

29 August 2019

Press Release

SIHL Achieves Steady Growth in the First Half

Rewards Shareholders with Stock Dividend

Shanghai Industrial Holdings Limited (“SIHL”, HKSE stock code: 363) has announced its unaudited interim results for six months ended 30 June 2019. Revenue amounted to HK\$16,662 million, representing an increase of 8.6% year-on-year; profit attributable to the owners of the Company amounted to HK\$2,010 million, representing an increase of 1.4% year-on-year. The board of directors has resolved to declare the payment of an interim dividend in the form of distribution of 1 share of Shanghai Industrial Urban Development Group Limited (“SIUD”, HKSE stock code: 563) for every share of SIHL, with the aim to reciprocate our shareholders’ long term support and enable them to share the future growth of our subsidiary, SIUD, more directly.

2019 Interim Results Highlights:

	For Six months ended 30 June (Unaudited)		
	2019	2018	Change
Revenue (HK\$ million)	16,662	15,339	+8.6%
Profit attributable the owners of the Company (HK\$ million)	2,010	1,982	+1.4%
Earnings per share - Basic (HK\$)	1.848	1.823	+1.4%
Dividend per share - Interim	1 SIUD share for every SHIL share	48 HK cents	
Dividend payout ratio	N/A	26.3%	
	As at 30 June (Unaudited)	As at 31 December (Audited)	
	2019	2018	Change
Total assets (HK\$ million)	172,212	167,419	+2.9%
Equity attributable to the owners of the Company (HK\$ million)	42,720	41,275	+3.5%

Revenue and Profit Contributions by Business:

	For Six months ended 30 June (Unaudited)		
Segment Revenue (HK\$ million)	2019	2018	Change
Infrastructure Facilities	4,580	4,736	-3.3%
Real Estate	9,862	8,420	+17.1%
Consumer Products	2,220	2,183	+1.7%
Total	16,662	15,339	+8.6%

Segment Net Profit (HK\$ million)	2019	2018	Change
Infrastructure Facilities	1,016	962	+5.5%
Real Estate	552	587	-5.9%
Consumer Products	561	547	+2.5%
Total	2,129	2,096	+1.6%

In the first half of 2019, SIHL's three core businesses achieved stable growth, investment scale expanded steadily, and operational management has been further enhanced. During the period, the Company recorded a revenue of HK\$16,662 million, representing a year-on-year increase of 8.6%. Profit attributable to the owners of the Company was HK\$2,010 million, representing a year-on-year increase of 1.4%. A mild increase in profit was mainly attributable to a high base during the same period last year, which brought the Group remarkable contribution from sales of Shanghai Bay under SI Development, since the Group holds 49% interest of the project. The earning per share was HK\$1.848, an increase of 1.4% year-on-year. The Board of directors has recommended an interim dividend in the form of distribution of 1 SIUD share for every SIHL share to reciprocate our shareholders' long term support and enable them to share the future growth of our subsidiary, SIUD, more directly, as well as help to increase the liquidity of SIUD Shares in the market.

The infrastructure facilities business recorded a revenue of HK\$4,580 million and net profit of HK1,016 million. During the period, the Group gradually expanded its investment scale in water services business, actively explored the investment opportunities of sewage treatment and solid waste power generation, as well as optimized the operational management of existing projects. SIIC Environment continued to seize the opportunities guided by national policies and environmental protection topic, through the acquisition of high-quality projects and upgrading of existing treatment standard, to further expand the scale of core businesses and improve the quality of assets. For the toll roads and bridge business, with consistent improvements in qualified operational management, the Group continued to control costs to provide sufficient cash flow for the Group.

During the period under review, the real estate segment of the Group achieved revenue of HK\$9,862 million, representing a year-on-year increase of 17.1%. Contract sales amounted to RMB6,038 million. With flexible marketing strategies, two real estate subsidiaries proactively took the initiatives to seize regional market opportunities to boost sales. The Group continued to promote the development of real estate business in line with the theme of the integration of the Yangtze River Delta, enhanced the management of existing assets and adhered to the general strategy of pursuing progress while ensuring stable growth.

After the transforming and upgrading in 2018, the consumer products business consolidated the achievements of transformation. In the first half of 2019, the consumer products business achieved revenue of HK\$2,220 million and profit of HK\$561 million, representing an increase of 1.7% and 2.5%, respectively. Nanyang Tobacco's flexible production lines, which was built last year, is the world's first versatile processing line that can accommodate the production of a variety of cigarette specifications with, multiple packaging forms and rapid switching. At the same time, the Company created an ATP optimization program to evaluate and optimize the production process in order to enhance the comprehensive competitiveness of the products. Wing Fat Printing overcame pressure from the complex external business environment and successfully stabilized its business operation.

