

ANNOUNCEMENT OF 2006 ANNUAL RESULTS

HIGHLIGHTS

	2006	2005	Change
	HK\$'000	HK\$'000	%
Turnover	6,851,023	6,025,285	+13.7%
Gross Profit	2,543,945	2,305,580	+10.3%
Profit before taxation	1,736,712	1,449,603	+19.8%
Profit attributable to shareholders	1,257,778	1,027,940	+22.4%
Proposed final dividend	HK30 cents	HK22 cents	+36.4%
Earnings per share – Basic	HK\$1.30	HK\$1.07	+21.5%
– Diluted	HK\$1.29	HK\$1.06	+21.7%

BUSINESS REVIEW

The Board of Directors of Shanghai Industrial Holdings Limited (the “Company”) is pleased to announce that audited turnover increased 13.7% to HK\$6,851 million. Profits attributable to shareholders increased remarkably by 22.4% to HK\$1,258 million. Basic earnings per share increased by 21.5% to HK\$1.30.

Net profits from recurring operations¹ of the businesses of infrastructure facilities, medicine and consumer products amounted to HK\$371 million, HK\$163 million and HK\$595 million, accounting for 33.2%, 14.6% and 53.2% of the Group’s Net Business Profit before Exceptional Items² respectively.

Infrastructure Facilities

Toll Roads

During the year, the traffic flow of Hu-Ning Expressway (Shanghai Section) reached 22.89 million vehicles, representing an increase of more than 50% compared with the previous year. The significant increase was mainly due to the rapid upturn of the traffic flow following the completion of the widening works of the Hu-Ning Expressway (Jiangsu Section) at the end of 2005 and the commencement of the road works of Hu-Jia Expressway in October of the year.

The widening and alteration works of the Hu-Ning Expressway (Shanghai Section) commenced during the year, doubling the original dual carriageway with four lanes to a dual carriageway with eight lanes. While successfully securing favourable terms to limit the capital commitment of the Group in respect of the construction work to HK\$1,680 million, the Group shall be compensated for the deficiency in toll revenue during the three years construction period. The toll revenue and compensation received in 2006 amounted to HK\$452 million. The arrangement would reduce the overall investment risks of the Group in expressways, and ensure that income from the projects would not be adversely affected by the widening and alterations works. Upon completion of the works, the traffic flow of the expressway will increase significantly and contribute to the sustainable growth of future profits.

The Yongjin Expressway (Jinhua Section) was in its first year of operation in 2006 after completion of its construction work at the end of December 2005, with annual toll revenue amounted to HK\$107 million. The second half toll revenue of the year increased 15.9% over the first half showing sign of improvement in traffic flow.

Water Services

In accordance with its established development strategies, General Water of China Co. Ltd. (“General Water of China”) continued to focus on the operational management of its existing projects and to further invest in new water services projects. During the year, three new projects were added to General Water of China, namely, the sewage project in central Wenzhou, the city water supply project of Suifenhe and the sewage treatment project in the river east of Xiangtan. The total investment required for the projects will exceed HK\$120 million, adding daily water supply and sewage treatment capacity of 410,000 tonnes. General Water of China has concluded a total of 14 investment projects in nine cities nationwide in the areas of water sources, water supply and sewage up till 31st December 2006, with a scheduled daily treatment capacity of 4,299,000 tonnes, being water supply capacity of 2,875,000 tonnes and sewage treatment capacity of 1,424,000 tonnes.

While continuing to explore new markets, General Water of China strived to complete the construction work of various BOT projects on schedule and get ready for commencement of

operation. During the year, the adjustment of water supply prices proposed by General Water of China (BengBu) Co. Ltd. was approved by the relevant government authorities. The increment ranges from 8% to 36%. Reforms for utilities prices are underway in Mainland China, and this is expected to further benefit the water supply projects owned by the company.

During the year, the Group sold all of its equity interest in Shanghai Pudong International Container Terminals Ltd. (“Pudong Container”) for a consideration of HK\$447 million. The disposal enabled the Group to further optimize its business structure and generated an after-tax exceptional gain of approximately HK\$244 million for the Group.

