

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 363)**

## **ANNOUNCEMENT OF 2014 ANNUAL RESULTS**

### **BUSINESS REVIEW**

The Board of Directors of Shanghai Industrial Holdings Limited (the “**Company**”) is pleased to announce the audited annual results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2014. The Group recorded an audited profit attributable to shareholders of HK\$3,069 million, representing a 13.6% increase over the previous year. Profits included considerable gains arising from the disposal of lot E of the Qingpu District in Shanghai during the year. Revenue amounted to HK\$19,967 million, representing a decline of 7.4%. The Group’s core business maintained stable growth with its various projects in orderly progress. The results of all business sectors remained steady and all of which have achieved their targets for the year.

In 2014, the global economy changed rapidly and the Chinese economy has entered into a new normal with adjustments in the real estate market, causing the economic environment to become volatile and difficult. Against this scenario, in accordance with the strategic targets established for the year and under the leadership of the Board and the management, the Group has actively promoted the integration of finance and business operation and strengthened the allocation of its resources in an innovative way. Such efforts have been able to optimize the asset structure of the Group, promote business cooperation and synergy among member companies and raise the level of its strategic control and internal monitoring capacity. As a result, the Group has been able to maintain steady and sustainable development for its core businesses and achieved considerable growth for its operating results.

The Board of Directors has recommended a final dividend of HK45 cents (2013: HK45 cents) per share for 2014. Together with the interim dividend of HK45 cents (2013: HK42 cents) per share paid during the year, total dividends for the year amounted to HK90 cents (2013: HK87 cents) per share.

## INFRASTRUCTURE FACILITIES

In 2014, the infrastructure facilities business recorded profits of HK\$1,140 million, representing an increase of 12.3% over last year and accounting for approximately 33.2% of the Group's Net Business Profit\*. During the year, the Group further increased its investments in the infrastructure facilities business in a steady pace. Satisfactory earnings were realized and a healthy cash flow was maintained.

### Toll Roads

The Group's three toll roads were in smooth operation. By means of reducing costs, raising efficiency and enhancing road capacity, toll revenue and traffic flow maintained stable growth on the whole throughout the year. With the waiver of tolls for small passenger cars on major festive days, the Group has made special arrangements for its three toll roads to ensure smooth traffic flow. The key operating data of our three toll roads are as follows:

Toll roads	Net profit from project company	Changes	Toll revenue	Changes	Traffic flow (vehicle journeys)	Changes
Jing-Hu Expressway (Shanghai Section)	HK\$315 million	-6.9%	HK\$637 million	-2.4%	42.11 million	+4.8%
Hu-Kun Expressway (Shanghai Section)	HK\$375 million	+1.0%	HK\$976 million	+3.9%	47.13 million	+8.3%
Hu-Yu Expressway (Shanghai Section)	HK\$169 million	+7.1%	HK\$531 million	+5.4%	37.49 million	+8.3%
<b>Total</b>	<b>HK\$859 million</b>	<b>-1.0%</b>	<b>HK\$2,144 million</b>	<b>+2.3%</b>	<b>126.73 million</b>	<b>+7.1%</b>

Due to the slower growth of the economy and changes in the distribution of traffic flow after the Hu-Chang Expressway and Hu-Xiang Expressway were in service, the growth of traffic flow of the Hu-Ning Expressway (Shanghai Section) declined during 2014. The decline in net profit for the year was mainly due to the reduction of tax concessions since the beginning of the year and the smaller proportion of trucks and bigger proportion of short-distance vehicles using the expressway. The project company will pay close attention to the traffic flow, and will continue to enhance traffic capacity and improve road maintenance. The distribution of traffic flow of passenger cars and trucks at the main toll collection lane of Anting station and the congestion prevention work at Jiasong station were completed at the beginning of the year, which has effectively reduced traffic congestions.

Facing a macroeconomic downturn, the implementation of toll reduction policies, a decline in growth of the proportion of lorries, the construction of the Dazheng port bridge and other adverse factors, active measures were taken to reduce road congestions and maintain smooth traffic flow for the Hu-Kun Expressway (Shanghai Section), including managing and controlling free passage of green agricultural vehicles at road junctions, increasing manpower at peak periods, devising plans to cope with severe weather and improving overall service satisfaction. As a result of this, toll revenue for the year recorded steady growth. The construction of the Dazheng port bridge jacking up project progressed smoothly. Phase I of the project was completed and put into operation during the year and phase II commenced construction in October.

