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Shanghai Industrial earns HK$3.438b, 4% up on last year
Rapid growth in water services
Robust assets revitalization in real estate
Record profit in tobacco

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Infrastructure/Environment to step up acquisitions
Real estate to strengthen sales and revitalisation

(March 26, 2013 – HONG KONG) Shanghai Industrial Holdings Limited ("SIHL", stock code: 0363) announced its annual results for the year ended 31st December 2012. Revenue was approximately HK$19.287 billion, an increase of approximately 28.8%; profit attributable to shareholders was HK$3.438 billion, representing a 4.0% increase after excluding disposal gains from the sale of Four Seasons Hotel Shanghai in the same period in 2011. SIHL's board of directors has proposed a final dividend of HK58 cents per share. Together with the interim dividend of HK50 cents per share, the total dividend for the year amounted to HK108 cents per share, same as in last year.

SIHL chairman Teng Yilong noted that as a result of global economic and political instability, the Chinese economy also recorded lower growth. The real estate and toll road businesses in SIHL's diversified investment portfolio had been impacted by industrial regulation and associated policies. Nevertheless, the three core businesses continued their steady growth, recording satisfactory earnings. Meanwhile, SIHL also further optimised its financial structure and demonstrated the advantages of a diversified conglomerate, as it balanced the financing needs of real estate by leveraging robust cash-flow resources from toll roads and consumer product operations.

Infrastructure saw solid development, while water services expanded quickly with the acquisition of Nanfang Water. Together with other new water services projects, the daily handling capacity of the water services business of SIHL increased by 19.2% over the year to reach 8.57 million tonnes, ranking among the top three players in China. Asia Water, the flagship of the water services business, was renamed 'SIIC Environment' and listed on the Singapore Exchange main board in November 2012, laying the foundation for a dual listing in Singapore and Hong Kong. Revenue for the three toll roads operated by SIHL in Shanghai was impacted by new regulatory measures including the reduced initial rate of toll fees and toll exemption during holidays, in addition to the existing green channel policy for fresh agricultural products. Total toll revenue for the year was HK1.924 billion, an increase of approximately 2.3%.

The **real estate** business effectively revitalised its assets by selling Lot G of Qingpu land in Shanghai, and disposing of the Tangdao Bay Project in Qingdao and Park Avenue Project in Chengdu through Shanghai Industrial Development ("SID") and Shanghai Industrial Urban Development ("SIUD"), respectively. Total income in cash amounted to about RMB3.5 billion with excellent profit from the disposals. SIUD also issued a RMB1.5 billion bond. All this had contributed to sufficient funds available for the needs of SIHL's real estate business. As to sales and marketing, SID and SIUD both recorded robust property sales, reaching RMB3.424 billion and HK$8.374 billion for the year respectively. SID also entered into a cooperation agreement in December in relation to the commercial development of the Beer City Project in Qingdao, at a consideration of RMB1.57 billion.

In **consumer products**, both tobacco and printing operations maintained their solid cash flow and track record of steady earnings growth. Nanyang Tobacco's profit recorded a historic high of HK$702 million.

Looking ahead, SIHL chairman Teng Yilong anticipated that, in response to the tightening of domestic regulatory policies in China and the volatility of the capital markets in Europe and the United States, SIHL would further optimise its capital structure, including the completion of the issue of HK$3.9 billion zero-coupon convertible bonds, giving SIHL a competitive edge in cost control in its business operations. In the coming year, SIHL will focus on exploring new opportunities as the Chinese government facilitates a new wave of urbanisation development and will utilise its unique advantages to enhance its performance. Leveraging on the strength of the parent company in acquiring quality projects in the Yangtze River Delta, SIHL will continue to expand its infrastructure and environment businesses, comprising toll roads, water services, solid waste treatment and clean energy resources. The real estate division will be devoted to enhancing sales and revitalising assets. SIHL will seek strategic investors when appropriate in order to improve the financial structure of its subsidiaries and cement its brand-building. On top of its solid growth, the consumer products division will explore potential investments, targeting those that can generate new growth.

