

31 March 2020

Press Release

SIHL Reports Strong Results in Three Core Businesses

Solid Waste Treatment Business Achieves Major Breakthrough

The Whole Year Dividend Increases to HK\$1.53 per share with a Payout Ratio as High as 49.7%

Shanghai Industrial Holdings Limited ("SIHL" or the "Company", together with its subsidiaries collectively referred to as the "Group"; HKSE stock code: 363) has announced its audited annual results for the year ended 31 December 2019. Revenue amounted to HK\$32,345 million, representing an increase of 6.4% year-on-year; profit attributable to shareholders of the Company amounted to HK\$3,350 million, representing an increase of 0.5% year-on-year. The Board of Directors has recommended a final dividend of HK52 cents per share. In terms of the interim dividend, the Company has completed the payment 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. The interim dividend was equivalent to HK\$1.01 based on the closing price of SIUD on the dispatch date of October 18, 2019. The whole year dividend was HK\$1.53 and the payout ratio was as high as 49.7%, to reciprocate our shareholders' long term support.

2019 Annual Results Highlights:

	For twelve months ended 31 December (Audited)		
	2019	2018	Change
Revenue (HK\$ million)	32,345	30,413	+6.4%
Gross profit margin	38.7%	38.3%	+0.4pts
Profit attributable to owners of the Company (HK\$ million)	3,350	3,333	+0.5%
Earnings per share - Basic (HK\$)	3.081	3.066	+0.5%
Final dividend per share – proposed (HK cents)	52	52	
Interim dividend per share (HK cents) *	101	48	
Total dividend of the year per share (HK cents)	153	100	
Payout ratio	49.7%	32.6%	
	As at 31 December 2019	As at 31 December 2018	Change
Total assets (HK\$ million)	174,942	167,419	+4.5%
Equity attributable to owners of the Company (HK\$ million)	40,240	41,275	-2.5%
Net cash or cash equivalents (HK\$ million)	29,325	26,105	12.3%
Net debt ratio ^	62.45%	61.57%	

* Based on the closing price of SIUD on October 18, 2019, which was the stock dispatch date

^ (interest – bearing loans-cash)/equity attributable to owners of the Company

Revenue and Profit Contributions by Business:

	For the year ended 31 December (Audited)		
Segment Revenue (HK\$ million)	2019	2018	Change
Infrastructure Facilities	9,094	8,805	+3.3%
Real Estate	18,649	17,202	+8.4%
Consumer Products	4,602	4,406	+4.5%
Total	32,345	30,413	+6.4%
Segment Net Profit (HK\$ million)	2019	2018	Change
Infrastructure Facilities	1,756	1,749	+0.4%
Real Estate	780	1,118	-30.2%
Consumer Products	1,104	1,076	+2.5%

In 2019, despite the challenges from international trade disputes and the fluctuation of global capital markets, the Group's three core businesses continued to maintain a stable performance with a steady revenue growth. During the year, SIIC achieved a major breakthrough in the solid waste treatment business. Shanghai SIIC Baojin'gang Environmental Resources Technology Co., Ltd., a joint venture established in 2019, acquired the first facility for the innocuous treatment of municipal solid waste in Shanghai with a total designed daily waste treatment capacity of 3,800 tonnes. The total expected investment of the project is approximately RMB3,041 million, highlighting the Group's new journey on its waste and environmental protection business.

During the year, the real estate segment of the Group achieved revenue of HK\$18,650 million, representing a year-on-year increase of 8.4%. But the segment profit recorded a decrease, which was mainly due to a high profit base achieved last year, arising from a significant increase in profit generated from sales revenue of the Shanghai Bay project of SI Development in which the Company holds a 49% equity interest.

The consumer products business achieved a net profit of HK\$1,104 million, representing an increase of 2.5% year-on-year and accounted for 30.3% of the Group's net profit. Nanyang Tobacco started manufacturing new capsule cigarette products for the first time and maintained its industry leading position in canned packaging products. Currently, Nanyang Tobacco has enhanced its production capability to automate the canning system for its heterotypic canned processing line.

Business Highlights:**Infrastructure Facilities**

- During the year, revenue of the three toll roads and the Hangzhou Bay Bridge reached HK\$4,229 million, representing a decrease of 4.5% year-on-year. The decrease was mainly due to traffic diversion by other expressways, surrounding road network structure adjustment, and national concessionary toll reduction policy for Electronic Toll Collection System users. During the year, overall traffic flow remained stable and increased by 1.3%.
- Revenue of SIIC Environment (BHK SGX, 807 HKSE) reached RMB5,960 million in 2019, up 12.2% year-on-year. The growth of revenue was mainly attributable to the increase of licensing income, finance income as well as service income, which was driven by the increase of water supply and rising prices of water treatment. Net profit increased to RMB600 million, up 11.1% year-on-year.
- During the year, SIIC Environment signed a number of projects, including 7 sewage treatment

projects in Jilin, Zhejiang, Shandong, Henan, and Heilongjiang provinces, with a total treatment daily capacity of 297,500 tonnes; 1 waste incineration project with a daily capacity of 1,200 tonnes. In addition, 8 sewage treatment projects in Jilin, Zhejiang, Jiangxi, and Liaoning Provinces entered into commercial operation, with a total treatment daily capacity of 232,500 tonnes; and another 5 sewage treatment projects in Shanghai, Jiangxi, and Heilongjiang Provinces entered into an expansion agreement and water tariff adjustment agreement, with a total treatment daily capacity of 375,000 tonnes.