During the year, Hu-Yu Expressway (Shanghai Section) maintained growth for both toll revenue and traffic flow in 2014. The alteration work for Jiasong toll station has completed and put into service with five additional exit lanes. Following the expansion, congestion problems at the station were resolved and the number of tickets sold increased significantly. The constant arrangement of toll collector contests throughout the past few years has helped to enhance operational capability and quality service for the expressway. During the year, the western part of the road was reinforced and some sections of the bridge and road were improved, resulting in the overall enhancement of the quality and efficiency of the expressway. With the application of the portal frame and lane automatic counting facilities, the toll-free operation for small passenger cars has been well secured.

## **Water services**

During the year, the Group continued to expand the scale of investments in water services, primarily on sewage treatment and solid waste projects. It also continued to acquire potential projects at the right time and further upgrade the operation of its existing assets.

## ***SI Environment***

SIIC Environment Holdings Ltd. (“**SI Environment**”) recorded revenue of RMB1,288 million for 2014, representing a year-on-year growth of 6.0%; net profit was RMB262 million, a substantial increase of 74.8%. The growth was mainly attributed to the consolidation of the business results of several project companies, the acquisitions of which were completed during the year. A new share placement was made in July following the completion of the placement of 3.10 billion new shares in 2013, raising proceeds of SGD260 million and SGD158 million respectively from the two placements. Upon completion of the placements, the Group’s interest in SI Environment was diluted from 46.72% to 41.85%, but it is still treated as a subsidiary of the Company, and the results of which are consolidated in the accounts of the Company.

In June, SI Environment announced its acquisition of a 25.3125% interest of Longjiang Environmental Protection Group Co., Ltd. (“**Longjiang Environmental**”), the largest integrated water supply and water discharge operator in Heilongjiang province, at a total consideration of RMB405 million. The acquisition was completed in the second half of the year. Following the completion of the entire transaction, the Group will control 42.1094% of Longjiang Environmental, rising from 16.7969% already held by it. During the year, SIE Water Co., Ltd., a 75.5% subsidiary of SI Environment, entered into an agreement with Dalian Municipal Government, and obtained a 22-year franchise for the sewage treatment plant in Dalian Bay (with daily sewage treatment capacity of 40,000 tonnes). Two water services and water purification project companies located at Dongguan were also acquired in August at approximately RMB78.57 million and RMB87.98 million, respectively. The acquisitions were completed in September 2014. In December, SI Environment entered into an agreement with Wuhan Municipal Government for the investment of approximately RMB722 million in an alteration construction project in Hanxi. With the completion of the alteration, the daily sewage treatment capacity of the project will increase to 600,000 tonnes from the current 400,000 tonnes and the discharge standard will rise from second level to B standard of first level.

In November 2014, SI Environment entered into an agreement with the Yinchuan Municipal Government and undertook (i) a BOT franchise project of a sewage treatment plant in Binhe New District with a designed daily treatment capacity of 50,000 tonnes plus a reclaimed water treatment project with a daily capacity of 50,000 tonnes at a later stage, and (ii) a TOT franchise project of sewage treatment plant No. 5 in Yinchuan with a designed daily treatment capacity of 50,000 tonnes plus a BOT sewage water treatment phase II project with a daily capacity of 50,000 tonnes. Both projects have a franchise period of 30 years. In December, SI Environment as cornerstone investor through its wholly-owned subsidiary subscribed for approximately 3.3% of Canvest Environmental Protection Group Company Limited upon its listing on the Main Board of the Hong Kong Stock Exchange. This investment will strengthen the strategic cooperation opportunity of the existing waste incineration business of SI Environment.

In March 2015, SI Environment announced its acquisition of a 92.15% equity interests in Fudan Water from an independent party, at a total consideration of RMB1,548 million, to be payable partially by cash and by allotment and issue of 1,560,000,000 ordinary shares of SI Environment. Fudan Water has 10 sewage treatment projects in the PRC, located in Shanghai, Jiangsu, Zhejiang and Guangdong provinces, with a daily capacity of over 1 million tonnes. Upon completion of the acquisition, the Group's interests in SI Environment will be diluted from 41.85% to 35.99%, but SI Environment will still be treated as a subsidiary of the Company, and its results will be consolidated in the accounts of the Company. In the future, SI Environment will continue to expand its business scale through internal growth and external mergers and acquisitions, explore financing channels at good timing, strengthen the leverage effect and strive to enhance the brand and brand awareness of the company.