Medicine

The operating environment of the overall medicine industry in Mainland China went through significant changes in 2006 which adversely affected the operation of the pharmaceutical companies generally. Various measures were adopted to enhance the profitability of the Group’s medicine business and to enhance its vulnerability to industry fluctuations, in particular, to advocate and encourage innovation of its enterprises to enhance their competitiveness; to strive for commercialization of the three State Category I New Drugs of the Group; to achieve an impressive growth rate in the sales of health food and OTC drugs which offset the adverse impacts brought by the declining sales of prescription drugs; and to maintain the persistent high growth rate of profit contribution from MicroPort Medical (Shanghai) Co. Ltd. (“MicroPort Medical”)

Among the Group’s three State Category I New Drug, “Kai Li Kang” was launch in the market in April 2006, and accepted by over 100 A-grade hospitals. After the new drug certificate of “Oncorine (H101)” was obtained in 2005, the GMP certificate was issued in July of the year and the product was launched in the market in October. The construction and trial operation of the GMP plant for the “TNF” project was completed. The application of production approval was in progress.

Chinese Medicine and Health Food

During the year, the sales of “Qingchunbao” health food and OTC drugs series resumed growth. Sales of health food series increased by 15.2% compared with last year. The sales of “Qingchunbao” Anti-ageing Tablets, an OTC drug increased remarkably by 26.2% to HK\$238 million. Nevertheless, due to the adverse news relating to other products in the industry and adjustment of the medicine industry policies in Mainland China, the overall sales of the prescription drugs of the Group declined. This has offset the growth of OTC drugs and health food businesses.

Biomedicine

Guangdong Techpool Biochem Pharma Co. Ltd. is one of the manufacturers with the most

comprehensive range of urinary protein products in Mainland China. Its major product, “Techpool Luoan”, is an exclusive product range in Mainland China. The company continued to expand the development of Techpool Luoan’s application in the area of critical illnesses, and focused in the development of narcotic, burns, etc. with satisfactory results. During the year, the product achieved sales revenue of HK\$134 million, an increase of 7.2% compared with last year.

Chemical Medicine

During the year, “Changzhou Pharmaceutical” brand series of chemical medicines recorded a turnover of more than HK\$300 million. Major medicine sales were satisfactory. Sales of “Captopril Tablets” and “Compound Reserpine Tablets” increased by 18.8% and 15.5% respectively. Several major raw pharmaceuticals of the Company, namely “Raw Captopril”, “Raw Chlordiazeposide”, achieved a satisfactory increase in sales of over 21.0% and 14.9% during the year. This has offset the adverse effect bought by the decrease in sales of “Raw Qiangli Meisu”.

In addition, the Changzhou Pharmaceutical Factory, a subsidiary of Changzhou Pharmaceutical Co. Ltd. was permitted in early 2007 as the first 10 manufacturing enterprises supplying basic medicines for cities, communities and villages in Mainland China, contributing positively to the medicine sales of the company. The said basic medicines include “Paracetamol Tablets”, “Compound Reserpine Tablets”, “Metformin Hydrochloride Tablets” and “Atropine Sulfate Injection”.

Medical Equipment

In 2006, the business of MicroPort Medical continued its rapid development, further enhancing and expanding its sales. In particular, the sales network of Firebird “Eluting Coronary Stents” expanded into countries in the EU, Latin America, Japan and Southeast Asia, with accumulated sales of over 100,000 pieces. In 2006, the Company’s innovation and independent development was recognized through technology awards and honours of the State and locality, including a second prize for the 2006 State Technology Advancement in the design and key production technology for “Coronary Drug Stents”.

Consumer Products

Nanyang Brothers Tobacco Co. Ltd. (“Nanyang Tobacco”) and The Wing Fat Printing Company, Ltd. (“Wing Fat Printing”) are the Group’s core businesses in consumer products segment. Both of them are maintaining sustainable business growth. The automobiles market in Mainland China showed signs of improvement. The persistent increase in sales of automobiles boosted the profitability of the manufacturers of automotive parts. This offset the adverse impact arising from the decline in profits of Bright Dairy and Food Co. Ltd. (“Bright Dairy”) towards the consumer products business.