- SIIC led a wholly-owned subsidiary of the parent company and another independent third party to establish a joint venture during the year. The joint venture invested Taizhou Water through the subscription of the Taizhou Water H-Shares as a cornerstone investor with a total consideration of HK\$52.75 million.
- General Water of China recorded a revenue of HK\$2,198 million, representing a decrease of 3.6% year-on-year. General Water of China adhered to the strategic objective of achieving steady progress to improve its asset quality by further optimizing its capital structure, profit structure, and management hierarchy. The Company was awarded one of the “Top 10 Most Influential Enterprises in China’s Water Industry” for the 16th consecutive year, ranking among the top three for the first time. The Company was also recognized as one of the “2019 Top 50 Environmental Enterprises in China”.
- In the new business arena, total photovoltaic assets capacity of Shanghai Galaxy and its subsidiary, Galaxy Energy, reached 590 MW. The Company’s total amount of on-grid electricity sold from 13 photovoltaic power stations reached 866 million kWh in 2019, representing a year-on-year increase of 5.8%.

Real Estate

- During the year, SI Development (600748 SSE) recorded a revenue of RMB8,866 million, representing an increase of 2.3% year-on-year. Through active promotion and efficient transformation, sales of the property projects achieved satisfactory results with a contract sales of RMB7,890 million. Projects included “Shanghai Bay” (Phase 4) in Qingpu District of Shanghai, “Territory Shanghai” in Jing’an District of Shanghai, “Sea Palace” in Quanzhou, “Hi-Shanghai” (Phase 2) in Hangzhou, “SIIC Tianlan Bay” in Huzhou, etc. The gross floor area of property delivered amounted to 258,400 sq.m. Rental income for the year was approximately HK\$531 million.
- During the year, SI Development continued to strengthen the consolidation of its property management platforms. The Company added 30 public facilities and commercial property management projects including judicial authorities, civil affairs organizations and higher education institutions, etc., with an area under management of approximately 25 million sq.m. Meanwhile, SI Development actively carried out project expansion, and successfully bid for four parcels of land located in Gucun, Baoshan of Shanghai, Minhang District in Shanghai and Qingpu District in Shanghai successively through cooperative bidding.
- During the year, SIUD (563 HKSE) recorded a revenue of HK\$8,584 million, representing an increase of 23% year-on-year. Profits attributable to shareholders of the Company amounted to HK\$600 million, representing an increase of 4.8% year-on-year. The area of properties delivered was approximately 245,000 sq.m. in 2019, projects mainly included Urban Cradle in Shanghai, Originally in Xi’an, Contemporary Art Villas in Shanghai, and Shenyang • U Center. Contract sales amounted to RMB6,180 million with a contract gross floor area of approximately 165,000 sq.m., which mainly included Contemporary Art Villas in Shanghai, Urban Cradle in Shanghai, and West Diaoyutai in Beijing. Rental income for the year was approximately HK\$750 million.

- In January 2020, SIUD completed a capital injection in SIIC Financial Leasing and will account for 20% of its capital upon the capital increase. SIUD believes that the capital injection represents the furtherance of the Group's strategies of integrating finance and industry. By virtue of the business functions of SIIC Financial Leasing, the Group is able to achieve synergy and coordinate the linkage between industry and capital.

Consumer Products

- Nanyang Tobacco achieved its annual target in 2019 and achieved a revenue of HK\$3,336 million and net profit of HK\$975 million, representing an increase of 3.8% and 2.1% year-on-year respectively. Total sales volume of cigarettes increased by 3.4% and the increase was mainly driven by the development of new products of traditional cigarettes and the launch of innovative cigarette brands in the past two years. In addition, its flexible production lines, which can produce various specifications of products started to deliver results and allowed multi-unit linkage to achieve full-speed operation. During the year, multiple batches of long slim, medium, and short heterotypic cigarettes were successfully produced. Moreover, Nanyang Tobacco started manufacturing new capsule cigarette products that provide advantages for efficient production of heterotypic cigarette and fancy cigarettes for the first time. The enhancement of key assessments of the ATP process optimization project, which was established in 2019, played an important role in improving the quality of cut tobacco, reducing spoilages and increasing efficiency.
- Wing Fat Printing recorded a revenue of HK\$1,644 million and net profit of HK\$135 million in 2019, representing an increase of 5.9% and 6.2% year-on-year, respectively. The profit increase was mainly driven by higher sales volume and profit resulting from a product upgrade of its key tobacco packaging clients, as well as scale benefits from exquisite packaging business. The moulded-fibre package segment effectively lowered the costs and improved efficiency under a smart manufacturing model, coupled with the appreciation of the settlement currency, which offset the impact from significant declines in product pricing and steadily expanded market share.

Mr. Shen Xiao Chu, Chairman of SIHL, said, "The complicated international situation raised new challenges for the Group. The Group will take proactive measures to strengthen risk management and further enhance our asset and business structures. For infrastructure facilities, we will further optimize and refine various segments such as water services, solid waste projects and photovoltaic power stations, etc. in order to improve operational efficiency. We will continue to expand our asset scale in an orderly manner through effective financing channels to enhance our market competitiveness. For toll roads business, we will continue to maintain service quality, strengthen cost control and improve efficiency in order to maintain stable business growth. For real estate business, we will further optimize the asset and financial structures, promote the development of projects under construction, speed up inventory reduction, and enhance operational efficiency and strategic positioning of commercial property business and property management businesses. For consumer products business, Nanyang Tobacco will continue to invest in product innovation, optimize product structure, and upgrade production facilities in order to maintain its leading position in the industry. Wing Fat Printing will promote the balanced development of both printing packaging and moulded-fibre packaging segments, and continue to enhance its operational management. The Group always strives for business breakthrough to maximize the return 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 (including toll roads/bridge, and environmental protection related business such as sewage treatment and solid waste treatment business), real estate and consumer products (including Nanyang Tobacco and Wing Fat Printing). 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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