

28 August 2020

Press Release

SIHL's Three Core Business Remains Profitable with Stable Development in the First Half

Payout of Cash Plus Stock Interim Dividend to Reward Shareholders

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 unaudited interim results for six months ended 30 June 2020. Revenue amounted to HK\$13,211 million, representing a decrease of 20.7% year-on-year. Profit attributable to shareholders of the Company amounted to HK\$803 million. The Board of Directors has recommended an interim cash dividend of HK\$22 cents per share plus stock dividend of 1 SIUD share for every 5 SIHL shares to reciprocate our shareholders' long-term support.

2020 Interim Results Highlights:

	For the six months ended 30 June (Unaudited)		
	2020	2019	Change
Revenue (HK\$ million)	13,211	16,662	-20.7%
Profit attributable the owners of the Company (HK\$ million)	803	2,010	-60.1%
Earnings per share - Basic (HK\$)	0.725	1.848	-60.8%
Dividend per share - Interim (HK cents)	22 cents cash dividend plus stock dividend of 1 SIUD share for every 5 SIHL shares	101 (1 SIUD share for every SHIL share*)	
Dividend payout ratio	Cash dividend payout ratio of 30.3%	54.7%	
	As at 30 June (Unaudited)	As at 31 December (Audited)	
	2020	2019	Change
Total assets (HK\$ million)	170,465	174,942	-2.6%
Equity attributable to the owners of the Company (HK\$ million)	39,770	40,240	-1.2%

* According to dispatch date (18 October 2019), 1 SIUD Share's close price

Revenue and Profit Contributions by Business:

	For the six months ended 30 June (Unaudited)		
Segment Revenue (HK\$ million)	2020	2019	Change
Infrastructure Facilities	3,344	4,580	-27.0%
Real Estate	8,131	9,862	-17.6%
Consumer Products	1,736	2,220	-21.8%
Total	13,211	16,662	-20.7%
Segment Net Profit (HK\$ million)	2020	2019	Change
Infrastructure Facilities	408	1,016	-59.8%
Real Estate	256	552	-53.6%
Consumer Products	360	561	-35.7%

During the first half of 2020, global economic activity has been seriously affected by prevention-and-control measures introduced by governments of different countries in response to the COVID-19. The Group's Board of Directors and management firmly supported the Government's control measures, and effectively coordinated its resources to ensure a steady operation of its core business while minimizing the impact and losses arising from the outbreak of the virus. Despite the external environment is difficult, the Group has been able to maintain overall profitability.

The infrastructure facilities business recorded a profit of HK\$408 million, representing a decrease of 59.8% year-on-year. The decline was mainly due to the toll revenue decrease of the three toll roads and Hangzhou Bay Bridge caused by the toll-free policies for over two months. SIIC Environment (BHK SGX, 807 HKSE) continued to steadily expand its water asset, improve asset quality and achieve overall profitability. In the area of solid waste, the joint venture Baojin'gang Environmental acquired a renewable energy center project in Baoshan, Shanghai. The project represents the first innocuous domestic waste treatment facility to be constructed in Shanghai.

In the first half of 2020, the real estate business recorded a profit of HK\$256 million, representing a decrease of 53.6% year-on-year, the decline was mainly due to the delays in marketing and construction activities caused by the epidemic in January and February of this year which brought its real estate business to a standstill. As the epidemic began to subside, a number of provinces and cities have resumed work and markets were re-opened accordingly. The Group's real estate business has been fully restored with the acceleration of its production and sales activities in the second half of the year. The Group will continue to focus on the integration of the Yangtze River Delta to promote the long-term development of our business.

The consumer products business recorded a profit of HK\$360 million, representing a decrease of 35.7% year-on-year and accounting for 35.2% of the Group's net business profit. Due to the COVID-19 epidemic and its impact on travelling and transportation around the world, the operating results of Nanyang Tobacco were affected to a certain extent. During the period, Nanyang Tobacco implemented the upgrade of core technologies and continued to promote overseas production and sales cooperation projects to enhance the Company's overall competitiveness and seek growth drivers for future business.

Business Highlights:

Infrastructure Facilities

- During the period, significant declines were recorded in overall traffic flow and toll revenue of the three toll roads and Hangzhou Bay Bridge. Revenue reached HK\$894 million, representing a decrease of 57.8% year-on-year, mainly due to 1) waiving of toll tariffs nationwide commencing from 17 February till 5 May 2020; and 2) epidemic prevention and control

measures have restrained large-scale travel demand across the country.

