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

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Shanghai Industrial 1H earnings rise 1.8% to HK$1.373 billion
Sizable financing and M&A moves help optimize capital structure

To continue business/finance integration while optimising resources
Actively seek investment opportunities from SOE reform

(August 31, 2015 – HONG KONG) Shanghai Industrial Holdings Limited ("SIHL", stock code 0363) announced its interim results for the six months ended 30th June 2015. Revenue dropped 8.6% to approximately HK$6.982 billion. Net profit declined by 29.5% to approximately HK$1.373 billion, due to the difference in land disposal gains in selling lot E of Qingpu land in Shanghai last year and selling Yanjiao land in Hebei this year. Excluding such factors, the company's net profit would have increased by 1.8%. SIHL's board of directors has declared to pay an interim dividend of HK36 cents per share.

SIHL chairman Wang Wei noted volatile issues in the overseas market such as the uncertainties surrounding the US interest hike and the Greek debt crisis, as well as slowdown in China's economic growth with continuous industry regulatory policies. The company has actively coordinated its resources in securing steady development within its core businesses. It has also capitalized on market opportunities for sizable financing and merger and acquisition activities, thus optimizing its capital structure and effectively revitalizing its assets.

Infrastructure facilities continued a steady earnings growth of 2.6% to HK$575 million. Toll roads maintained steady growth in toll revenue and traffic flow. Water services saw a more robust growth with SI Environment's net profit increasing by 16.9% to RMB151 million, and General Water of China's earnings jumping 107.9% to HK$86.74 million. **Real estate** profit dropped by 69.5% to HK$327 million due to lack of substantial land disposal gain reported last year. **Consumer products** continued contributions to the company's steady earnings and cash flow with profit growth of 6.4% to HK$514 million.

Capitalizing on market opportunities, the company has taken advantage of its cross-border financing platforms in Shanghai, Hong Kong and Singapore to carry out sizeable financing and M&A activities in the local and overseas capital markets, thus securing a solid foundation for the company's future business development. SI Development ("SID") announced new shares issue to raise around RMB6 billion for new assets acquisition and investment in existing projects, while SI Environment completed a SGD206 million new shares placement for acquiring water services companies.

In the second half of the year, the global economy would face uncertainties including volatilities in the equity market, interest rates and exchange rates, while the domestic economy would experience slow growth. Mr Wang said SIHL would continue the development strategy of integrating financing activities and business operations, and better allocate its resources so as to improve the company's operational efficiencies. Leveraging on the competitive edge of its parent company – Shanghai Industrial Group -- being the largest conglomerate offshore under the auspices of the Shanghai SASAC, SIHL would make use of its financing platforms in Shanghai, Hong Kong and Singapore. It would seize opportunities arising from the current reform of state-owned enterprises, as well as the "One Belt, One Road" state development strategy, to further improve its business and asset structure to create maximum values for shareholders.

Coming up, infrastructure facilities would continue to witness increased investment in water services, as well as new projects in the clean energy sector. Real estate would see accelerated project development, revitalized property asset value and diversified developments in related business sectors with integration between real estate development and intelligent services and smart cities. Consumer products would note the expedition of the development of new tobacco products, as well as growth of pulp mould business as new profit driver.

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

1. INFRASTRUCTURE FACILITIES

Profit contribution from infrastructure facilities amounted to approximately HK$575 million, an increase of 2.6% and accounting for approximately 40.6% of the Group's Net Business Profit.

【TOLL ROADS】

Benefitting from the growth of vehicle use and holiday travel, SIHL's three toll roads maintained stable growth in toll revenue and traffic flow. Profit on the whole remained the same due to the reduction of tax concessions since last year. Key operating data of the three toll roads are as follows:

Toll roads	Net profit from project company	Changes	Toll revenue	Changes	Traffic flow (vehicle journeys)	Changes
Jing-Hu Expressway (Shanghai Section)	HK$148 million	-9.8%	HK$310 million	-0.2%	21.97 million	+8.2%
Hu-Kun Expressway (Shanghai Section)	HK$217 million	+12.2%	HK$491 million	+5.0%	24.55 million	+8.1%
Hu-Yu Expressway (Shanghai Section)	HK$87.97 million	+0.5%	HK$269 million	+5.5%	19.15 million	+5.9%
Total	**HK$453 million**	**+1.80%**	**HK$1,070 million**	**+3.48%**	**65.67 million**	**+7.50%**