SIHL operates three core businesses: infrastructure facilities, real estate and consumer products.

1. INFRASTRUCTURE FACILITIES

Profit contribution from infrastructure facilities amounted to approximately HK$978 million, an increase of 4.2% over the previous year and accounting for approximately 26.5% of the Group's Net Business Profit. SIHL's current investments in infrastructure facilities business mainly included toll roads and water services, spreading over 35 cities in China. Looking ahead, SIHL will increase the investments in renewable energy, which will become a new growth area under the Group's business development strategy. SIHL will strive to develop itself into a major investor and operator in China's infrastructure and environmental services and to become a leading enterprise in the field of environmental investments in the future.

【Toll Roads】

In 2012, SIHL's toll revenue has been affected by adjustments on base toll rates for highways and the first toll exemption policy for small passenger cars on festival holidays, as well as toll exemptions that have been introduced for fresh agricultural products. The impact from the adjustments on traffic flow and revenue remains mild while the corresponding increase in traffic flow caused by the reduction in base toll rates partially offset the decline in income. The overall impact of the new policies was insignificant on SIHL's toll roads business. In relations to the policies, smooth traffic operations were actively implemented during holidays for SIHL's three expressways to ensure orderly traffic flows, and road facilities maintenance was improved to effectively enhance road operations. This has greatly reduced the negative impact from the policies.

Jing-Hu Expressway (Shanghai Section): Hu-Ning Expressway's net profit amounted to HK$327 million, representing an increase of 10.4% over last year. Benefiting from natural growth in total number of private cars in Shanghai, its toll revenue and traffic flow increased by 3.4% and 6.6% to HK$596 million and 36.20 million vehicles respectively, despite impact from the new policies.

Hu-Kun Expressway (Shanghai Section): Luqiao Development's net profit amounted to HK$365 million, representing an increase of 9.9% over last year. Toll revenue from Hu-Kun Expressway (Shanghai Section) for the year rose 2.7% to the record level of HK$872 million; traffic flow increased by 11.3% to 39.28 million vehicles.

Hu-Yu Expressway (Shanghai Section): Shanghai Shen-Yu's net profit amounted to HK$172 million, representing an increase of 15.3% over last year. Notwithstanding the economic slowdown in China and toll rates adjustments, toll revenue and traffic flow from Hu-Yu Expressway (Shanghai Section) for 2012 maintained its growth momentum and increased by 0.2% and 8.2% to HK$456 million and 31.07 million vehicles respectively.

【Water Services】

SIHL's water services business consists of two operating platforms, namely the Singapore-listed SIIC Environment (formerly known as Asia Water) and General Water of China, a domestic water services company in China. The two companies are owned 50.3% and 47.5% by SIHL respectively with a combined total daily operating capacity of up to 8,570,000 tonnes, putting it in the forefront of the industry.

SIIC Environment: Following an injection of a 75.5% equity interest of United Environment last year, SIIC Environment announced the acquisition of 69.378% equity interests in Nanfang Water for a total consideration of RMB409.3 million in June; the transaction was completed in July. Upon completion of the transaction, total daily operating capacity of SIIC Environment exceeds 3,400,000 tonnes, with 41 projects (excluding solid waste disposal projects) operating in 12 provinces in China. Taking into account profit contributions from United Environment and Nanfang Water, SIIC Environment recorded a net profit of RMB131 million, representing an increase of 119.3% over the last year, after excluding a provisional negative goodwill and provisional fair value gain recorded during the last financial year. Revenue stood at RMB800 million, an increase of 54.9% over last year. On 30 November 2012, SIIC Environment completed the transfer of its listing from Catalist to the Mainboard of the Singapore Stock Exchange. Depending on the capital market situation, SIIC Environment is actively planning for a dual-listing in Hong Kong in the coming year. During the year, a 70% owned subsidiary of SIIC Environment entered into a BOT franchise agreement with the Dalian Municipal Government for the construction of three sewage treatment plants in Puwan New Zone in Dalian, with a total investment of RMB155 million and daily capacity of up to 580,000 tonnes; Nanfang Water signed a TOT franchise agreement with the Wuchuan Municipal People's Government in Guangdong province for the operation of a sewage treatment plant in Wuchuan City, with an investment amount of approximately RMB7,510 million and a daily planned capacity of 40,000 tonnes.

