rate risk

The Group mainly operates in China and the Hong Kong Special Administrative Region and the exposure in exchange rate risks mainly arises from fluctuations in the US dollar, HK dollar and Renminbi exchange rates. Exchange rate fluctuations and market trends have always been the concern of the Group. As HK dollar and Renminbi are both under managed floating system, after reviewing the Group's exposure for the time being, the Group did not enter into any derivative contracts aimed at minimising exchange rate risks during the year.

2. Interest rate risk

The major financing loan of the Group is a HK$1,600 million syndication loan. To exercise prudent management against interest rate risk, the Group has a structured interest rate hedging arrangement against the long-term portion of this syndication loan of HK$800 million prevailing as at the balance sheet date. The Group will continue to review the market trend, as well as its business operation needs and its financial position in order to identify the most effective tools for interest rate risk management.

3. Credit risk

The Group's principal financial assets are bank balances and cash, equity and debt investments, and trade and other receivables. The Group's trade and other receivables presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made according to the Group's accounting policy or where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

With respect to the credit risk of the Group's treasury operations, the Group's bank balances and cash, securities and bond investments must be placed and entered into with financial institutions of good reputation. There are strict requirements and restrictions as to the outstanding amount and credit ratings on equity and debt investments to be held, so as to minimise the Group's credit risk exposure.

FINAL DIVIDEND

The Directors recommend the payment of a final dividend of HK22 cents per share (2004: HK35 cents per share) for the year ended 31 December 2005. Subject to approval by the Shareholders at the forthcoming Annual General Meeting to be held on 30 May 2006, the final dividend will be paid on 9 June 2006 to Shareholders whose names appear on the Register of Members of the Company on 30 May 2006. Together with the interim dividend of HK20 cents per share (2004: HK20 cents per share), the total dividend for the year amounts to HK42 cents per share (2004: HK55 cents per share). The dividend payout ratio is 39.3% (2004: 37.9%).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 26 May 2006 (Friday) to 30 May 2006 (Tuesday), both dates inclusive, during which period no transfer of shares will be effected.

In order to qualify for the dividend to be approved at the 2006 Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m. on 25 May 2006 (Thursday).

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at the Conference Room of the Company at 26th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong on 30 May 2006 (Tuesday) at 3:00 p.m. Notice of the meeting will be published in the South China Morning Post and Hong Kong Economic Times and despatched to Shareholders on or about 28 April 2006 (Friday).

REVIEW OF ACCOUNTS

The Audit Committee together with the Company's management and external auditors have reviewed the Group's annual results for the year ended 31 December 2005.

CORPORATE GOVERNANCE

Throughout the year ended 31 December 2005, the Company has applied the principles and complied with all the code provisions in the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on The Stock Exchange of Hong Kong Limited's (the "Stock Exchange") website *(www.hkex.com.hk)* and the Company's website *(www.sihl.com.hk)*. The 2005 Annual Report and Notice of the Annual General Meeting will be dispatched to Shareholders on or about 28 April 2006 (Friday) and will be available at the Stock Exchange's website and the Company's website at the same time.

BUSINESS REVIEW

The audited consolidated profits for the Company for the year ended 31 December 2005 amounted to HK$1,028 million, a decrease of 25.4% over the previous year. The decline was principally attributable to a drop in exceptional profit and a fall in operating results of certain individual businesses.

During the year, the Group's medicine and infrastructure facilities businesses continued to achieve robust growth. The medicine segment recorded a profit of HK$236 million, representing a 57.6% increase over last year. This was mainly attributable to the consolidation of the results of SI United (Shanghai Stock Exchange Stock Code: 600607) commencing the beginning of 2005 upon completion of the acquisition of SI United's controlling interest at the end of 2004.

Driven by water service and port facilities projects, the infrastructure facilities segment contributed a profit of HK$186 million to the Group, representing an increase of 19% over the previous year.

The performances of the Group's consumer products and information technology segments were affected by declining operating results of the automobiles and parts projects and a slowdown in the global semiconductor industry respectively. During the year, profit contribution from the consumer products segment decreased by 20.3% to HK$468 million. The information technology segment also fell 92.4% to HK$45.34 million. Fluctuations in the semiconductor industry, however, were seasonal, and there were signs of recovery in the latter half of 2005.