### ***General Water of China***

General Water of China Co., Ltd. ("**General Water of China**") recorded a revenue of HK\$1,794 million for the year of 2014, representing an increase of 13.8% year-on-year. Net profit was HK\$78.43 million, a year-on-year increase of 39.5%. As at the end of 2014, the company owned 25 water supply facilities and 19 sewage treatment plants with a total daily capacity of 6,059,000 tonnes, among which, daily production capacity totaled 3,935,000 tonnes and daily sewage treatment capacity was 2,124,000 tonnes, and two reservoirs with a gross storage tank volume of 182.32 million tonnes and a pipe network of 5,200 kilometers in total. General Water of China has been awarded the 'Top 10 Most Influential Enterprises in China's Water Industry' for the 12th consecutive year, ranking 6. In December 2014, shareholders from both sides have agreed to make capital contributions into General Water of China, resulting in an increase in registered capital from approximately RMB1,667 million to RMB2,333 million. As a result, the financial strength of General Water of China should be further enhanced and its water treatment business further strengthened, both of which are expected to help improve profitability.

During the year, a wholly-owned subsidiary of General Water of China signed a supplemental agreement with Xiangtan Municipal Government on quality enhancement and transformation for the franchise contract of the sewage treatment plant phase I project on the east of the river in Xiangtan. The daily capacity of the project is 100,000 cubic meters. In October, General Water of China set up a joint venture company with the Guzhen County Government. The project has a daily

water supply capacity of 140,000 tonnes and a daily sewage treatment capacity of 80,000 tonnes, in which General Water of China and its subsidiary accounted for 60%. The daily processing capacity of water purification plant No. 3 in Suifenhe City was 80,000 tonnes, and the total length of the water pipeline was 30 kilometers. The project was completed and put into use in October 2014. The central sludge drying and incineration project in Wenzhou was basically completed by the end of the year.

## **NEW BUSINESS ARENA**

The Group has expanded into the environmental protection clean energy sector and invests in the local photovoltaic power station market in China through SIIC Aerospace Galaxy Energy (Shanghai) Co., Ltd. (“**Galaxy Energy**”), a 85% subsidiary of its associated company, Shanghai Galaxy Investment Co., Ltd. In 2013, Galaxy Energy acquired a 50MW photovoltaic power station project in Gaotai, Gansu and a 100 MW project in Jiayuguan. Further acquisitions were made by Galaxy Energy in the first half of 2014, including a 20MW photovoltaic project in Gangcha County, Qinghai Province and a 30MW photovoltaic project in Zhongwei City of Ningxia Hui Autonomous Region. The investments totaling RMB139.60 million were completed in March 2014.

With a total installed capacity of 200MW in place, Galaxy Energy further acquired a 100MW photovoltaic power station project in Ningdong, Ningxia and a 20MW photovoltaic power station project in Yiwu, Xinjiang by open bidding in December, 2014, with a total acquisition price of RMB325 million. The two projects have already been connected to the power grid system. With the completion of the acquisitions, Galaxy Energy has increased considerably the scale of its photovoltaic business, which is favorable to the company’s future investments in the environmental clean energy sector and subsequent business development.

## **REAL ESTATE**

The real estate business made a considerable profit contribution of HK\$1,209 million to the Group, representing a year-on-year increase of 63.8% and accounting for approximately 35.3% of the Group’s Net Business Profit\*. The increase in profit was mainly due to the disposal of an aggregate of 100% interest of lot E of Qingpu District in Shanghai at the end of 2013 and in early 2014 by the Group and its A-share listed subsidiary, Shanghai Industrial Development Co., Ltd. (“**SI Development**”), respectively. The respective transactions were completed in the first quarter of 2014, generating a profit after tax of HK\$1,191 million for the Group. In 2014, the Group was committed to optimizing the asset structure of its real estate business, adjust the regional distribution of real estates, revitalize its assets to reflect the value of land bank held, and obtain extra working capital to be used for acquisitions for its core assets. At the same time, the Group also actively sought for sources of high-quality land reserve, new methods of cooperation and financing channels, which became new impetus for the future development of the real estate business and diversification of risk management.

### ***SI Urban Development***

Shanghai Industrial Urban Development Group Limited (“**SI Urban Development**”) recorded a profit of HK\$161 million for the year, representing an increase of 12.3% over last year. Revenue for

the year was HK\$7,774 million, representing a year-on-year decrease of 20.5%. In recent years, considerable efforts have been made to better allocate its resources. With the successful swapping of four pieces of land in Binjiang, Xuhui District last year, SI Urban Development has taken different measures to revitalize its assets during the year. This has been achieved through prioritizing the development of potential projects with more concentrated resources on the Yangtze River Delta area and coastal cities, introducing strategic partners and accelerating development and taking up old construction alteration and renovation projects to make way for more comprehensive developments of the urban areas. During the year, the amount of contracted sales reached RMB4,720 million, covering a total gross floor area of 265,000 square meters for such projects as Urban Cradle and Jing City in Shanghai, CBE International Peninsula in Xi'an and Top City in Chongqing, etc. In 2014, the total rental income was approximately HK\$472 million.

