

Press Release

28 March 2019

SIHL Achieves Satisfactory Performance in 2018

Water Services Maintains Growth Momentum Transforming and Upgrading of Consumer Products Business Achieves Remarkable Results

Shanghai Industrial Holdings Limited ("SIHL", HKSE Stock Code: 363) has announced its annual results for the year ended 31 December 2018. Revenue amounted to HK\$30,413 million, an increase of 3.0% year-on-year; net profit amounted to HK\$3,333 million, an increase of 6.3% year-on-year. The board of directors has recommended a final dividend of HK52 cents per share. Together with an interim dividend of HK48 cents per share, total dividends for the year amounted to HK\$1 per share, with a dividend payout ratio of 32.6%.

2018 Annual Results Highlights:

	For the year ended 31 December		
	2018	2017 (restated)	Change
Revenue (HK\$ million)	30,413	29,520	3.0%
Profit attributable to shareholders (HK\$ million)	3,333	3,135	6.3%
Earnings per share (HK\$)	3.066	2.884	6.3%
Final dividend per share - proposed (HK cents)	52	48	
Interim dividend per share (HK cents)	48	46	
Dividend per share (HK cents)	100	94	
	2018	2017 (restated)	Change
Total assets (HK\$ million)	167,419	174,382	-4.0%
Equity attributable to the owners of the Company (HK\$ million)	41,275	41,743	-1.1%

Revenue and Profit Contributions by Business:

Segment Revenue	For the year ended 31 December		
(HK\$ million)	2018	2017 (restated)	Change
Infrastructure Facilities	8,805	7,725	14.0%
Real Estate	17,202	17,609	-2.3%
Consumer Products	4,406	4,186	5.2%
Total	30,413	29,520	3.0%
Segment Net Profit	2018	2017 (restated)	Change
Infrastructure Facilities	1,749	1,533	14.0%
Real Estate	1,118	879	27.2%
Consumer Products	1,076	1,070	0.6%
Total	3,943	3,482	13.2%

SIHL's three core businesses maintained stable growth. The infrastructure facilities business recorded a revenue of HK\$8,805 million and a net profit of HK\$1,749 million, both representing a year-on-year increase of 14%. The Group continued to expand the scale of its water services assets in an orderly way, so as to improve the asset quality and profitability, which strengthened SIIC Environment's top-tier position in China's water and environmental industry. The total daily water treatment capacity of the Group reached 18.5 million tonnes. A number of quality assets acquired by the toll roads and water services business in recent years began to generate satisfactory profit contribution, and further strengthen the profitability of the core businesses.

During the year, the real estate segment achieved a revenue of HK\$17,202 million, representing a decrease of 2.3% and net profit of HK\$1,118 million, a year-on-year growth of 27.2%. Total contract sales amounted to RMB10,407 million. Two real estate subsidiaries successfully improved operational development capability to boost the sales, and streamlined the asset structure and strategic integration of the real estate business.

The consumer products business maintained stable development, and actively promoted business and products transformation, innovation and upgrading, contributing stable revenue and cash flow to the Group. During the year, the consumer products segment achieved a revenue of HK\$4,406 million and a profit of HK\$1,076 million, representing a year-on-year growth of 5.2% and 0.6% respectively. Nanyang Tobacco actively diversified its product range, introduced cutting edge production equipment and developed heterotypic cigarettes, further reinforcing its technical capability at the forefront of the tobacco industry. Nanyang Tobacco introduced flexible production lines, which produce a variety of cigarette specifications with multiple packaging forms, realizing manufacturing of a variety of products with rapid switching. Facing severe pressure from the market, Wing Fat Printing actively implemented balanced development of its principal businesses and stepped up its efforts to promote product innovation and internal management, so as to achieve a steady growth in the revenue and profit for both printing and packaging and moulded-fiber businesses.

Business Highlights:

Infrastructure Facilities

- In 2018, the revenue of the three toll roads and the Hangzhou Bay Bridge reached HK\$4,429 million, representing an increase of 5.1% year-on-year, driven by traffic growth during the period; net profit was HK\$1,196 million, representing an increase of 4.3% year-on-year.
- SIIC Environment (BHK SGX, 807 HKSE) successfully completed the dual primary listing in the Hong Kong Stock Exchange by way of introduction on 23 March 2018. SIIC Environment recorded a revenue of RMB5,313 million, representing a year-on-year growth of 14.5%; profit for the year was RMB540 million, with a year-on-year growth of 0.9%. The growth in net profit was lower than revenue, which was mainly attributable to the listing expenses.
- The Group will continuously invest in sewage treatment, solid waste projects, and other environmental related projects, and seek high quality and strategic acquisitions in the future. The Company further increased its shareholdings in Canvest Environmental by 3%, and currently owns 17.52% equity interests, with the aim to develop a variety of business collaborations and strengthen the overall development of the Group's solid waste business segment.
- In 2018, General Water of China recorded net profit of HK\$231 million, rising 34.1% over the previous year; revenue amounted to HK\$2,279 million, with a year-on-year increase of 14.8%. As at the end of December 2018, the daily production capacity of General Water of China had reached 6.8 million tonnes.
- For new business arena, the total photovoltaic assets capacity of Shanghai Galaxy and its subsidiary, Galaxy Energy, had reached 580 MW, with an addition of 19.8 MW during the year. The total amount of on-grid electricity sold from 12 photovoltaic power stations had reached 819 million kWh, representing an increase of 15.3% over the last year.
- In June 2018, the Group and Shanghai Pharmaceuticals, both as cornerstone investors, subscribed for CIRC's H shares for approximately HK\$257 million and HK\$173 million, respectively, representing approximately 3.7% and 2.5% of the total share capital of CIRC after capital injection. The investment has provided the Group with an opportunity to participate in the radiopharmaceutical industry of higher entry barrier.
- In July 2018, Shanghai Ji Yun, a wholly-owned subsidiary of the Company, Shangtou Asset and Shanghai Galaxy, subsidiaries under the parent company, established a joint venture company in Shanghai, with a total contribution of RMB500 million. The joint venture company then completed the acquisition of a 30% interest of Green Energy through public bidding by way of capital increases at the end of August and started investing in the offshore wind power stations industry.