Tobacco

During the year, turnover for Nanyang Tobacco increased by 7.8% to HK\$1,638 million, while its net profit after deducting non-recurring factors in the previous year increased 2.4% to HK\$328 million. Nanyang Tobacco, whose products are mainly for exports, has expanded its markets to include Thailand, the Middle East, Australia, New Zealand as well as Indonesia. Sales volume in the tax-free market and the PRC market respectively increased remarkably by 30% during the year.

Dairy

As consumption in the PRC becomes more sophisticated, demand for quality products by consumers continued to increase. On the other hand, competition changed from low-end price competition to high-end technology and product competition. The competitive environment is becoming more intense. In 2006, turnover of Bright Dairy amounted to HK\$7,002 million, an increase of 4.5% over previous year; while net profit declined 27.6% to HK\$148 million.

Printing and Paper Products

The recent development of Wing Fat Printing was characterized by its divisionalised and vertical integration strategy. While expanding its printing business, Wing Fat Printing increased its stakes in various well performed projects. This strategy was proved to be effective. During the year, the turnover for Wing Fat Printing increased by 48.15% to HK\$1,400 million. Net profit grew 18.4% to HK\$149 million. In 2006, Wing Fat Printing further expanded its business of cigarette box production in Mainland China under the favourable CEPA policy. Total sales of cigarette box packaging recorded a significant increase of 55.76% over last year.

Automobiles and Parts

During the year, Shanghai Huizhong Automotive Manufacturing Co. Ltd.'s ("Huizhong Automotive") results rebounded through market exploration and cost reduction efforts. Turnover increased by 43.0% to HK\$5,533 million. Currently, the company mainly focused in the sales of parts, while the sales of automobiles only accounted for approximately 19.8%. The sales of parts remained focused on selling accessories to Shanghai Volkswagen Co. Ltd., followed by selling accessories to Shanghai General Motors Co. Ltd.

Shanghai SIIC Transportation Electric Co. Ltd. recorded satisfactory results during the year. Net profit increased by 134.5% to HK\$68.84 million and turnover increased by 33.6% to HK\$443 million. The aggregate sales of automatic windows, a major product of the company, grew 44.2% to HK\$170 million. Sales of exported goods of the Company increased by 28.63% during the year.

Supermarket Chains

During the year, the turnover for Lianhua Supermarket Holdings Co. Ltd. (“Lianhua Supermarket”) grew 15% to HK\$1,597 million. Profits attributable to shareholders remained steady this year of HK\$235 million. During the year, the number of stores of Lianhua Supermarket reached 107, of which 78 were located in the Guangdong region. As at 31st December 2006, the total number of stores directly and jointly operated by Lianhua Supermarket reached 3,716 (excluding stores operated by the associates), of which 50% were franchised stores.

Others

After deducting exceptional gains generated from the disposal of strategic investment project in previous year, losses in technology information business has been reduced from HK\$46.40 million to HK\$10.42 million. The net loss of Semiconductor Manufacturing International Corporation (“SMIC”) decreased significantly compared with the last year. Turnover increased by 25.1% to HK\$11.43 billion. During the year, the net profit of Shanghai Information Investment Inc. (“Shanghai Information Investment”) increased 42.5% to HK\$121 million. During the year, Shanghai Information Investment actively increased its efforts in expanding investments in the education business made use of networks and strived to explore and develop the electronic payment and settlement business and related businesses

In addition, Shanghai Industrial Pharmaceutical Investments Co. Ltd. (“SI Pharmaceutical”) and Bright Dairy of the Group, both listed in the A Shares market of the Shanghai Stock Exchange, completed their share reform plans in June and October of 2006 respectively. The 56.63% non-tradable shares of SI Pharmaceutical and the 30.78% non-tradable shares of Bright Dairy held by the Group were converted to 43.62% tradable shares and 25.17% tradable shares respectively. Although the reforms brought about exceptional losses totalling HK\$243 million for the Group, the values of the shares increased significantly following the completion of the reforms. The current market price of the shares of SI Pharmaceutical and Bright Dairy recorded an altogether increase of approximately 127% since the share reform plans were announced, with the market capitalization of the two companies amounted to HK\$17.5 billion respectively (*The calculation is based on the closing price of the relevant shares in the A Shares market of the Shanghai Stock Exchange as at 20th April 2007*).