- SIIC Environment recorded a revenue of RMB2,640 million, representing a decrease of 9.7% year-on-year. The decline was mainly attributable to a reduction in construction revenue due to delays or postponement caused by the epidemic for the construction of the new BOT (Build-Operate-Transfer) projects in the first half of the year. The reduction in construction revenue was partly offset by an increase in operating income due to a rising volume of sewage treatment and water sold and higher prices for treated water. In terms of treatment tariff, the company's average sewage water treatment fees were increased to RMB1.10 per tonne from RMB1.01 per tonne, up 9% year-on-year.
- SIIC Environment signed a cooperation strategic framework with Canvest Environmental and Baowu Environment in the beginning of 2020 to start work on environmental protection technology after the establishment of a joint-venture company last year. The three parties will leverage on their respective environmental protection technology expertise for the construction of the Baoshan renewable energy center project. The energy center under construction is expected to represent a local and international benchmark for waste incineration. In addition, plans are being made for the building of a number of ecological industrial parks in such cities as Nanjing, Wuhan, Maanshan, Chongqing, and to be followed by the expansion of related businesses along the Yangtze River Economic Belt and the Belt and Road.
- General Water of China recorded a revenue of HK\$1,100 million, up 8.3% year-on-year; net profit increased 46.2% year-on-year to HK\$167 million. General Water of China made significant progress on various projects which are intended for the protection of Yangtze River, improvement of quality and efficiency and technological innovation. Meanwhile, General Water of China was awarded "Top 10 Most Influential Enterprises in China's Water Industry" for the 17th consecutive year and remained in the top 3.
- In April 2020, General Water of China successfully signed a contract for the construction of the Bengbu reclaimed water project with a total investment of RMB278 million with a planned daily capacity of 160,000 tonnes. General Water of China's Guiyi reclaimed water plant was put into trial operation. By adopting the PPP (public-private partnership) model with a total planned daily capacity of 50,000 tonnes per day. The project has become the first ultra-deep pit buried reclaimed water plant in China.
- In the new business arena, as of the end of June 2020, 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 463 million kWh, representing a year-on-year increase of 5.8%.

Real Estate

- SI Development (600748 SSE) recorded revenue of RMB4,493 million for the period, representing an increase of 3.3% year-on-year. While ensuring the implementation of epidemic control measures, SI Development has made considerable efforts in seeking new contracts and in the collection of receivables. The Company also broadened its customer base through strengthening the promotion and marketing of its projects online. As a result, contract sales of real estate projects reached RMB1,079 million, including such projects as Shanghai Bay (Phrase 4) in Qingpu, Shanghai; Territory Shanghai in Jing'an, Shanghai; and Sea Palace in Quanzhou, etc. During the period, the rental income amounted to approximately HK\$199 million.
- To compensate for delays in construction due to suspension of work and production caused by the epidemic, SI Development has stepped up the pace of its construction of projects to make

up for losses caused by the epidemic. In the area of property management, SI Development is planning to integrate the resources of its existing office and commercial projects to establish a common platform for the sharing of resources through multiple channels while adding value to its services in order to enhancing the core competitiveness of its business. Upon establishment for over 10 years, the Qingdao International Beer City has been successfully upgraded to Qingdao International Financial City and Qingdao International Wealth Management Financial Center, setting a new model for the integration of business and city building.

- SI Urban Development (563 HKSE) recorded a revenue of HK\$3,173 million, representing a decrease of 31.1% year-on-year, mainly due to lower booked income from properties delivered during the period and the impact of the epidemic on rental income. Properties delivered during the period mainly included Originally in Xi'an, Contemporary Art Villas in Shanghai, and Urban Cradle in Shanghai, with a gross floor area of approximately 110,260 square metres. Contract sales amounted to RMB3,706 million, representing a gross floor area of approximately 64,000 square metres, which mainly included Contemporary Splendour Villas in Shanghai, Urban Cradle in Shanghai, West Diaoyutai Royal Seal in Beijing and Contemporary Art Villas in Shanghai. Rental income for the period amounted to approximately HK\$290 million.
- In January 2020, SI Urban Development took part in the bidding of the Guilin Road land project located in the southwest of Xuhui District, Shanghai, with a total capital commitment of approximately RMB1,527.5 million. The project is expected to support future rental returns and the property value will be further enhanced upon completion due to its prime location.
- Moreover, SI Urban Development injected RMB408 million into SIIC Financial Leasing which account for 20% of SIIC Financial Leasing's enlarged capital. SIIC Financial Leasing, as an integrated credit provider located in Shanghai, providing financing service to regional governments and its platform companies. SI Urban Development is expected to further deepen the integration of finance into business and create synergy between the two areas.