In September 2014, SI Urban Development, in conjunction with the Nan Fung group, acquired Shanghai Mart located in Shanghai Hongqiao Economic & Technological Development Zone from an independent third party for a total consideration of US\$579.30 million. Shanghaimart, in which SI Urban Development now holds a 51% interest, has a total gross floor area of over 280,000 square meters. Representing the largest trade mall of its kind in Asia, it consists of three main buildings and is available for holding product exhibitions, expos and trade fairs. The project also includes office buildings for rental investments. Plans are being made to renovate the property to increase future earnings and returns from the investment. In March, SI Urban Development acquired a plot of land in Meilong Town, Minhang District, Shanghai at RMB767 million, which, with a site area of 43,000 square meters, will be developed as the fifth phase of Jing City in Shanghai, for commercial housing purpose. In addition, construction in the Xinzhuan metro superstructure project officially commenced in June.

An announcement was made in December 2014 to dispose of 40% equity interests of SI Urban Development in a real estate project in Beichen District, Tianjin to an independent third party for a consideration of RMB366 million. This will generate more working capital for SI Urban Development for other potential investment opportunities. In February 2015, SI Urban Development fully disposed of its equity interests in a development project in the Yanjiao economic and technological development zone in Hebei province for an aggregate consideration of RMB940 million, further withdrawing its investments from non-strategic development areas. During the year, SI Urban Development successfully obtained a club loan and a new shareholder's loan, which was used for replacing high yield notes and the future development of the company. This will also significantly reduce its financial costs in the future.

### ***SI Development***

In 2014, SI Development recorded a net profit of RMB885 million, representing a significant increase of 103.5% year-on-year. The profit was mainly derived from gains recorded from the disposal of its 51% interest in lot E of the Qingpu District, Shanghai. The transaction was completed in the first quarter. Revenue for the year amounted to RMB3,803 million, representing a decrease of 2.6% year-on-year. The contracted amount of projects for the year was RMB3,880 million, which mainly included Hi-Shanghai in Chengdu, Shanghai Bay in Qingpu District, Shanghai, Flos Granati in Jinshan, Shanghai and Rhine Town in Tianjin, etc., accounting for a gross floor area of 254,000 square meters. Rental income for the year was HK\$248 million.

During the year, SI Development acquired the following land plots through open bidding for the future development of the company. Joint venture partners were introduced to collaborate on developing projects to enhance the risk aversion capability of projects:

Property	Area (square meters)	Type of property	Interests held
Jiading New Town Lot G05-6, Shanghai	32,990.90	Commercial, residential and office	37.5%
Gudun Road project (Lot 18), Hangzhou	74,864.00	Commercial and residential	51%
Jiading New Town Lot F04-2, Shanghai	58,949.40	Commercial, residential, office and composite	40%
Gudun Road project (Lot 46), Hangzhou	59,640.00	Commercial and residential	51%
<b>226,444.30</b>			

With the respective completion of the earlier stage of development of Hi-Shanghai project in Chengdu and Beer City project in Qingdao, SI Development has in turn acquired interests from other shareholders for the joint venture projects during the year, having assessed subsequent operation and development risks for the projects. These included the acquisition of 49.60% equity interest of the Chengdu project at RMB721 million and 39.54% equity interest of the Qingdao project at RMB1,810 million, both aiming to improve the overall return of the projects.

In May 2014, a joint venture platform company, in which SI Development holds a 38% interest, was formed between SI Development and a wholly-owned subsidiary under Shanghai Industrial (Investment) Holdings Company Limited (“SIIC”), in the Shanghai Free Trade Zone, for the investments of capital in the retirement sector. During the year, two land plots at the Demonstration Zone in Dongtan of the Chongming Island were acquired for the development of retirement business, beginning with strategic planning and now came to a new development stage capitalizing on resources allocations from its controlling shareholder. During the year, another joint venture investment company was formed between SI Development and a subsidiary of SIIC. The new company, in which SI Development holds a 51% interest, will collaborate with financial institutions to set up the “SIIC Shiyin Equity Investment Fund Management Centre”. Leveraging the resource advantages of these financial institutions, the Centre aims to raise funds from the public, the first tranche of which will be RMB2,500 million.

## CONSUMER PRODUCTS

The consumer products business of the Group recorded a profit of HK\$1,079 million for the year 2014, representing an increase of 7.7% over the last year and accounting for approximately 31.5% of the Group’s Net Business Profit\*. During the year, solid progress was made for its existing projects. Efforts were made to promote organic growth and to increase profitability. New sources of earnings are being sought and new business areas are being developed.