Notes:

¹ Net profits from recurring operations refers to profit contribution before Exceptional Items.

² Exceptional items refer to exceptional losses of about HK\$243 million brought by the share reform plans of SI Pharmaceutical and Bright Dairy and an after-tax exceptional gain of about HK\$244 million derived from the disposal of a 10% interests in Pudong Container.

PROSPECTS

The economy of Mainland China has continued to grow, with the gradual opening of the capital markets and acceleration in capital market reforms. Along with continuous improvement and adjustments in industry policies, the Group is faced with unprecedented development opportunities. By capitalizing on its unique position with Shanghai background, it will integrate into a new round of the economic development plans in Shanghai, identify new opportunities in the restructuring of state-owned assets, strive to achieve scalable acquisitions and tap into new business segments.

Looking ahead, the Group will count on the stable development of the consumer products business and concentrate its investments in the infrastructure facilities and medicine businesses and consider tapping into the real estate business, so as to maintain sustainable growth in recurrent operating profit. Meanwhile, efforts will be devoted to capture opportunities arising from the new trend of capital development in Hong Kong and Mainland China. The Group will endeavour to take advantage of the capital market conditions in both Hong Kong and China and to further optimize capital structure of the Group. Resources will be consolidated in core businesses and efforts will be made to increase return from investments in order to maximize shareholders' value.

Cai Lai Xing

Chairman

Hong Kong, 20th April 2007

FINAL DIVIDEND

The Board of Directors recommends the payment of a final dividend of HK30 cents per share (2005: HK22 cents per share) for the year ended 31st December 2006. Subject to approval by the Shareholders at the forthcoming Annual General Meeting to be held on 30th May 2007, the final dividend will be paid on 8th June 2007 to Shareholders whose names appear on the Register of Members of the Company on 30th May 2007. Together with the interim dividend of HK22 cents per share (2005: HK20 cents per share), the total dividend for the year amounts to HK52 cents per share (2005: HK42 cents per share). The dividend payout ratio is 40% (2005: 39.3%).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 28th May 2007 to Wednesday, 30th May 2007, both days inclusive, during which period no transfer of shares will be effected. Dividend warrants will be dispatched to Shareholders on or about Friday, 8th June 2007. In order to qualify for the final dividend to be approved at the 2007 Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, 25th May 2007.

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2006**

	<i>Notes</i>	2006 HK\$'000	2005 HK\$'000
Turnover	3	6,851,023	6,025,285
Cost of sales		(4,307,078)	(3,719,705)
Gross profit		2,543,945	2,305,580
Investment income		726,676	389,460
Other income		310,815	162,361
Distribution costs		(873,253)	(830,374)
Administrative expenses		(792,179)	(716,676)
Other expenses		(1,900)	(9,648)
Finance costs		(104,555)	(82,024)
Share of results of jointly controlled entities		21,152	2,839
Share of results of associates		157,215	102,532
Net gain on disposal of interests in subsidiaries, associates and jointly controlled entities		23,842	180,661
Dilution loss on share reform of a subsidiary		(214,955)	-
Loss on share reform of an associate		(27,739)	-
Impairment losses recognised in respect of goodwill relating to subsidiaries and interests in an associate and a jointly controlled entity		(32,352)	(26,185)
Discount on acquisition of additional interests in subsidiaries		-	2,324
Impairment loss on assets classified as held for sale		-	(31,247)
Profit before taxation		1,736,712	1,449,603
Income tax expenses	4	(236,442)	(194,042)
Profit for the year	5	1,500,270	1,255,561
Attributable to			
- Equity holders of the Company		1,257,778	1,027,940
- Minority interests		242,492	227,621
		1,500,270	1,255,561
Dividends	6	426,058	529,805
Earnings per share	7		
- Basic		HK\$1.30	HK\$1.07
- Diluted		HK\$1.29	HK\$1.06