The growth in toll revenue on **Jing-Hu Expressway (Shanghai Section)** slowed down as the number of vehicles travelling for the entire journey has reduced due to traffic diversion to the newly-opened Shanghai Jia-Min Elevated Highway. Benefitting from increased holiday travel and the application of electronic toll collection (ETC) system along the entire section, **Hu-Kun Expressway (Shanghai Section)** reported a steady growth in toll revenue. **Hu-Yu Expressway (Shanghai Section)** saw enhanced traffic flow following the improvement and application of road maintenance and electromechanical intelligent management system.

【WATER SERVICES】

In addition to acquisition of promising water services projects and optimizing investments in existing projects, SIHL's water services unit has also entered the new area of sludge treatment to broaden the source of profit.

SI Environment recorded a revenue of RMB791 million, an increase of 0.4%. Profit after tax grew by 16.9% to RMB151 million. SI Environment has been active in acquiring water services assets. In March 2015, SI Environment announced the acquisition of 92.15% equity interests in Fudan Water at a total consideration (including repayment of debt) of approximately RMB1,548 million. The transaction was completed in May. In April, SI Environment joined hands with International Finance Corporation ("IFC"), a member of the World Bank Group, to participate in the first round of private placement of MTI Environment Group Co., Ltd. ("MTI"), each with an investment of US$4 million. MTI is a leading enterprise in the sludge treatment industry in China, equipped with a number of patented sludge treatment and deodorization technologies. In November last year, SI Environment entered into an asset transfer agreement and a transfer-operation–transfer (TOT) franchise agreement for the sewage treatment plant No. 5 project in Yinchuan with a planned daily handling capacity of 50,000 tonnes. The transaction was completed in February this year, and the project has commenced operation. Besides, SI Environment continued to expand its existing businesses --- subsidiary Nanfang Water won the bid for the water purification center Phase II project in Meihu, Huizhou; SI Wuhan and SI Weifang also won the bid for a water treatment BOT project in Wuhu, Huangpi and a BOT project in Quanshui River, Dalian respectively.

General Water of China ("GWC") recorded a revenue of HK$897 million, an increase of 12.2%; net profit went up by 107.9% to HK$86.74 million. During the period, the construction of a retaining wall and a road section was carried out for the water purification plant No. 3 in Suifenhe City. Building construction and equipment installation on the quality enhancement and transformation project of the sewage treatment plant in Hedong, Xiangtan progressed in order. For the sewage treatment plant Level I Part B alteration project in eastern Wenzhou, tender for the building construction and equipment procurement was completed. GWC has been awarded one of the 'Top 10 Most Influential Enterprises in China's Water Industry' for the 12th consecutive year, ranking the sixth place.

【NEW BUSINESS ARENA】

The photovoltaic industry has gradually showed recovery since the beginning of the year with continued state policy support. SIHL will continue to explore the environmental clean energy sector while making investment in photovoltaic power stations in China. Currently, SIHL has ownership through an associate company of six photovoltaic power station projects, located in Gaotai (50MW), Jiayuguan (100MW) in Gansu; Gangcha County (20MW) in Qinghai; Zhongwei (30MW), Ningdong (100MW) in Ningxia; and Yiwu (20MW) in Xinjiang. All these projects have commenced power generation and are running smoothly.

2. REAL ESTATE

Profit from real estate amounted to approximately HK$327 million, a decline of 69.5%, and accounting for approximately 23.1% of the Group's Net Business Profit. The decline was attributed to the presence of HK$1,191 million disposal gains of Lot E of Qingpu District in Shanghai during the same period last year.