General Water of China ("GWC"): As at 31 December 2012, GWC had total assets of RMB6,200 million, comprising 23 water supply facilities and 16 sewage treatment plants as well as two reservoirs with a gross storage tank volume of 18,232 tonnes and a pipe network of 4,800 kilometers in total. Daily production capacity totaled 5,159,000 tonnes, of which daily water generating capacity and daily sewage treatment capacity amounted to 3,705,000 tonnes and 1,454,000 tonnes respectively. Revenue was HK$1,597 million, representing an increase of 28.8% over last year; net profit amounted to HK$43.71 million, a year-on-year decline of HK$13.16 million, mainly due to a reduction in government subsidies received by the Suifenhe Project as compared to last year. During the year, GWC carried out alteration and expansion projects in central Wenzhou and eastern Wenzhou, increasing the scale of capacity by 150,000 tonnes per day; a framework agreement was signed with Beijing Tongzhou District Government for the construction of a sewage treatment project (scale of capacity: 200,000 tonnes per day) and a reclaimed water recycling project (scale of capacity: 100,000 tonnes per day) in Tongzhou District jointly.

2. REAL ESTATE

In view of the macroeconomic and policy environment both domestic and abroad, SIHL continued to optimize management and operation of the real estate business, implement full integration of resources and strengthen capital operation. These measures are intended to improve the overall operational performance and profitability of SIHL by fully capitalizing on the strength of regional integrated development capability. Benefiting from the favorable sales results of affordable housing projects and increases in sales proceeds as recorded in the books, the real estate business recorded a revenue for the year of HK$13,011 million, an increase of 51.6% over last year. As at 31 December 2012, ***profit contribution from real estate amounted to approximately HK$1,736 million, accounting for approximately 47.1% of the Group's Net Business Profit and representing an increase of 3.3%, after excluding proceeds from the disposal of an equity interest in Four Seasons Hotel Shanghai in the previous year.*** Looking forward, further integration of resources will be facilitated to enhance synergy between our two real estate operating platforms, namely SI Urban Development and SI Development.

In April 2012, SIHL announced the signing of an amendment deed with Chow Tai Fook Group for the disposal of 90% equity interest in lot G in Qingpu District in Shanghai, pursuant to which the parties agreed that the completion date for the original agreement would be moved forward by eight months. The transaction was completed at the end of April. The gain on the disposal amounting to HK$1,132 million has been accounted for during the year. Pursuant to the deed, SIHL will receive the outstanding balance of the consideration of RMB655 million by the end of 2013.

SI Urban Development's ("SIUD") revenue for the year was HK$8,783 million, an increase of 98.1% over last year; loss attributable to shareholders amounted to HK$190 million, a year-on-year loss reduction of 68.4%. Total contract sale was RMB6,680 million, accounting for a total gross floor area of 608,000 square meters including "Urban Cradle" in Shanghai, "Neo Water City" in Xi'an, "Laochengxiang" in Tianjin and "Top City" in Chongqing. Sales for the year totalled approximately HK$8,370 million. Projects delivered included "Neo Water City" in Xi'an, "Urban Cradle" in Shanghai and "Shanghai Jing City", an affordable housing program, accounting for a total gross floor area of 1,004,000 square meters. Looking ahead, SIUD will position itself to increase the sale of high quality real estate projects with high gross profit margins and ample stocks in order to strive for better presale proceeds and returns. In December 2012, SIUD announced the disposal of the entire interest in "Park Avenue" project in Chengdu in order to focus on the Yangtze River Delta as the core development area, with non-core projects disposed of at the appropriate time. Total consideration for the disposal included the equity transfer fund of RMB158 million and debts amounting to RMB827 million. It has been provided that 70% stake therein shall be disposed of by way of equity transfer outside China, while the remaining 30% stake held by a domestic company shall be disposed of by way of public bidding on the Shanghai United Assets and Equity Exchange. The whole transaction was completed in 2012. In August, Shanghai Urban Development successfully completed a RMB1,500 million bond issue, considerably enhancing its operating capability.

