上海實業控股有限公司
SHANGHAI INDUSTRIAL HOLDINGS LIMITED
上海實業集團成員 A Member of SIIC

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Shanghai Industrial 1H earnings rise 16.3% to HK$1.949 billion
Expanding investment in water and clean energy
Speeding up real estate development projects while revitalizing existing assets

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Parent company actively participating in SOE reform

(August 28, 2014 – HONG KONG) Shanghai Industrial Holdings Limited ("SIHL", stock code 0363) announced its interim results for the six months ended 30th June 2014. Unaudited profit attributable to shareholders rose by 16.3% to approximately HK$1.949 billion, including disposal gains from selling Lot E of Qingpu land in Shanghai. Revenue declined 13.1% to approximately HK$7.635 billion. SIHL's board of directors has declared to pay an interim dividend of HK45 cents per share.

SIHL chairman Wang Wei noted that the company faced complicated issues this year, including the slow pace of the global economic recovery, the gradual withdrawal of the US Government's quantitative easing policy, as well as the decline in China's economic growth and the continued tightening of the government's austerity measures in the mainland. A relatively positive performance was achieved by the company through further enhancing operational efficiency, integration of asset and operations, and revitalization of existing assets.

Infrastructure facilities' earnings rose 5.3% to HK$560 million. Toll roads maintained steady growth in toll revenue and traffic flow. Water services flagship company SI Environment achieved revenue and net profit of RMB680 million and RMB130 million, rising significantly by 41.3% and 60.9% respectively. **Real estate** realized earnings of HK$1,073 million, up 64.4%. The increase was mainly due to disposal gain of HK$1,191 million from selling equity interest of lot E of the Qingpu District in Shanghai by SIHL and subsidiary SI Development. **Consumer products** reported earnings of HK$483 million, making continued contributions to the company's steady earnings and cash flow.

To cope with possible changes in the capital market, SIHL has strengthened its capital structure to provide financial support for future business development. SIHL headquarters secured a syndicated loan of HK$4 billion; subsidiaries SI Environment raised SG$158 million through share placement, SI Urban Development completed a club loan of approximately USD300 million, and SI Development announced the proposed issue of corporate bonds up to RMB3 billion.

Looking ahead, it is expected that the global economic recovery will remain slow. Uncertainty factors in the mainland markets and government policies will continue to present challenges. Mr Wang said that SIHL would focus on achieving strategic goals and enhancing operations management. At the same time, the company would leverage on opportunities that arise from the reform of state-owned enterprises, further adjusting and improving the company's business and asset structures to create the best value for shareholders. Mr Wang, who also acts as chairman of the parent company Shanghai Industrial Investment (Holdings) Co., Ltd. ("SIIC"), indicated that SIIC is actively participating in the SOE reform campaigns. Presently SIIC is finalizing the acquisition of six state-owned enterprises with assets in quasi-finance and real estate businesses.

Coming up, on infrastructure facilities, toll roads would keep steady growth in earnings while accessing the best opportunity to add new projects from the parent company. Water services would expand investment, speed up assets acquisition and integration; and more investment is expected in clean energy projects like photovoltaic power plants. On real estate, the company would focus on further accelerating project development, enhancing profit margin; as well as continuing to consolidate land resources, and revitalize the interests of existing projects to capitalise the actual value of such projects. On consumer products, the tobacco operation will speed up the development of new products while the packaging operation would actively engage in the pulp mould business and seek breakthrough from current business constraints.

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

(1) INFRASTRUCTURE FACILITIES

In the first half of 2014, profit from infrastructure facilities amounted to approximately HK$560 million, an increase of 5.3% over the same period last year and accounting for 26.5% of the Group's Net Business Profit. Toll roads continued to provide a stable contribution to the overall profitability of the Group. SIHL has continued to increase its investments in the water services and environmental business, and rapidly expanded the scale of their operation, resulting in satisfactory increase in profits.

【TOLL ROADS】

Due to growth in the number of passenger cars, the three toll roads' revenue and traffic flow maintained stable growth. Key operating figures are as follows:

Toll Roads	Net Profit from project company	Change	Toll revenue	Change	Traffic flow (vehicle journeys)	Change
Jing-Hu Expressway (Shanghai Section)	HK$164 million	-0.8%	HK$311 million	+2.4%	20.30 million	+6.4%
Hu-Kun Expressway (Shanghai Section)	HK$193 million	+1.6%	HK$468 million	+6.3%	22.71 million	+9.2%
Hu-Yu Expressway (Shanghai Section)	HK$87.56 million	+2.2%	HK$255 million	+8.2%	18.08 million	+8.8%

Net profit of Jing-Hu Expressway (Shanghai Section) fell slightly due to a reduction of concessionary taxes and a change in the accounting policy in relation to the depreciation of the project company. Due to changes in the distribution of traffic flow of the expressway network after the Hu-Chang Expressway was in service as well as a smaller proportion of trucks using the expressway, a drop in the unit toll and a slowdown in the growth of toll revenue were recorded. The construction of the Dazheng port bridge project of Hu-Kun Expressway (Shanghai Section) was progressing smoothly, and traffic was in good order during the construction period. The operational efficiency of Hu-Yu Expressway (Shanghai Section) was further improved; the average traffic capacity for Xujing main lane station at peak periods rose 4.02% over the same period last year.

