

Press Release

SIHL's Annual Profit Attributable to Owners Surges by 48%

Profitability and Contribution from All Business Segments Remain Stable Growth, Maintaining a 30% Dividend Payout Ratio

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 ended on 31 December 2023. Revenue amounted to HK\$32.698 billion, representing an increase of 4.3% year-on-year. Profit attributable to owners of the Company amounted to HK\$3.424 billion, representing an increase of 48.0% year-on-year. The Board of Directors has recommended a final dividend of HK52 cents per share. Together with the interim dividend of HK42 cents, the whole year dividend was HK94 cents per share and the payout ratio was as high as 30%, to reciprocate our shareholders’ long-term support.

2023 Annual Results Highlights:

	For twelve months ended 31 December (Audited)		
	2023	2022	Change
Revenue (HK\$ million)	32,698	31,349	+4.3%
Profit attributable to owners of the Company (HK\$ million)	3,424	2,314	+48.0%
Earnings per share - Basic (HK\$)	3.149	2.128	+48.0%
Final dividend per share (HK cents)	52	50	
Interim dividend per share (HK cents)	42	42	
Total dividend of the year per share (HK cents)	94	92	
Payout ratio	30.0%	43.2%	
	As at 31 December 2023 (Audited)	As at 31 December 2022 (Audited)	Change
Total assets (HK\$ million)	179,312	193,934	-7.5%
Equity attributable to owners of the Company (HK\$ million)	46,603	45,524	+2.4%
Cash and cash equivalents (HK\$ million)	27,791	30,885	-10.0%
Net debt ratio [^]	66.30%	61.25%	

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

Segment Revenue and Profit Abstracts:

Segment Revenue (HK\$ million)	For twelve months ended 31 December (Audited)		
	2023	2022	Change
Infrastructure and Environmental Protection	10,399	11,077	-6.1%
Real Estate	19,096	17,196	+11.1%
Consumer Products	3,203	3,076	+4.1%

Segment Net Profit (HK\$ million)	2023	2022	Change
Infrastructure and Environmental Protection	2,321	1,926	+20.5%
Real Estate	839	300	+180.1%
Consumer Products	375	310	+20.8%
Big Health	80	-	N/A

In 2023, the economy of Mainland China and Hong Kong has continued to improve. However, the international geopolitical situation remained tense, and the global economic situation was complex and volatile. Faced with various challenges, the management team persisted in industrial innovation, ensured stable operation and development of all core businesses, and achieved satisfactory profit performance. Total revenue reached HK\$32,698 million, representing an increase of 4.3% year-on-year. Profit attributable to owners of the Company amounted to HK\$3,424 million, reflecting a year-on-year increase of 48.0%. The Board of Directors has recommended a final dividend of HK52 cents per share, and total dividends for the year amounted to HK94 cents per share, with a dividend payout ratio of 30% to reward shareholders for their continued support.

During the year, the Group's various businesses developed steadily. The Infrastructure and Environmental Protection business recorded a profit of HK\$2.321 billion, representing an increase of 20.5% compared with last year, accounting for approximately 64.2% of the group's net profit. The increase in profits mainly benefited from a substantial rise in toll revenue and profits from the expressway business.

SIIC Environment Holdings LTD ("SIIC Environment") (BHK SGX, 807 HKSE) further deepened the strategic layout of the Yangtze River Delta area and other key areas, remaining China's leading position as the first echelon of water and environmental markets. The benchmark solid waste project Shanghai Baoshan Renewable Energy Utilization Center has entered commercial operation, effectively improving the level of harmlessly treated solid waste and resource utilization in Shanghai, which is of great significance to promoting sustainable development in Shanghai. In addition, SIIC Environment won Macau's first sewage treatment project, which is the first sewage treatment project acquired overseas, thereby expanding its business landscape across the Guangdong-Hong Kong-Macao Greater Bay Area. The Group will construct more high-standard and modern environmental projects, continue to uphold ESG (Environmental, Social, and Governance) social responsibilities, and strive to promote high-quality corporate development.

The Group has increased its investment in the solid waste environmental business. In October 2023, the Company subscribed to Canvest Environmental Protection Group Company Limited's ("Canvest") exchangeable bonds with a principal amount of HK\$1,637 million. These exchangeable bonds can be exchanged for up to 244 million shares of Canvest, which represents approximately 10% of the total issued share capital. If the aforementioned exchangeable bonds are fully exercised, the Company will own approximately 29.48% of Canvest's shares, further increasing its equity ownership percentage in Canvest. Currently, the Company holds approximately 19.48% equity interest in Canvest.