SI Development ("SID") recorded a revenue of RMB771 million, an increase of 33.2%; net profit declined 76.1% to RMB164 million, due to gains recorded last year from the disposal of its 51% interest in lot E of the Qingpu District, Shanghai. Contract sales in the period amounted to RMB899 million, including Rhine Town in Tianjin, International Beer City in Qiandao, Flos Granati in Shanghai, Hi-Shanghai in Chengdu, Shanghai Bay in Huzhou and Shanghai Bay in Shanghai, accounting for a total gross floor area of 68,600 square meters. Rental income for the first half of the year was HK$125 million.

In April 2015, SID announced new shares issue at RMB11.70 per share to raise about RMB6 billion. The proceeds will be used for the acquisition of 100% equity interests in Shanghai Investment owned by Shanghai Industrial group; acquisition of 42.3549% interests in Longchuang Eco-Energy, a third-party enterprise, and further capital investment in Longchuang; as well as additional development in Phase II and Phase III of the Qingdao International Beer City project. The acquisition of Shanghai Investment demonstrated SIHL's strategic move to further integrate real estate business among its member companies, while the acquisition of Longchuang signaled new development in the eco-energy business, creating synergies with the real estate business. In March, SID issued a RMB1 billion phase-one corporate bond at 4.92% interest rate; in June it issued phase-one medium-term notes amounting to RMB1 billion at 4.95% interest rate.

SID also acquired a number of prime assets during the period including a real estate project in Changsha, a residential land lot in Chongqing, and increased equity stakes in two land lots in Shanghai and Hangzhou. Leveraging on the advantage of its principal business and aiming at building a business chain with emerging industries, SID invested and expanded to related businesses such as high-technology, internet, energy saving and environmental protection, and new sources of materials to achieve upgrading of its existing businesses and open up new channels for profit growth.

SI Urban Development ("SIUD") recorded HK$2,173 million revenue, a decrease of 31.4%. Profit attributable to shareholders was HK$114 million, a turnaround from loss to profitability. During the period, a total gross floor area of 131,000 square meters of properties were delivered, from projects including Urban Cradle in Shanghai, CBE International Peninsula in Xi'an and Top City in Chongqing. Total contract sales reached RMB2,068 million with a total floor area of 110,000 square meters. Rental income was approximately HK$319 million.

The Binjiang U Center project acquired in 2013 by means of land exchange is entering construction phase this year. In July 2015, SIUD reached a strategic co-operation framework agreement with the Minhang District government in Shanghai for a joint operation on the municipal infrastructure and public facilities construction, including the building of foundation facilities and development of real estate related business in order to promote project development in the Minhang District. Acquired jointly by SIUD and Nan Fung Group last year, Shanghai Mart currently has over 1,200 merchants running their business in the commercial facility. Occupancy rates of the shopping malls and offices are over 90%. In February 2015, SIUD disposed of its entire equity interests in a development project in the Yanjiao Economic and Technological Development Zone in Hebei Province for an aggregate consideration of RMB940 million. The disposal demonstrated further divestment of SIUD from non-strategic development areas.

3. CONSUMER PRODUCTS

Profit from consumer products amounted to approximately HK$514 million, an increase of 6.4% and accounting for approximately 36.3% of the Group's Net Business Profit.

Nanyang Tobacco realized a revenue of HK$1,521 million, a decrease of 2.1%; profit after tax was HK$454 million, an increase of 1.2%. Due to the slowdown of the overall economy and the government's increasing control on tobacco consumption, Nanyang Tobacco modified its marketing strategies and achieved satisfactory results on market expansion and new product development. Nanyang also made considerable efforts in building new brands besides maintaining the continued development of its "Double Happiness" brand. Among them were "Classic Infinity", "Fair Ladies", and "Peony Deluxe".

Wing Fat Printing recorded a revenue of HK$549 million, an increase of 7.5%. It was mainly attributable to the expansion of new customers from wine packaging and rising income from the pulp mould packaging export business. Net profit was HK$66.48 million, an increase of 76.5%, which was mainly due to higher net income from entrustment funds received by the company upon maturity during the period. As a result of business growth and a streamlined business structure, gross profit increased by 5.8%. Tobacco and wine package businesses were relatively stable during the period. Through the establishment of the pulp mould packaging business, Wing Fat has strategically transformed its business by opening up new source of income and adding momentum for future development.

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