【WATER SERVICES】

With the rapid expansion of water services businesses, the aggregate daily water supply and sewage handling capacity of SI Environment and General Water of China reached 10 million tonnes.

SI Environment reported a revenue of RMB680 million for the first half of 2014, representing a year-on-year growth of 41.3%; net profit was RMB130 million, which was a substantial increase of 60.9%. Profit growth was mainly contributed by the consolidation of the business results of several newly acquired project companies including Shanghai Qingpu Second Waste Water Treatment Plant Co., Ltd., Dazhou Jiajin Environmental Protection and Recycling Resources Co., Ltd. and Shanghai Pucheng Thermal Power Energy Co., Ltd..

In June this year, SI Environment announced to acquire a 25.3125% interest of Longjiang Environmental Protection Group Co., Ltd. at a total consideration of RMB405 million. Longjiang Environmental is the largest integrated water supply and water discharge operator in Heilongjiang province. This acquisition will represent a major progress in the investment plans of SI Environment's water assets in the northeast region. Upon completion of the acquisition, the total daily sewage and waste treatment capacity of SI Environment will exceed 6 million tonnes and 3,100 tonnes respectively.

SI Environment continued to explore financing channels following the completion of the placement of 3.1 billion new shares last year, and subsequently, an aggregate of 1 billion new shares was successfully placed through top-up placements. Proceeds of the placement totaled approximately SGD158 million. Upon completion of the placement, SIHL's interest in SI Environment will be diluted to 41.85%, but SI Environment will still be deemed as a subsidiary of SIHL, and its results will be consolidated in SIHL's accounts.

General Water of China ("GWC") reported a revenue of HK$800 million, which is at the same level as last year; net profit increased by 13.1% to HK$41.73 million. GWC has been awarded the 'Top 10 Most Influential Enterprises in China's Water Industry' for the 11th consecutive year, ranking the third place.

In April 2014, GWC signed a supplementary agreement on quality enhancement and transformation for the franchise operation contract of the sewage treatment plant Phase I project in Xiangtan, Hunan. The implementation of the project will raise the discharged water quality of the sewage treatment plant from State first class grade B standard to grade A standard; total investment of the project amounted to RMB57.68 million. In the first half of the year, the third water purification plant and Wuhua Mountain reservoir projects in Suifenhe, Heilongjiang, continued to progress.

【NEW BUSINESS ARENA】

SIHL continued to expand its scale of investment in the environment industry. Since the acquisition of the 50MW photovoltaic power station project in Gaotai, Gansu and 100MW project in Jiayuguan, the company further acquired a 20MW photovoltaic project in the Gangcha County, Qinghai and a 30MW photovoltaic project in the Zhongwei City of Ningxia Hui Autonomous Region.

(2) REAL ESTATE

Profit from real estate amounted to approximately of HK$1,073 million, an increase of 64.4% over the previous year and accounting for approximately 50.7% of the Group's Net Business Profit. Profit increase came from disposal by phases of an aggregate of 100% interest of the lot E of Qingpu District in Shanghai, following respective agreements entered into between SIHL and its A-share listed subsidiary Shanghai Industrial Development Co., Ltd. ("SI Development") and Shanghai City Land (Group) Co., Ltd. and its subsidiary. Total consideration of the transactions was RMB1,676 million. The respective transactions were completed in the first quarter of this year, resulting in a profit after tax of HK$1,191 million for SIHL.

SI Urban Development ("SIUD") reported a revenue of HK$3,167 million for the period, an increase of 6.8% over the same period last year; Profit after tax was HK$16.81 million; losses attributable to shareholders were HK$148 million. It was mainly due to a one-time gain from the disposal of interest in the U Center project recorded in the same period last year.

During the period, residential properties delivered included Urban Cradle in Shanghai, accounting for a total gross floor area of 31,000 square metres. In the first half of 2014, rental income was approximately HK$134 million. Contract sales amounted to RMB2,520 million, accounting for a total gross floor area of 165,000 square metres, mainly from Urban Cradle and Jing City in Shanghai, Top City in Chongqing and Laochengxiang in Tianjin.

In April 2014, SIUD reached an agreement with the Shanghai municipal government for the purchase of a land lot in Meilong Town, Minhang District, Shanghai. With a site area of 43,000 square metres at RMB767 million, the site will be developed into a small-and-medium residential project with a total gross floor area (including underground site area) of 153,000 square metres. At the same time, SIUD sold a 55% interest in Aroma Town project in Chongqing at RMB134.75 million and recorded a cash inflow of approximately RMB154 million.