Shanghai SUS Environment Co., Ltd ("SUS Environment") - which is 28.34% owned by Shanghai S.I. Yangtze River Delta, the Group's 50% stake joint-venture - had a total daily capacity of 38,325 tonnes of waste incineration operations at the end of 2023, with an annual living garbage intake of 14.85 million tonnes, representing a year-on-year increase of 13%. It also completed a grid-connected electricity generation of 5.05 billion kWh, representing a year-on-year increase of 11%. During the year, 8 new waste-to-energy projects were acquired, and 22 waste-to-energy projects were being developed.

The big health business recorded a profit of HK\$79.71 million during the year, accounting for approximately 2.2% of the Group's net profit. The company acquired 40% equity of Shanghai Pharmaceutical Group through a 50% stake joint venture company. Shanghai Pharmaceutical Group holds 19.38% of the A shares of Shanghai Pharmaceutical Co., Ltd., which is listed in Shanghai and Hong Kong, and is its single largest shareholder of A shares.

In 2023, the real estate business contributed a profit of HK\$839 million, representing an increase of 180.1%, accounting for 23.2% of the Group's net profit. The increase is mainly attributable to the Group holding 49% equity of the Shanghai Bay project of Shanghai Industrial Development Co., Ltd. ("SI Development"), and the sales recorded of the project drove the significant increase in shared profit.

The profit contribution of the consumer products business during the year was HK\$375 million, representing an increase of 20.8% when compared with last year. Since the ports between the Mainland China and Hong Kong gradually reopened in early 2023, the sales of Nanyang Brothers Tobacco Company Limited ("Nanyang Tobacco") have gradually recovered. The business actively expanded in the international market during the year, and the Malaysian branch factory was officially put into operation.

Business Highlights:

Infrastructure and Environmental Protection

- Within the year, the public's willingness to travel surged. The traffic volume and toll revenue of three toll roads and the Hangzhou Bay Bridge increased significantly, especially during the Chinese New Year, Labour Day, and National Day holidays. Total traffic volume increased by 44.3% year-on-year; toll revenue amounted to HK\$4,410 million, increasing by 30.1% compared to the last year. Toll profit increased by 63.5% year-on-year to HK\$1.454 billion. Hangzhou Bay Bridge and "Two Districts and One Island" have made comprehensive progress in the digital intelligence construction of the bridge and service areas.
- The Group's subsidiary, SIIC Environment recorded total revenue of RMB7,573 million for the year, representing a year-on-year decrease of 8.8%. This was mainly attributable to a 37.1% year-on-year decrease in construction revenue due to the completion of the main construction portion of the Baoshan project by the end of 2022. Profit attributable to shareholders decreased by 22.6% year-on-year to RMB604 million, mainly because of the rising interest rate of the US dollar and the sharp rise in the financial cost of overseas borrowing.
- As at the end of 2023, SIIC Environment had nearly 250 sewage treatment and water supply projects, and its daily water treatment capacity was 13.16 million tonnes. The volume of sewage treated grew by 2.2% year-on-year to 2.525 billion tonnes, while the average wastewater treatment tariff increased by 7.8% year-on-year to RMB1.87 per tonne. The volume of water supplied increased by 2.2% year-on-year to 324 million tonnes, while the average tariff of water supplied increased by 3.1% year-on-year to RMB2.57 per tonne.
- General Water of China Investment Co., Ltd. ("GWC") recorded a turnover of HK\$2,076 million for the year, representing a year-on-year decrease of 3.3%. Net profit amounted to HK\$265 million, representing a year-on-year increase of 6.8%. As at the end of 2023, General Water of China had 34 water treatment plants and 27 wastewater treatment plants with a total capacity of 6.5308 million tonnes per day. Of this total, 3.0045 million tonnes per day was dedicated to water production capacity, and 3.5263 million tonnes per day was dedicated to wastewater treatment capacity. In addition, for the 20th consecutive year, the Company was awarded as one of the "Top 10 Most Influential Enterprises in China's Water Industry" and remained in the top three in five years.
- With respect to new business arena, as at the end of 2023, the photovoltaic asset capacity of Shanghai Galaxy and its subsidiary, Galaxy Energy (Shanghai) Co., Ltd., reached 740 MW. During the year, 15 photovoltaic power projects completing approximately 1,081 million kWh of on-grid electricity. However, due to severe sandstorms, the volume of radiation decreased,

resulting in a 4.38% decline in electricity supplied to the grid compared to last year.