SI Development's ("SID") revenue for the year was RMB3,667 million, an increase of 2.36% over last year, profits amounted to RMB638 million, up 41.45% over last year. During the year, SID has made a stronger effort to assess the impact from the macro environment as well as from the regional markets. Having had a clear understanding of the special features of the different projects and the needs of the customers, the company has been able to adopt a marketing strategy that emphasizes on "closing sales, seizing the right opportunity, securing mortgages and soliciting the help of agents." By means of overcoming unfavorable factors from the changing market environment, fully developing new sources of customers, suitably adjusting product mix, flexibly adopting marketing strategies and effectively raising the efficiency of promotional programmes, SID has been able to achieve steady progress for the sales of its projects, including "Longines Bay" in Harbin, "Rhine Town project" in Tianjin, "Sea Melody" in Dali, "Flos Granati" in Jinshan, "Zhujiajiao project" and "Changhai Building" in Shanghai. Property sales for the year reached approximately RMB 4,229 million.

During the year, SID focused its efforts on the development of the "Beer City" project, which is located in Laoshan District, Qingdao. The project will be developed into a complex for festive celebrations, leisure, entertainment, shopping and commercial purposes. To optimize cash flow and to enhance the overall value of the project, SID signed a cooperation agreement with a third party in December 2012 relating to the presale of the "Beer City" shopping mall project that covers a planned gross floor area of 216,000 square meters for RMB1,570 million. Construction of the mall is expected to be completed by 2015. SID also completed the disposal of a 50% equity interest in the Tangdao Bay project in Qingdao during the first half of 2012.

3. CONSUMER PRODUCTS

Profit contribution from consumer products increased by 7.4% to HK$974 million, accounting for approximately 26.4% of the Group's Net Business Profit.

【Tobacco】

In 2012, **Nanyang Tobacco**'s revenue and net profit rose 9.5% and 15.0% to HK$2,707 million and HK$702 million respectively. During the year, sales of high margin products has been the main focus of the company to facilitate shift of the product mix toward high value-added merchandise, generating profit growth for the company and thus resulting in an increase in cumulative sales for the year of 3.4%. Restructuring projects for cigarette packaging machines and tobacco production lines were initiated during the year to further enhance the company's production capacity and operating capability.

【Printing】

Wing Fat Printing's net profit for the year dropped 9.1% to HK$291 million, mainly due to a decrease in share of profits of its associate, Zhejiang Tianwai, as well as a reduction in profits caused by sales declines as a result of the relocation of the wine packaging operations during the year. Revenue declined 41.8% to HK$1,029 million, mainly owing to reduction of sales contribution from containerboard business in 2012 after the business was disposal of in May 2011. In June 2012, Wing Fat Printing disposed of all its 70% equity interest in Chengdu Wingfat Printing, mainly for disposing of land assets held under the company, while the existing wine packaging operations were relocated to Qionglai City, Chengdu for lower operating costs. With a consideration of RMB231 million for the transaction, Wing Fat Printing obtained a disposal gain of HK$172 million. In addition, to mitigate the risk of a possible decline in the operating results of its associates, Wing Fat Printing signed an agreement in December 2012 to dispose of its entire 30% equity interest in Zhejiang Tianwai to an independent third party. The transaction is expected to be completed in the first half of 2013, and realize total proceeds of HK$139 million for the company with an expected disposal gain of approximately HK$90 million.

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