Business Highlights:

Infrastructure Facilities

- During the period, revenue of the three toll roads and the Hangzhou Bay Bridge reached HK\$2,116 million, representing a decrease of 5.6% year-on-year. It was mainly due to the flat traffic flow compared with the same period last year. With effective operating cost control, net profit increased 4.1% year-on-year to HK\$706 million.
- Revenue of SIIC Environment (BHK SGX, 807 HKSE) reached RMB2,922 million, an increase of 2.5% year-on-year. The growth of revenue was mainly attributable to an increase of water supply and rising prices of water treatment. During the period, the Company recorded a net profit of RMB300 million, representing an increase of 17.4% year-on-year.
- SIIC Environment awarded various agreements during the period, including a BOT services concession agreement on waste incineration project in Shen County, Shandong, an Operation and Management Agreement with Cixi City for Cixi Northern City Waste Water Treatment and Constructed Wetland Project, a TOT (Transfer-Operation-Transfer) supplementary project for the sewage treatment plant in Dezhou City, Shandong, etc. Several existing projects have been successively commenced operation.
- General Water of China enhanced its reorganization and merger activities to strengthen the core businesses under the theme of the protection of Yangtze River. Meanwhile, the Company seized the opportunities of the rapid pace of technology innovation to enhance its core competitiveness so as to build a leading enterprise in water services industry. Meanwhile, General Water of China was awarded “Top 10 Most Influential Enterprises in China’s Water Industry” for the 16th consecutive years, and ranking in the top 3 for the first time.
- In the new business arena, the total photovoltaic assets capacity of Shanghai Galaxy and its subsidiary, Galaxy Energy, reached 580 MW, becoming the first-tier photovoltaic enterprises in China. The Company’s total amount of on-grid electricity sold from 12 photovoltaic power stations broke the record-high of 438 million kWh in the first half of 2019, representing a year-on-year increase of 3.9%.

Real Estate

- SI Development (600748 SSE) recorded revenue of RMB4,350 million for the period, representing an increase of 15.4%, mainly driven by the sales contribution from the “Hi-Shanghai” (Phase I) in Hangzhou and “Belle Rive” in Qingpu District of Shanghai. Net profit was RMB413 million, representing an increase of 48.8% compared with the same period last year. Rental income for the first half of 2019 amounted to approximately HK\$223 million. Contract sales amounted to RMB2,623 million with gross floor area of 163,500 sq.m.. Projects including “Sea Palace” in Quanzhou, “SIIC Tianlan Bay” and “SIIC Yongjing Bay” in Huzhou, etc. achieved encouraging sales performances. During the period, the Company developed projects in an orderly way, with a total of 8 projects, including Shanghai Hongkou North Bund project, Qingdao International Beer City the 3rd phase, as well as the project in Gucun, Baoshan.
- SI Urban Development (563 HKSE) recorded a revenue of HK\$4,603 million, representing a year-on-year increase of 19.9%. Profits attributable to the owners of the Company was HK\$311 million, representing a year-on-year increase of 22.1%. Rental income for the period was approximately HK\$377 million. Contract sales amounted to RMB3,415 million with gross floor area of 99,000 sq.m. During the period, SI Urban Development achieved stable growth and satisfactory performance with refined sales strategies, and continued to strengthen its property management business to increase its operational efficiency for investment property assets.

Consumer Products

- Nanyang Tobacco's revenue amounted to HK\$1,652 million, representing a year-on-year increase of 4.0%. Total sales volume increased by 3.5%, mainly driven by the sales volume from the overseas market. Benefitting from strict control on material consumption and production cost, profit after tax amounted to HK\$497 million, representing an increase of 2.5% year-on-year. Nanyang Tobacco achieved business breakthroughs to create hollow burst cigarettes with various flavors after the introduction of its flexible production lines last year. In addition, Nanyang tobacco refined its brand strategy management so that high-end products were available in the international tax-free channels in mainland China, Hong Kong and Macao in order to establish and enhance brand image. Mid- to high-end products were traded through regional tax-free channels in mainland China, Hong Kong and Macao which emphasized their scale and brand awareness. Mid-end products were distributed on all fronts, in order to drive the sales volume at a rapid pace and prepare for exporting to overseas markets. During the period, the overall sales of classical series increased by 1.97% year-on-year.
- Wing Fat Printing recorded a net profit of HK\$66.38 million in the first half of 2019, representing a year-on-year increase of 2.9%, mainly driven by the increase of gross profit through the structural adjustment of cigarette printing and packaging. The exquisite packaging business achieved economies of scale, and the impact of large-scale price reduction of moulded fibre business was offset by the cost reduction in core international business and the appreciation of settlement of currency, resulting in a stable operating efficiency. During the period, revenue amounted to HK\$755 million, representing a decrease of 2.6%, mainly due to the sharp decline in the wine printing and packaging business. To sum up, since its breakthrough and transformation in 2018, Wing Fat Printing has overcome the pressure of complex external challenges to introduce the smart packaging and smart manufacturing elements to the businesses with the aim to sustain stable growth.

Mr. Shen Xiao Chu, Chairman of SIHL, said, "Looking forward, the economic situation in China and overseas will be expected to continue to fluctuate with great uncertainties in business environment, which will bring pressure and new challenges to the Group. For the infrastructure facilities business, the Group will continue to expand the investment scale in water services business in orderly way, further optimize the management model and integrate the management team to accelerate the business growth. For toll roads business, while maintaining operating efficiency, we will continue to pursue steady profit growth. For the real estate business, the Group will continue to improve its asset structure and project deployment, further enhance the management of commercial properties and profit contribution, refine its project management and adopt a positive and flexible marketing strategy to accomplish sales and profit targets. In the future, Nanyang Tobacco will uphold technique innovation and workmanship optimization to enhance product quality and comprehensive competitiveness and accelerate new products cultivation with the aim to sustain profitability and business strengths. Wing Fat Printing will integrate intelligent packaging and manufacturing element into every business segment in order to accelerate comprehensive profitability. Going forward, SIHL will focus on strategic objectives to optimize business structure, strive to enhance operational efficiency, implement the requirements of high-quality development, and generate great returns for shareholders."

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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.

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