CONSOLIDATED BALANCE SHEET
AS AT 31ST DECEMBER 2006

	<i>Notes</i>	2006 HK\$'000	2005 HK\$'000
Non-Current Assets			
Investment properties		80,570	51,830
Property, plant and equipment		2,671,797	2,404,338
Prepaid lease payments – non-current portion		251,016	225,238
Toll road operating right		1,778,596	1,776,798
Other intangible assets		89,659	95,077
Goodwill		421,825	397,987
Interests in jointly controlled entities		2,444,993	2,390,508
Interests in associates		3,793,890	3,868,057
Available-for-sale investments		197,109	321,054
Loan receivables – non-current portion		3,689	4,277
Deposits paid on acquisition of property, plant and equipment		664,945	26,326
Deposit paid on acquisition of a subsidiary		-	68,269
Derivative financial instruments		-	6,421
Deferred tax assets		28,762	25,876
		12,426,851	11,662,056
Current Assets			
Inventories		1,216,612	1,215,725
Trade and other receivables	8	1,513,127	1,539,861
Prepaid lease payments – current portion		7,035	8,129
Loan receivables – current portion		-	62,757
Financial assets at fair value through profit or loss		1,660,111	1,070,042
Pledged bank deposits		28,560	28,000
Short-term bank deposits		674,845	275,804
Bank balances and cash		6,102,154	5,764,596
		11,202,444	9,964,914
Assets classified as held for sale		28,833	345,185
		11,231,277	10,310,099

	<i>Notes</i>	2006 HK\$'000	2005 HK\$'000
Current Liabilities			
Trade and other payables	9	1,535,920	1,297,662
Taxation payable		102,464	65,236
Short-term bank and other borrowings		614,741	1,320,175
		2,253,125	2,683,073
Net Current Assets		8,978,152	7,627,026
Total Assets Less Current Liabilities		21,405,003	19,289,082
Capital and Reserves			
Share capital		96,850	96,753
Reserves		17,408,531	16,279,139
Equity attributable to equity holders of the Company		17,505,381	16,375,892
Minority interests		2,225,614	1,832,137
Total Equity		19,730,995	18,208,029
Non-Current Liabilities			
Long-term bank and other borrowings		1,561,962	973,574
Deferred tax liabilities		112,046	107,479
		1,674,008	1,081,053
		21,405,003	19,289,082

Notes:-

(1) FINANCIAL STATEMENTS

The financial information contained in these consolidated accounts does not constitute the Group's financial statements for the year ended 31st December 2006 but is derived from those financial statements.

(2) BASIS OF PREPARATION

These consolidated accounts have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The accounting policies adopted in the preparation of these accounts are consistent with those used in the 2005 annual accounts except for changes made thereafter in adopting the Amendment to Hong Kong Accounting Standard 39 "Financial instruments: recognition and measurement on financial guarantee contracts". The adoption of this amendment does not have a significant financial impact on the Group's results of operations and financial position for financial years 2005 and 2006.

The Group has not early adopted the amendment, new standards and interpretations issued by the HKICPA that are not yet effective for the year ended 31st December 2006.

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.

(3) SEGMENT INFORMATION BY BUSINESS

For the year ended 31st December 2006

	Infrastructure facilities HK\$'000	Medicine HK\$'000	Consumer products HK\$'000	Information technology HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
TURNOVER						
External sales	276,419	3,729,130	2,845,474	-	-	6,851,023
Segment results	388,249	385,908	565,312	-	-	1,339,469
Net unallocated corporate income						306,561
Finance costs						(104,555)
Share of results of jointly controlled entities	12,785	43,086	23,832	20,080	(78,631)	21,152
Share of results of associates	-	15,440	172,855	(31,080)	-	157,215
Net gain on disposal of interests in subsidiaries, associates and jointly controlled entities						23,842
Gain on disposal of available-for-sale investments						268,074
Dilution loss on share reform of a subsidiary						(214,955)
Loss on share reform of an associate						(27,739)
Impairment losses recognised in respect of goodwill relating to a subsidiary and interest in a jointly controlled entity						(32,352)
Profit before taxation						1,736,712
Income tax expenses						(236,442)
Profit for the year						1,500,270