Real Estate

- SI Development (600748 SSE) recorded a revenue of RMB8,664 million for 2018, representing an increase of 18.0%, driven by carry-over income of the project. Profits attributable to shareholders was RMB658 million, representing a decrease of 25.0% compared with last year. Rental income for the year amounted to approximately HK\$524 million. Contract sales amounted to RMB5,257 million, with a gross floor area of 272,400 square metres. New projects in Shanghai and Huzhou achieved satisfactory performance during the year. Recurring projects in Hangzhou and Quanzhou received overwhelming responses from premium customers, with an increasing number of contracts signed. A total of 10 projects were under construction during the year, with a gross floor area of 2.26 million square metres. Looking ahead in 2019, SI Development will accelerate project development, promote property management and investment property business transformation and upgrading. SI Development will explore other business arenas in urban redevelopment, long-term rental apartments, real estate for elderly care, striving to improve overall operational efficiency, explore its core values, and promote overall performance.
- SI Urban Development (563 HKSE) recorded profits attributable to shareholders of HK\$573 million, representing an increase of 6.9%; revenue for the year amounted to HK\$6,978 million, representing a decrease of 25.6% year-on-year. Rental income for the year was approximately HK\$704 million. Contract sales amounted to RMB5,150 million, with a gross floor area of 239,000 square metres. The Company implemented the strategy of multi-channel access to land resources, and successfully won the bid for two “residential rental property” plots of land in Shanghai during the year, marking its official entry into residential rental market. The development of rental properties will bring more stable rental returns in the long run, and will also expand the new business in line with the State’s “rental and purchase in parallel” housing policy.

Consumer Products

- Nanyang Tobacco’s revenue amounted to HK\$3,215 million, an increase of 4.0% year-on-year; profit after tax amounted to HK\$955 million, an increase of 0.5% year-on-year. Through product optimization and upgrade in 2018, Nanyang Tobacco further enhanced the overall competitiveness of its Double Happiness series and introduced new equipment to produce heterotypic cigarette. The Company also jointly set up an overseas manufacturing base with a large cigarette company in China, aiming to optimize the brand’s overseas sales and marketing. Moreover, it also aimed to set up a platform for overseas production and sales, overseas investments and mergers and acquisitions, as well as new tobacco product development.
- Wing Fat Printing recorded a revenue of HK\$1,553 million for 2018, representing a year-on-year increase of 9.7%, driven by revenue growth in both printing and packaging and moulded-fiber businesses; net profit amounted to HK\$128 million, which were basically the same as last year. 2018 marked the 105th anniversary of Wing Fat Printing, and a year to consolidate the transformation development of the company. Going forward, the Company will strive to enhance its operational and management abilities to sustain stable growth.

Mr. Shen Xiao Chu, Chairman of SIHL, stated, “The global economy is still facing challenges. For the infrastructure facilities business, the Group will continue to maintain its growth momentum. The Group will further enhance operational management of water services business, expand the size of its investment gradually, and actively explore new investment opportunities. For toll roads business, the Group will continue to implement quality management and strive to reduce costs and enhance efficiency. For the new business arena, the Group will continue to invest in photovoltaic power generation and explore the development of clean energy business such as offshore wind power generation to create a new driving force for the Group’s profit growth. For the real estate business, the Group will continue to refine its management structure and adopt a positive and flexible marketing strategy, aiming to accomplish its sales and profit targets. In addition, the Group will continue to enhance its asset structure and project planning while further improving management capabilities and profit contributions of its commercial assets. Nanyang Tobacco will continue to carry out product innovation and development to maintain its sales and profitability. It will explore potential for new development, upgrade production facilities, and retain its favorable position in the sector. Wing Fat Printing will strengthen balanced development of cigarette and wine packaging as well as new moulded-fibre business, and continue to enhance its operational and management abilities, exerting full strength on business transformation. Going forward, SIHL will focus on the annual strategic objectives to optimize the business structure, strive to enhance operational efficiency, implement the requirements of high-quality development, and generate greater returns for shareholders.”

###

About SIHL

Shanghai Industrial Holdings Limited (“SIHL”, HKSE Stock Code: 363) is the largest overseas conglomerate under Shanghai Industrial Investments (Holdings) Co., Ltd (“SIIC”). As the flagship of the SIIC group of companies, SIHL has been successful in leveraging its Shanghai advantage since listing, in terms of securing the best investment opportunities in mainland China with full support from the parent company. Over the past 20 years, SIHL has secured a unique position as a leading red chip company in Hong Kong with three core businesses: infrastructure facilities, real estate and consumer products. SIHL will continue to raise its governance standard in order to create favourable returns and value for shareholders.

For more information about SIHL, please visit the company website at www.sihl.com.hk.

Media Enquiries:

Shanghai Industrial Holdings Ltd.
Corporate Communications Department
Frances Leung / Joyce Law
Tel: (852) 2529 5652
Email: ir@sihl.com.hk

Hill+Knowlton Strategies Asia
Ada Leung / Cathy Chen
Tel: (852) 2894 6225 or (852) 2894 6266
Email: sihl@hkstrategies.com