### Tobacco

During the year, Nanyang Brothers Tobacco Company, Limited (“Nanyang Tobacco”) has continued to follow through its strategies that emphasize on “development of new products,



expansion of markets and improvement in technology”. As such, efforts were made to improve product quality, strengthen competitiveness of enterprises, expand international markets and enhance brand awareness. As at the end of the year, key work was put in place, technological alteration projects were carried out smoothly and various performance indicators continued to maintain satisfactory growth. Nanyang Tobacco realized a revenue and net profit of HK\$3,170 million and HK\$907 million for 2014, respectively, representing an increase of 8.9% and 9.1% over the same period last year; and total sales represented a year-on-year increase of 4.8%. The increases in sales in all major markets were satisfactory. In the coming year, the company will focus on the expansion of the European market and Brazil, US and Canada and other regions. It will rebuild the brand image of “Double Happiness”, enhance its brand value and plan to put into the market of new products including “Southern Brotherhood” and round packaging series.

Nanyang Tobacco has also actively accelerated the upgrading and alteration of equipment and technology to ensure that they reach advanced industry standards. Technological alteration projects completed in 2014 included the tobacco production line, fine hard-packed products, high-speed wrapping and canned cigarettes for the 12th five-year plan. The newly purchased Yuen Long storage was put into use in December. Along with continuous rises in raw material prices, the price for tobacco has recorded the largest increases for many years. Under the premise of selecting high quality tobacco, Nanyang Tobacco has continuously improved its production technology and constrained cost strictly. The company also introduced effective procurement schemes and expanded respective procurement regions to enhance cost efficiency. Along with popular world trends, low tar products are planned to be launched in the coming year.

## Printing

The Wing Fat Printing Company, Limited (“**Wing Fat Printing**”) recorded a net profit of HK\$196 million in 2014, representing an increase of 8.3% over the previous year; revenue amounted to HK\$1,141 million, representing an increase of 8.2% over the previous year. The existing business structure of Wing Fat Printing was modified and further enhanced this year, resulting in a year-on-year increase of 6% in revenue of its high-profit principal printing and packaging business, while the revenue from the relatively low-profit paper trading business fell 26.5% over the previous year, significantly improving the company’s operating quality.

An important strategy for Wing Fat Printing in 2014 was the introduction of the new business of pulp mould packaging, to achieve overall strategic transformation and upgrades of the company’s business. In June, Wing Fat Printing acquired a 100% interest of Wing Fat Molded Fiber (China) Holdings Limited (formally known as Shanghai Dental Instrument Factory Co., Ltd.) (“**Wing Fat Molded**”) from a subsidiary of SIIC and an independent third party for a total consideration of RMB11.34 million. Through this acquisition, Wing Fat Printing has set up a production base for developing high-end pulp mould packaging products, creating new channels for continued business growth.

*\*Net profit excluding net corporate expenses*



## **PROSPECTS**

Looking forward to 2015, given the downturn in both domestic and global real economies, the Group is still facing different challenges for its business development. To overcome this, the Group must take active measures to boost the integration of business operation and finance, push forward reforms and innovation, allocate resources from a broader perspective and further optimize its asset and business structure.

As for the infrastructure facilities business, we will acquire projects that are considered favorable for toll roads while for the infrastructure environment business, including water services, solid waste treatment and photovoltaic power generation, we will continue to expand our capital scale through effective financing channels, proceed steadily with our expansion plans and further strengthen our operations to enhance competitiveness.

For the real estate business, we will manage to optimize our asset and financial structures, make the best use of our funds and continue to revitalize our assets. We will steadily promote the development of projects under construction, accelerate the turnover of property inventory of completed buildings and determine the strategic positioning of development of commercial properties. We will also strengthen our cooperation with strategic partners and make better control of the development progress of our projects and closely monitor capital risk.

In the area of consumer products business, Nanyang Tobacco will continue to promote equipment upgrading, optimize its product structure, promote its brands, expand its markets and further enhance profitability. Wing Fat Printing needs to enhance its marketing work, improve the quality of pulp mould products and team building from a broader perspective and break through bottlenecks for its business development so as to achieve new areas for profit growth and to facilitate sustainable development in the business segment.

Finally, on behalf of the Board of Directors, I wish to thank our shareholders and business partners for their continued patronage and support to the Group, and extend my sincere gratitude to our management team and staff members for their dedication and contributions in the development of our business.

**Wang Wei**

*Chairman*

Hong Kong, 30 March 2015

## FINAL DIVIDEND

The Board of Directors has recommended a final dividend of HK45 cents per share (2013: HK45 cents per share). Together with the interim dividend of HK45 cents per share (2013: HK42 cents per share), the total dividend for the year ended 31 December 2014 amounted to HK90 cents per share (2013: HK87 cents per share).