Real Estate

- The subsidiary Shanghai Industrial Development Co., Ltd. (600748 SSE) recorded revenue of RMB9.855 billion during the year, representing a growth of 87.8% year-on-year. Net profit amounted to RMB129 million, representing an increase of 5.2%. During the year, the total contract amount reached RMB551 million, and the villa project Shanghai Bay (Phase 5) in Qingpu, Shanghai, was sold out in the first half of the year.
- SI Development's Diaoyutai Hotel Qingdao and MGM Hotel Qingdao officially opened in June and has become the Company's flagship hotel operation project. The occupancy rate of the serviced-apartment in Jiading has reached 95%, and the serviced-apartment project in Gucun, Baoshan was put into trial operation. In terms of property management services, the area under management exceeded 30 million square meters for the first time.
- The subsidiary Shanghai Industrial Urban Development Group Co., Ltd. ("SIUD") (563 HKSE) recorded a turnover of HK\$7.954 billion during the Year, declining by 27.8% compared with last year. Profit attributable to shareholders was HK\$495 million, representing a year-on-year increase of 21.6%. The increase in profit was mainly attributable to the delivery of residential properties with higher gross profit margins during the year. The contracted value was RMB8.229 billion throughout the year, increasing by 4.1% when compared with last year. The projects mainly include "Originally" in Xi'an, and University Project in Tianjin, and others. Rental income for the year was approximately HK\$773 million.

Consumer Products

- The revenue and net profit of Nanyang Tobacco during the year were HK\$1,815 million and HK\$301 million, respectively, representing an increase of 26.8% and 65.3%, respectively. This is mainly due to its commitment to the strategy of "lowering of inventories and prioritizing the price", which has effectively guided various markets to manage their inventories, and the implemented measures have shown promising initial results.
- Nanyang Tobacco is actively expanding its business in the international market. In 2023, its Malaysia factory was officially put into operation. This is Nanyang Tobacco's first overseas factory. It has cooperated with large cigarette companies to complement each other's advantages, laying a solid foundation for future incremental growth.
- In addition, Nanyang Tobacco continues to enhance its production capacity through new technologies and continuously improve production techniques and craftsmanship. By introducing advanced production equipment, automated systems, and digital technology to switch production lines, the company can adapt to and meet market demands more quickly and effectively.
- Wing Fat Printing's revenue and net profit during the year was HK\$1.549 billion and HK\$84.91 million, respectively, decreasing by 12.2% and 31.4% year-on-year, respectively. The decrease in profits was mainly due to the overall shrinkage of the end-consumer market after the epidemic and weakening demand from core customers of the paper-packaging and the moulded-fibre businesses. Faced with various challenges, Wing Fat Printing promptly adjusted its strategy and reversed the decline of its core business in the first half of the year to a certain extent by inwardly converging its core customer service competitiveness. In addition, the Company has vigorously promoted cost reduction, efficiency improvement, and expense control, and relied on technological innovation to fully promote the incubation of new environmentally friendly products and cultivate the blue ocean market in an orderly manner.

Mr. Shen Xiao Chu, Chairman of SIHL, said, “Looking ahead to 2024, there are still many uncertainties in the global economy, but opportunities and challenges coexist. The Group will continue to adhere to reform and innovation, accelerate the upgrading of various main businesses, further improve management efficiency and precision, integrate resources, and selectively increase holdings of high-quality projects. In our infrastructure and environmental protection business, we remain committed to the national strategy while actively seeking out new opportunities; by reinforcing our strategic initiatives in the Yangtze River Delta and other key regions, we aim to preserve our leading position within China's water and environmental protection sectors. Furthermore, operating efficiency will be improved continuously for the toll road business. We also believe investments in the medical and health sectors, as well as environmental protection and green energy sectors, will bring greater profit contributions to the Group. For the real estate business, the Group will closely follow industry policies and market trends, promptly adjust operating strategies, revitalize existing assets, and innovate financing methods and channels to promote healthy, stable and high-quality development. In terms of the consumer products business, Nanyang Tobacco will continue to invest resources in research and development; we will develop new channels and new businesses by introducing new technologies, new craftsmanship, and new materials while expanding overseas to become a technological reform pioneer and a regional leader in the Chinese cigarette industry. Wing Fat Printing will comprehensively restructure its entire value management system, aiming to break through the market and inherit its centennial printing industry. The Group is dedicated to making continuous breakthroughs in various businesses and bringing maximum returns 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 20 years’ development, SIHL has become a conglomerate company with four core businesses: infrastructure and environmental protection (including toll roads/bridge, and environmental protection related business such as sewage treatment and solid waste treatment business), big health, 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.

Media Enquiries:

Shanghai Industrial Holdings Ltd.
Corporate Communications Department
Frances Leung / Cecilia Chen
Tel: (852) 2821 3936
Email: ir@sihl.com.hk

Hill & Knowlton
Ada Leung
Tel: (852) 2894 6225
Email: sihl@hkstrategies.com