In addition, the Group disposed of its entire interests in China Netcom (HK) during the year, reaping an exceptional profit of HK$91.74 million.

Infrastructure Facilities

In 2005, GWC made considerable efforts to expand new markets and to monitor the performance of its operating projects. Together with the five water services projects newly established during the year, a total of 11 water services projects were acquired in eight cities nationwide. Total investments for these projects amounted to RMB3,306 million, with a scale of operation for 3,750,000 tonnes in daily sewage treatment and water supplies capabilities.

In early 2005, the Group completed the acquisition of a 30% stake in Zhejiang Jinhua Yongjin Expressway Co. Ltd. for a consideration of RMB283 million. The project company has an operating term of the Yongjin Expressway (Jinhua Section) for 25 years. The section, about 70km long, officially opened for traffic on 28 December 2005. Traffic flow is increasing gradually and the project will become a new profit centre for the Group's toll road business in the future.

Hu-Ning Expressway is a toll road project company wholly owned by the Group. It has an operating term for the Shanghai-Nanjing Expressway (Shanghai Section) for 25 years. The section, which is 26km long, features a dual four-lane expressway. Traffic flow as recorded at the toll stations for 2005 totalled 14.64 million vehicles. Toll revenue for the year was RMB198 million. Relevant government authorities have approved the feasibility report on the expansion and widening works for the Shanghai section in early 2005. The design for the construction work is being reviewed. Construction work is expected to commence in 2006, and scheduled for completion and opening to traffic in 2009.

Medicine

During the year, the Group's medicine segment achieved major breakthroughs in research and development. Currently the Group has three projects certified as State Category I New Drugs. These include "H101", "Kai Li Kang" and "TNF" project, a project jointly developed with the Shanghai PLA Second Military Medical University. These three State Category I New Drugs are targeted at diseases with high morbidity in China such as cancer and stroke and have enormous market development potential.

During the year, the Group made a further investment of RMB145 million to increase its shareholdings in Huqingyutang Pharmaceutical and Xiamen Traditional Chinese Medicine Co. Ltd. Meanwhile, the Group disposed of certain medical projects in which it did not have controlling interests. These included Shanghai SIIC Kehua Biotech Co. Ltd., Sunve Pharmaceutical and Helishi Gusha Dental Co. Ltd. Such changes will help further centralize the Group's resources and increase management efficiency. Upon the completion of these transactions, the Group will realize approximately RMB352 million in total.

The Group's Chinese medicine segment recorded strong growth in the sales of "Dengfeng" injection products including Shen Mai Injection, Dan Shen Injection and Herba Houttuyniae Injection, which increased by 6.8%, 13.1% and 21.3% respectively compared with the same period last year. Affected by changes in distribution channels, sales of "Qingchunbao" Anti-ageing Tablets, an OTC drug have been declining. Sluggish sales seen in the first half of the year continued, with a decrease for the year reaching 48.7%. During the year, sales of "Techpool Luoan", a biomedicine, grew 26% to RMB153 million. With respect to health food, growth in yearly sales of "Huqingyutang" Herba Dendrobium Grain launched in 2004 was strong, with sales increased more than two-fold to RMB50.64 million.

During the year, the Group further increased its stake in Shanghai Medical Instruments Co. Ltd. ("Shanghai Medical Instruments") to 99%. With a solid foundation, the company is becoming the flagship for the Group's medical instruments operation. In 2005, turnover for Shanghai Medical Instruments amounted to RMB610 million, with a year-on-year net profit increase of 58.5% to RMB28.72 million.

Consumer Products

In 2005, turnover for Nanyang Tobacco decreased by 12% to HK$1,520 million, while net profits increased by 34.3% to HK$385 million. The decrease in turnover was due to changes in sales policy effective in 2005 requiring the exclusion of trade discounts from sales. During the year, Nanyang Tobacco actively expanded its market share in Mainland China with sales of cigarettes exclusively for the market rising by 56%.

In the wake of negative media coverage in June 2005 on product quality management of Bright Dairy, income from the company's principal business declined to RMB6,887 million. Net profit was RMB211 million, a decrease of 33.6% over last year. The company will continue to increase its efforts in marketing and sales and, strengthen its quality management systems in order to maintain steady growth and operating results.