Subject to approval by Shareholders at the Annual General Meeting, the final dividend will be paid on or about Monday, 15 June 2015 to Shareholders whose names appear on the register of members of the Company on Friday, 5 June 2015.

## ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at the Conference Room of the Company at 26th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong on Thursday, 28 May 2015 at 3:00 p.m. (the “**Annual General Meeting**”). Notice of the meeting will be despatched to the shareholders in mid April 2015 and will be made available at the HKExnews website of The Hong Kong Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.sihl.com.hk](http://www.sihl.com.hk) accordingly.

## CLOSURE OF REGISTER OF MEMBERS

### *Annual General Meeting*

For the purpose of determining Shareholders’ eligibility to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Wednesday, 27 May 2015 to Thursday, 28 May 2015, both days inclusive, during which period no transfer of shares will be effected. As such, all transfers accompanied by the relevant share certificates must be lodged with the Company’s share registrar, Tricor Secretaries Limited of 22nd Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong by 4:30 p.m. on Tuesday, 26 May 2015.

### *Final Dividend*

For the purpose of determining Shareholders’ entitlement to the final dividend, the register of members of the Company will be closed on Friday, 5 June 2015. No transfer of shares will be effected on that day. As such, all transfers accompanied by the relevant share certificates must be lodged with the Company’s share registrar, Tricor Secretaries Limited of 22nd Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong by 4:30 p.m. on Thursday, 4 June 2015.

## **REVIEW OF ANNUAL RESULTS**

The Audit Committee has reviewed the Company's consolidated annual results for the year ended 31 December 2014.

## **CORPORATE GOVERNANCE**

The Company has complied with all the code provisions set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of the Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) throughout the year ended 31 December 2014, except for the deviations from A.6.7 and E.1.2 of the CG Code as described below. An independent non-executive Director, also being the chairman of the Nomination Committee and Remuneration Committee of the Company, was unable to attend the annual general meeting and extraordinary general meeting of the Company both held on 28 May 2014 due to a business engagement.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **PUBLICATION OF THE ANNUAL REPORT**

The Annual Report 2014 will be despatched to the Shareholders in mid April 2015 and will be made available at the HKExnews website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.sihl.com.hk](http://www.sihl.com.hk) accordingly.

## **BOARD OF DIRECTORS**

As at the date of this announcement, the Board of Directors of the Company comprises five Executive Directors, namely Mr. Wang Wei, Mr. Zhou Jie, Mr. Lu Shen, Mr. Zhou Jun and Mr. Xu Bo; four Independent Non-Executive Directors, namely, Dr. Lo Ka Shui, Prof. Woo Chia-Wei, Mr. Leung Pak To, Francis and Mr. Cheng Hoi Chuen, Vincent.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
FOR THE YEAR ENDED 31 DECEMBER 2014**

	<i>Notes</i>	<b>2014</b> <b>HK\$'000</b>	<b>2013</b> <b>HK\$'000</b>
Revenue	3	<b>19,967,066</b>	21,567,724
Cost of sales		<b>(12,391,654)</b>	(15,261,364)
Gross profit		<b>7,575,412</b>	6,306,360
Net investment income		<b>804,636</b>	660,489
Other income, gains and losses		<b>560,952</b>	799,927
Selling and distribution costs		<b>(811,522)</b>	(872,222)
Administrative and other expenses		<b>(1,886,887)</b>	(1,982,151)
Finance costs		<b>(1,359,195)</b>	(1,199,557)
Share of results of joint ventures		<b>165,508</b>	79,730
Share of results of associates		<b>33,946</b>	22,788
Gain on disposal of the Feng Qi Group		<b>1,716,165</b>	-
Gain on disposal of assets through disposal of subsidiaries		-	819,125
Net gain on disposal/deemed partial disposal of interests in other subsidiaries, joint ventures and associates		<b>302,311</b>	215,116
Impairment loss on available-for-sale investments		<b>(342,427)</b>	(15,852)
Profit before taxation		<b>6,758,899</b>	4,833,753
Income tax expense	4	<b>(2,466,902)</b>	(1,389,533)
Profit for the year	5	<b>4,291,997</b>	3,444,220
Profit for the year attributable to			
- Owners of the Company		<b>3,069,003</b>	2,702,418
- Non-controlling interests		<b>1,222,994</b>	741,802
		<b>4,291,997</b>	3,444,220
		<b>HK\$</b>	<b>HK\$</b>
Earnings per share	7		
- Basic		<b>2.834</b>	2.500
- Diluted		<b>2.634</b>	2.374