During the period, SIUD successfully repaid the US dollar senior note by a club loan and shareholders' loans, which will largely reduce subsequent finance costs for the company.

SI Development ("SID") reported a revenue of RMB579 million, a decrease of 73.5% over the previous year. Benefitting from disposal gains recorded from the disposal of its 51% interest in lot E of the Qingpu District, Shanghai in the first half of 2014, SID achieved a total profit of RMB684 million, a year-on-year increase of 134.8%.

SID achieved contract sales amounting to RMB820 million, mainly from "Hi-Shanghai" in Chengdu, "Shanghai Bay" in Qingpu District, Shanghai, "Flos Granati" in Jinshan, Shanghai and "Rhine Town" in Tianjin, accounting for a gross floor area of 61,000 square metres. Rental income for the period was HK$110 million.

In January 2014 and subsequent to the date of the interim report, SID successfully bidded for two land lots located at Jiading Xincheng in Shanghai. With a total site area of 91,940.3 square metres and a plot ratio of 1.6 to 2.0, the site is earmarked for commercial-residential-business purposes. In May, SID brought in cooperative partners for additional capital for the joint development of the project. With the increased capital, SID holds a 37.5% interest in the project. The introduction of additional investors will facilitate the subsequent development of the project and further optimize cash flow for SID. In May, SID and another cooperative partner obtained a land lot in Yuhang District in Hangzhou at a minimum tender price of RMB1.069 billion. Occupying a site area of 74,864 square metres, with a plot ratio of 1.6 to 2.3, the site is earmarked for commercial-residential use. SI Development holds a 51% interest of the project.

Also in May this year, SID announced the proposed issue of corporate bonds of not more than RMB3 billion with a term of up to seven years. This will enhance its debt structure and general working capital for future business development. SID and a subsidiary of Shanghai Industrial Investment (Holdings) Co. Ltd. ("SIIC") jointly contributed capital and set up an investment company, in which SID holds 51% interest. The new company will contribute capital and collaborate with financial institutions to set up the "SIIC Shiyin Urban Development & Investment Fund Phase 1". Leveraging the resource advantages of these financial institutions, the Fund aims to raise funds from the public, where the size of first tranche of funds to be raised will be RMB2.5 billion.

In the same month, SID and a subsidiary of SIIC jointly contributed capital and set up in the Shanghai Free Trade Zone a platform company investing in the retirement sector, in which SID holds a 38% interest, in order to enter the retirement sector to invest in new real estate development arena, creating new sources of earning growth and laying a good foundation for future development. The platform company entered into a land grant contract with the government, and obtained a land lot with a total site area of 68,070.6 square metres located in the Demonstration Zone in Dongtan of Chongming Island. At the end of June, SID contributed a capital of RMB100 million to set up a joint venture company in the Hongkou District in Shanghai as a strategic investment platform in the district, which will bring in cooperation partners and carry out financing and investment. This marked the official commencement of the substantive participation of SID in the old town redevelopment project in the Hongkou District.

(3) CONSUMER PRODUCTS

Profit from consumer products amounted to approximately HK$483 million, a decrease of 11.3% over the previous year and accounting for approximately 22.8% of the Group's Net Business Profit. The business segment continued to provide steady earnings and cash flow for the Group.

【TOBACCO】

Nanyang Tobacco's turnover and profit after tax increased by 10.5% and 6.6% to HK$1,554 million and HK$449 million respectively.

Sales of tobacco rose 5.8%. The increases in sales in all major markets was satisfactory with the successive launching of new products. The tobacco production line technological alteration projects were conducted step by step, and put into operation successively. Along with the continuous rise in raw material prices, the price for tobacco leaves has recorded the largest increase. Nanyang Tobacco is developing plans to optimize tobacco leaves sourcing and strictly follow the quality management of the re-drying process, which aims at selecting good quality while enhancing the usable value of tobacco leaves, enhancing cost effectiveness.

【PRINTING】

Wing Fat Printing reported a revenue of HK$511 million, an increase of 11.6% over last year; net profit dropped 72.1% to HK$37.66 million, mainly due to large exceptional gains on the disposal of an affiliate in the same period last year as well as losses recorded in foreign exchange for the period.

In June this year, Wing Fat Printing acquired a total of 100% interest of Shanghai Dental Instrument Factory Co., Ltd. for a consideration of RMB11.34 million. The newly acquired company has been engaged in the pulp mould production business and has good pulp mound skills and techniques, with good machinery and equipment and the capability of producing high end pulp mould products in large scale. The acquisition will faciliate Wing Fat Printing's entry into the pulp mould industry, achieving breakthroughs from existing business constraints and creating new sources of business.

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