Consumer Products

- Since the beginning of 2020, the global pandemic and resultant customs-closure measures have brought many uncertainties and difficulties to the production and operation of Nanyang Tobacco. Sales at duty-free shops have dropped significantly, and the export and ship tobacco business have also been affected. The revenue and net profit during the period amounted to HK\$1,123 million and HK\$274 million, respectively, representing a decrease of 32.0% and 44.9% year-on-year. During the period, Nanyang Tobacco insisted on technological innovation and made good progress in the expansion project of its twig cigarette, effectively increasing the production capacity of mid-to-high-end products. In the first half of the year, Nanyang Tobacco introduced cutting-edged technologies to continue to launch a composite production capacity construction project to establish self-supporting functions for special filter rods in heterotypic cigarettes. The in-depth research on new types of cigarettes has achieved early-stage results. The research will help the Company to invent new manufacturing techniques and processes for nano-size products with Nanyang's leading features. In addition, Nanyang Tobacco's overseas sales and production cooperation project with large domestic cigarette companies has entered a substantive stage of development and will seek business cooperation in different areas to advance the medium and long-term strategic development goals.

Under the premise of implementing pandemic prevention and safety, Wing Fat Printing returned to normal operation in a timely manner and won valuable orders during the "capacity shortage" period. The gross profit margin significantly increased and overall profitability was improved. Wing Fat Printing achieved a net profit of HK\$94.05 million during the period,

representing a year-on-year increase of 41.7%. In terms of strategic deployment of smart-medicine package business, the Company has steadily and orderly promoted the integration of drug packaging M&A projects and the preparation of bids for some core medicine package projects, which will provide new performance support under the new normal caused by the pandemic.

Mr. Shen Xiao Chu, Chairman of SIHL, said, " In the second half of 2020, the uncertainties caused by pandemic prevention, geopolitical factors, international trade disputes, interest rates and exchange rate fluctuations, etc., are bound to bring about challenges to the development of the Group. The Group continues to implement pandemic prevention measures and takes steps to further enhance the efficiency of operation and management, strengthen risk management and control, persevere in reform and innovation, and restore the operation results. In terms of infrastructure and environmental protection business, water treatment service and solid waste treatment business will continue to expand the scale of investment in an orderly manner, and further strengthen technological innovation to promote rapid business development. SIIC Environment will continue to expand and strengthen the municipal water utilities and comprehensive water environment management businesses, while striving for more wastewater treatment upgrade projects. At the same time, SIIC Environment will actively seek development opportunities in the Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area in order to optimise its development strategies and expand its business horizon. In the period, toll roads maintained operating efficiency while maintaining steady growth in profitability. As the pandemic in Mainland China was gradually brought under control with work and production resuming in an orderly manner throughout the country, the real estate business will accelerate the development of business activities comprehensively and strive to hit the same levels of development and sales targets. In the consumer products business, Nanyang Tobacco adheres to technological innovation, optimizes production processes in order to achieve new breakthroughs in the development of the Company by optimizing the allocation of resources, adjusting the promotional activities in response to different markets with different marketing strategies. Nanyang Tobacco will strive to enhance the comprehensive strength of internationalization and marketization through the cooperation with large domestic cigarette companies. Under the difficult environment of the first half of 2020, Wing Fat Printing effectively acquired limited orders in the market and achieved business stability; in the second half of 2020, Wing Fat Printing will continue to forge ahead and strategically deploy the smart medicine package business and orderly promote the integration of medicine package M&A projects in addition to the traditional business and moulded-fibre business. Under the new normal caused by the pandemic, the Group will move forward and develop its business to bring the greatest return to 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 conglomerate in Hong Kong with three core businesses: infrastructure facilities (including toll roads/bridge, sewage water treatment, solid waste incineration and environmental protection), real estate and consumer products (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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