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2014**

	<b><u>2014</u></b>	<b><u>2013</u></b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit for the year	<b>4,291,997</b>	3,444,220
<b>Other comprehensive (expense) income</b>		
<i>Items that may be subsequently reclassified to profit or loss</i>		
Exchange differences arising on translation of foreign operations		
- subsidiaries	<b>(1,128,241)</b>	1,287,314
- joint ventures	<b>(85,222)</b>	54,318
- associates	<b>(58,502)</b>	61,565
Fair value change on available-for-sale investments held by		
- subsidiaries	<b>286,975</b>	37,543
- a joint venture	<b>22,737</b>	3,075
Impairment loss on available-for-sale investments	<b>23,775</b>	15,852
Reclassification on disposal of available-for-sale investments	<b>(2,633)</b>	(11,306)
Reclassification of translation reserve upon disposal/ deemed partial disposal of		
- the Feng Qi Group	<b>(1,256)</b>	-
- interests in other subsidiaries	<b>(984)</b>	(3,699)
- interest in a joint venture	<b>(10,308)</b>	-
- interest in an associate held for sale	<b>-</b>	(24,503)
Other comprehensive (expense) income for the year	<b>(953,659)</b>	1,420,159
Total comprehensive income for the year	<b>3,338,338</b>	4,864,379
Total comprehensive income for the year attributable to		
- Owners of the Company	<b>2,451,631</b>	3,546,446
- Non-controlling interests	<b>886,707</b>	1,317,933
	<b>3,338,338</b>	4,864,379

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 31 DECEMBER 2014**

	<i>Note</i>	<b>2014</b> <b>HK\$'000</b>	<b>2013</b> <b>HK\$'000</b>
Non-Current Assets			
Investment properties		<b>15,979,200</b>	9,779,462
Property, plant and equipment		<b>4,657,924</b>	3,599,557
Prepaid lease payments – non-current portion		<b>283,248</b>	137,364
Toll road operating rights		<b>12,633,146</b>	13,674,748
Other intangible assets		<b>1,963,325</b>	1,428,855
Interests in joint ventures		<b>3,351,253</b>	2,629,143
Interests in associates		<b>2,636,196</b>	2,047,043
Investments		<b>1,005,180</b>	1,127,334
Receivables under service concession arrangements – non-current portion		<b>4,379,747</b>	3,745,186
Deposit paid on acquisition of a subsidiary		-	156,399
Deposits paid on acquisition of property, plant and equipment		<b>171,727</b>	56,474
Restricted bank deposits		-	85,288
Deferred tax assets		<b>315,418</b>	260,075
		<b>47,376,364</b>	38,726,928
Current Assets			
Inventories		<b>47,007,200</b>	47,942,059
Trade and other receivables	8	<b>4,940,367</b>	6,198,674
Prepaid lease payments – current portion		<b>6,143</b>	3,490
Investments		<b>490,200</b>	542,117
Receivables under service concession arrangements – current portion		<b>137,176</b>	115,426
Amounts due from customers for contract work		<b>87,499</b>	94,259
Prepaid taxation		<b>201,470</b>	512,636
Pledged bank deposits		<b>742,973</b>	512,231
Short-term bank deposits		<b>469,736</b>	548,044
Bank balances and cash		<b>25,119,702</b>	25,975,351
		<b>79,202,466</b>	82,444,287
Assets classified as held for sale		<b>691,728</b>	1,238,810
		<b>79,894,194</b>	83,683,097

	<i>Note</i>	<b><u>2014</u></b> <b>HK\$'000</b>	<b><u>2013</u></b> <b>HK\$'000</b>
Current Liabilities			
Trade and other payables	9	<b>16,168,861</b>	14,694,333
Customer deposits from sales of properties		<b>3,088,017</b>	9,122,413
Amounts due to customers for contract work		<b>30,681</b>	20,409
Taxation payable		<b>3,411,953</b>	3,219,064
Bank and other borrowings		<b>18,431,868</b>	12,960,798
Senior notes		<b>-</b>	1,994,842
		<b>41,131,380</b>	42,011,859
Liabilities associated with assets classified as held for sale		<b>28</b>	655,630
		<b>41,131,408</b>	42,667,489
Net Current Assets		<b>38,762,786</b>	41,015,608
Total Assets less Current Liabilities		<b>86,139,150</b>	79,742,536
Capital and Reserves			
Share capital		<b>13,527,827</b>	108,275
Share premium and reserves		<b>21,990,189</b>	34,837,749
Equity attributable to owners of the Company		<b>35,518,016</b>	34,946,024
Non-controlling interests		<b>17,884,803</b>	17,433,790
Total Equity		<b>53,402,819</b>	52,379,814
Non-Current Liabilities			
Provision for major overhauls		<b>78,934</b>	77,810
Bank and other borrowings		<b>22,283,617</b>	17,903,927
Convertible bonds		<b>3,826,613</b>	3,742,607
Deferred tax liabilities		<b>6,547,167</b>	5,638,378
		<b>32,736,331</b>	27,362,722
Total Equity and Non-Current Liabilities		<b>86,139,150</b>	79,742,536



**Notes:**

**(1) GENERAL**

The financial information contained in this results announcement does not constitute the Group's statutory financial statements for the year ended 31 December 2014 but is derived from those financial statements.