For the year ended 31st 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 a jointly controlled entity					(26,185)
Discount on acquisition of additional interests in subsidiaries					2,324
Impairment loss on assets classified as held for sale					(31,247)
Profit before taxation					1,449,603
Income tax expenses					(194,042)
Profit for the year					1,255,561

(4) INCOME TAX EXPENSES

	2006 HK\$'000	2005 HK\$'000
Current tax		
- Hong Kong	86,106	75,952
- Other regions in the PRC	149,696	111,313
	235,802	187,265
Under(over)provision in prior years		
- Hong Kong	1,291	(15,759)
- Other regions in the PRC	(971)	-
	320	(15,759)
Deferred tax	320	22,536
	236,442	194,042

Hong Kong Profits Tax is calculated at 17.5% (2005: 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 the 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

	2006	2005
	HK\$'000	HK\$'000
Profit for the year has been arrived at after charging (crediting):		
Amortisation of toll road operating right (included in cost of sales)	67,335	41,950
Amortisation of other intangible assets (included in administrative expenses)	13,861	6,978
Depreciation and amortisation of property, plant and equipment	234,786	211,538
Release of prepaid lease payments to income statement	6,873	5,500
Impairment loss on bad and doubtful debts	53,292	24,424
Impairment loss recognised on available-for-sale investments (included in other expenses)	1,900	9,648
Research and development costs	49,273	64,711
Share of PRC income tax of jointly controlled entities (included in share of results of jointly controlled entities)	(1,542)	7,968
Share of PRC income tax of associates (included in share of results of associates)	10,823	45,949
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(6) DIVIDENDS

	2006	2005
	HK\$'000	HK\$'000
2006 interim dividend of HK22 cents (2005: HK20 cents) per share	213,071	193,458
2005 final dividend of HK22 cents (2004: HK35 cents) per share	212,987	336,347
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	426,058	529,805

A final dividend of HK30 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 equity holders of the Company is based on the following data:

	2006 HK\$'000	2005 HK\$'000
Earnings:		
Profits for the purposes of basic earnings per share (profit for the year attributable to equity holders of the Company)	1,257,778	1,027,940
Effect of dilutive potential ordinary shares		
- adjustment to the share of results of a jointly controlled entity based on potential dilution of its earnings per share	(3,261)	(2,240)
Earnings for the purposes of diluted earnings per share	1,254,517	1,025,700
	2006	2005
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	968,164,208	963,971,274
Effect of dilutive potential ordinary shares		
- share options	1,625,102	2,925,399
Weighted average number of ordinary shares for the purposes of diluted earnings per share	969,789,310	966,896,673

(8) TRADE AND OTHER RECEIVABLES

The Group generally allows credit period ranging from 30 days to 90 days to its trade customers. Included in trade and other receivables are trade receivables of HK\$895,234,000 (2005: HK\$943,147,000) and their aged analysis is as follows:

	2006 HK\$'000	2005 HK\$'000
Trade receivables:		
Within 30 days	377,371	496,563
Within 31 – 60 days	200,436	174,943
Within 61 – 90 days	93,395	78,413
Within 91 – 180 days	104,554	106,355
Within 181 – 360 days	99,781	57,750
Over 360 days	19,697	29,123
	895,234	943,147

(9) TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$681,779,000 (2005: HK\$578,475,000) and their aged analysis is as follows:

	2006 HK\$'000	2005 HK\$'000
Trade payables:		
Within 30 days	483,708	356,876
Within 31 – 60 days	78,084	91,492
Within 61 – 90 days	29,017	42,345
Within 91 – 180 days	42,482	37,727
Within 181 – 360 days	17,499	25,738
Over 360 days	30,989	24,297
	681,779	578,475

FINANCIAL REVIEW

I. Analysis of Financial Results

1. Turnover

The turnover of the Group in 2006 increased by approximately 13.7% over 2005, which was mainly driven by the newly consolidated subsidiaries from the medicine and consumer product businesses, as well as the considerable increase of toll revenue of infrastructure facilities.