The vehicle market in Mainland China was sluggish during the year. This, together with the surge in raw material prices, brought considerable pressure to the Group's automobiles and parts business. During the year, sales of Huizhong Automotive and Shanghai SIIC Transportation Electric Co. Ltd. decreased by 28.8% and 34.3% respectively. Profit of Transportation Electric was RMB30.81 million, a decrease of 71%. Huizhong Automotive incurred a loss of RMB232 million.

During the year, the turnover for The Wing Fat Printing Co. Ltd. increased by 103% to HK$945 million. Net profit grew 10.3% to HK$126 million. The company's scale of operation was expanded, primarily attributable to an increased investment of RMB156 million to the existing projects, including Hebei Yongxin Paper Co. Ltd., Zhejiang Rongfeng Paper Co. Ltd. and Chengdu Wing Fat Printing Co. Ltd., thereby increasing its stakes and profit shares in these companies.

Information Technology

During the year, the Group disposed of its entire interests in China Netcom (HK), thereby bringing an exceptional profit of HK$91.74 million to the information technology segment of the Group. However, affected by a slowdown in the semiconductor industry, profit contribution from the segment decreased to HK$45.34 million.

Since the end of 2004, the product cycle of the semiconductor industry has been on a downward trend. Although the sales of SMIC (Stock Exchange Stock Code 981) still recorded a sales growth of 20.2% to US$1,171 million for 2005, a loss of US$112 million for the year was incurred due to weaker wafer prices and increased depreciation costs.

The turnover and net profit of Shanghai Information Investment Inc. ("SII") increased 32.4% and 17.3% to RMB1,330 million and RMB89.25 million respectively. Growth remained relatively high for SII's certain fellow companies engaging in construction and operation of infrastructure networks and functional facilities. Of these, the turnover and net profit of Dongfang Cable Network Co. Ltd. increased 31% and 27% to RMB1,088 million and RMB114 million respectively. The turnover and net profit of Shanghai Information Pipelines Co. Ltd. increased 24.1% and 23.7% to RMB215 million and RMB41.81 million respectively.

Prospects

The Group is optimistic about its growth prospects for the coming years. While consolidating existing businesses and strengthening income base, the Group will boost up its scale of investment. The infrastructure facilities segment will continue to focus on projects in toll roads and water services. The Group will step up the expansion and widening program for the Shanghai-Nanjing Expressway (Shanghai Section). Further efforts will be made to identify investment opportunities for toll roads projects, thereby enhancing the Group's profitability for the infrastructure facilities segment. With respect to the medicine segment, the Group will focus on key projects acquisition and the commercialization of the three Category I New Drugs so as to strengthen its business foundation and income base. For the consumer products segment, measures will be taken to expand market share, reduce costs and improve efficiency in order to absorb the impact from industrial cyclical fluctuations and, at the same time, maintain sustainable earnings growth.

During the past few years, the Group has dedicated great efforts to consolidate its investment portfolio, streamline business structure and promote vertical integration and in-depth development to achieve synergy in operation. To centralize its resources, the Group has divested its investments in the department retail and logistics sectors as well as personal care products. In line with its business strategies of limited diversification and in consideration of the new wave of economic development in Shanghai, the Group is considering tapping into different industries and develop new drivers for its long-term development.

Leveraging on its Shanghai background and its favourable position in Mainland China, the Group aims to capitalize on the opportunities arising from the restructuring of state-owned assets in China. It is expected that new horizons will be created and new breakthroughs will be achieved. "Focus", "Endeavour", "Aggressiveness" and "Innovation" are the Group's key strategies. The Group will endeavour to pursue greater achievements and produce stronger results so as to deliver higher returns to our Shareholders.

Cai Lai Xing
Chairman

Hong Kong, 21 April 2006

As at the date of this announcement, the Board of the Company is comprised of:

Executive Directors:
Mr. Cai Lai Xing, Mr. Cai Yu Tian, Mr. Qu Ding, Mr. Lu Ming Fang, Mr. Ding Zhong De, Mr. Qian Shi Zheng, Mr. Yao Fang and Mr. Tang Jun

Independent Non-Executive Directors:
Dr. Lo Ka Shui, Prof. Woo Chia-Wei and Mr. Leung Pak To, Francis

Please also refer to the published version of this announcement in South China Morning Post.