The completion of expansion and widening works of Hu-Ning Expressway (Jiangsu section) had induced more traffic flow on Hu-Ning Expressway (Shanghai section), resulting in a significant year-on-year increase in toll revenue. In addition, the sales tax on toll revenue was reduced to 3% with effect from 1st June 2005. A full year's impact on this positive factor was accounted for in 2006.

The turnover growth in consumer product business was attributable to the organic growth in turnover of all subsidiaries and contribution of Hebei Yongxin Paper Co. Ltd. ("Hebei Yongxin Paper") which constituted a consolidating subsidiary since September 2005 that only four months of its turnover was accounted for in the prior year.

The increase in the stake in Hangzhou Huqingyutang Pharmaceutical Co. Ltd. to 51% by the Group was completed in July 2005, which gave an additional turnover to the medicine business this year since only six months of its turnover was accounted for in the prior year. This has helped offset the adverse impacts on the turnover of the medicine business brought by the changes of policies to the pharmaceutical industry in the PRC and media reports on quality issue of medicine products.

2. Profit Contribution from Each Business

The infrastructure facilities business recorded an increase in profit of approximately 230.9% for the year, which was mainly attributable to an approximately HK\$171.76 million compensation for the deficiency in toll revenue due to the widening and alteration construction of the A11 Expressway received by Hu-Ning Expressway and a gain of approximately HK\$243.67 million from the disposal of 10% equity stake in Pudong Container by the Group.

The decrease in profit contribution of the medicine business was mainly due to the inclusion of a disposal gain of Shanghai Sunve Pharmaceutical Co. Ltd. (“Shanghai Sunve”) of approximately HK\$35.25 million in prior year comparative, and the financial performances of some entities for the year were adversely affected by a series of changes in policies towards the pharmaceutical industry in the PRC.

The Group had implemented SI Pharmaceutical’s share reform plan, under which all holders of freely transferable shares of SI Pharmaceutical were given three non-freely transferable shares for every ten freely transferable shares held by each such holder. This share reform plan obtained all relevant approvals in June 2006, and the Group recorded a dilution loss of approximately HK\$214.96 million.

The consumer product business was hit by a loss of approximately HK\$27.74 million resulting from the implementation of Bright Dairy’s share reform plan, under which all holders of freely transferable shares of Bright Dairy were given RMB8.46 in cash and 1.2 non-freely transferable shares for every ten freely transferable shares held by each shareholder. In addition, as part of the share reform plan, the Group transferred 44,099,410 non-tradable shares to Danone Asia Pte Ltd.

Excluding the loss of Bright Dairy’s share reform plan, the consumer product business recorded an increase in profit contribution of approximately 27.1%. Among various entities under consumer product, the key profit driver for the year was Huizhong Automotive, whose financial results improved as a result of its endeavors in cost reduction and the general improvement in the PRC automobile market conditions. As for major profit contributors, Nanyang Tobacco and Wing Fat Printing, maintained steady growth momentum.

Due to an ongoing inventory correction of some of its customers that have pushed out wafer orders, SMIC recorded an operating loss this year. However the loss has been significantly reduced in comparison with last year.

3. Profit before Taxation

(1) Gross profit margin

Gross profit margin for the year was 37.1%, representing a decrease of approximately 1.2% compared to 38.3% last year. The decrease was attributable to the consolidation of the results of Hebei Yongxin Paper since September 2005, which was engaged in paper production business with relatively lower gross profit margin.

(2) Investment income

The increase in investment income was mainly due to a gain of approximately HK\$268.07 million booked this year from the disposal of 10% equity interest in Pudong Container, while investment income for 2005 was mainly derived from the disposal gain on China Netcom Group Corporation (Hong Kong) Ltd. amounting to approximately HK\$91.74 million.

(3) Other income

Other income was mainly derived from a compensation received by Hu-Ning Expressway for the deficiency in its toll revenue of approximately HK\$171.76 million, representing a significant increase as last year comparative mainly comprised the write back of provisions for the consumer product business and the re-investment tax refund etc.

(4) Share of results of jointly controlled entities

Even though the market sentiment in the PRC automobile industry showed some signs of improvement, automobile and component makers continued to experience tough times amid increasing raw material costs and oil price. Huizhong Automotive, being the major jointly controlled entity of the Group, managed to turn its results around to make profits again by implementing cost reduction and other measures, resulting in an improvement in the share of results of jointly controlled entities.

(5) Share of results of associates

Due to an ongoing inventory correction that some of its customers have pushed out wafer orders, SMIC still recorded a loss this year but in a smaller magnitude; hence the share of results of associates increase this year.

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

The Group recorded a net gain on disposal of three medicine entities last year, including Sunve Pharmaceutical and two invested entities of SI Pharmaceutical. In the absence of similar disposal this year, the net gain on disposal of interests in jointly controlled entities and associates decreased significantly.

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 HK30 cents per share, together with an interim dividend of HK22 cents per share, the total dividend amounts to HK52 cents per share for the year. The payout ratio was approximately 40%, an increase of 0.7 percentage point as compared with the payout ratio of approximately 39.3% in 2005.

II. Financial Position of the Group

1. Capital and shareholders' equity

The Group had a total of 968,504,000 shares in issue as at 31st December 2006, which was increased by 971,000 shares as compared with the 967,533,000 shares in issue at the end of 2005. The increase is mainly attributable to the exercise of share options by employees.

The Group maintains a stable financial condition. The shareholders' equity, increased by approximately HK\$1,129.49 million to HK\$17,505.38 million as at 31st December 2006, which was attributable to the net profits and the increase in number of shares in issue for the year after deducting the dividend actually paid during the year.

2. Indebtedness

(1) Borrowings

The Group took advantage of the liquidity in the banking and financial markets, and obtained a five-year term and revolving syndication loan facilities of HK\$3 billion during the year through a wholly-owned subsidiary, SIHL Finance Limited. This arrangement not only provides re-financing for part of the existing loans with a lower interest rate, it also retains stand-by facilities at an attractive interest rate level for the Group.

As at 31st December 2006, the total borrowings of the Group amounted to approximately HK\$2,186.85 million (2005: HK\$2,293.75 million), of which 83.3 % (2005: 82.9%) was an unsecured credit facility.

(2) Pledge of Assets

As at 31st December 2006, the following assets were pledged by the Group to banks in order to secure general banking facilities granted by these banks to the Group:

- (a) plant and machinery with a carrying value of approximately HK\$22,857,000 (2005: HK\$32,034,000);
- (b) leasehold land and buildings with a carrying value of approximately HK\$195,494,000 (2005: HK\$230,099,000);
- (c) motor vehicles with a carrying value of approximately HK\$82,000 (2005: HK\$165,000); and
- (d) bank deposit of approximately HK\$560,000 (2005: nil).

(3) Contingent Liabilities

As at 31st December 2006, the Group has given guarantees to banks in respect of banking facilities utilized by Xian Wing Fat Packing Co. Ltd., Jinan Quanyong Printing Co. Ltd. and a third party of HK\$64.80 million (2005: HK\$19.63 million) in total.

3. Bank deposits and short-term investments

As at 31st December 2006, bank balances and short-term investments held by the Group amounted to HK\$6,805.56 million (2005: HK\$6,068.40 million) and HK\$1,660.11 million (2005: HK\$1,070.04 million) respectively. The proportions of US dollars, Renminbi and HK dollars were 59%, 29% and 12% (2005: 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 a net cash position. While having sufficient working capital and a healthy interest cover, there are sufficient financial resources and fund raising capabilities, the Group is monitoring market situation and seek opportunities to optimize capital structure should needs arise.

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 Wednesday, 30th May 2007 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 30th April 2007.

REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed the Company's consolidated annual results for the year ended 31st December 2006.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31st December 2006.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries 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 2006 Annual Report will be despatched to Shareholders on or before Monday, 30th April 2007 and will be available at the Stock Exchange's website and the Company's website accordingly.

BOARD OF DIRECTORS

As at the date of this announcement, the Board of Directors of the Company comprises eight Executive Directors, namely 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; three Independent Non-Executive Directors, namely, 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.