**Scope of work of Messrs. Deloitte Touche Tohmatsu**

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2014 as set out in the results announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the results announcement.

**(2) BASIS OF PREPARATION**

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA. The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

**APPLICATION OF NEW AND REVISED HKFRSs**

The Group has applied the following amendments to HKFRSs and a new interpretation issued by the HKICPA for the first time in the current year:

Amendments to HKFRS 10, HKFRS 12 and HKFRS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amounts Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) - Int 21	Levies

The application of the amendments to HKFRSs and the new interpretation in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## NEW AND REVISED HKFRSs IN ISSUE BUT NOT YET EFFECTIVE

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>4</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>4</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>4</sup>
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions <sup>3</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>4</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception <sup>4</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>4</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 - 2012 Cycle <sup>5</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 - 2013 Cycle <sup>3</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 - 2014 Cycle <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

<sup>5</sup> Effective for annual periods beginning on or after 1 July 2014, with limited exceptions, with earlier application permitted.

Based on an analysis of the Group's financial assets as at 31 December 2014, the adoption of HKFRS 9 in the future may have an impact on the amounts reported and disclosures made in the Group's consolidated financial statements. It is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

### (3) SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating segment:

#### For the year ended 31 December 2014

	Infrastructure facilities	Real estate	Consumer products	Unallocated	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>REVENUE</b>					
Segment revenue - external sales	3,680,795	12,327,889	3,958,382	-	19,967,066
Segment operating profit	1,768,346	3,383,548	1,308,324	(217,627)	6,242,591
Finance costs	(222,362)	(1,088,620)	(4,127)	(44,086)	(1,359,195)
Share of results of joint ventures	165,508	-	-	-	165,508
Share of results of associates	16,059	(3,753)	21,640	-	33,946
Gain on disposal of the Feng Qi Group	-	1,716,165	-	-	1,716,165
Net gain on disposal/deemed partial disposal of interests in other subsidiaries, joint ventures and associates	22,343	275,545	-	4,423	302,311
Impairment loss on available-for-sale investments	-	(318,652)	-	(23,775)	(342,427)
Segment profit (loss) before taxation	1,749,894	3,964,233	1,325,837	(281,065)	6,758,899
Income tax expense	(346,694)	(1,813,891)	(229,405)	(76,912)	(2,466,902)
Segment profit (loss) after taxation	1,403,200	2,150,342	1,096,432	(357,977)	4,291,997
Less: segment profit attributable to non-controlling interests	(263,686)	(941,742)	(17,566)	-	(1,222,994)
Segment profit (loss) after taxation attributable to owners of the Company	1,139,514	1,208,600	1,078,866	(357,977)	3,069,003

#### For the year ended 31 December 2013

	Infrastructure facilities	Real estate	Consumer products	Unallocated	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>REVENUE</b>					
Segment revenue - external sales	3,550,386	14,374,056	3,643,282	-	21,567,724
Segment operating profit	1,598,994	2,161,774	1,077,114	74,521	4,912,403
Finance costs	(192,220)	(965,952)	(2,826)	(38,559)	(1,199,557)
Share of results of joint ventures	79,730	-	-	-	79,730
Share of results of associates	569	(9,804)	32,023	-	22,788
Gain on disposal of assets through disposal of subsidiaries	-	819,125	-	-	819,125
Gain on disposal of interests in other subsidiaries, joint ventures and associates	-	109,953	103,340	1,823	215,116
Impairment loss on available-for-sale investments	-	-	-	(15,852)	(15,852)
Segment profit before taxation	1,487,073	2,115,096	1,209,651	21,933	4,833,753
Income tax expense	(305,329)	(815,997)	(194,505)	(73,702)	(1,389,533)
Segment profit (loss) after taxation	1,181,744	1,299,099	1,015,146	(51,769)	3,444,220
Less: segment profit attributable to non-controlling interests	(166,677)	(561,443)	(13,682)	-	(741,802)
Segment profit (loss) after taxation attributable to owners of the Company	1,015,067	737,656	1,001,464	(51,769)	2,702,418

**(4) INCOME TAX EXPENSE**

	<b><u>2014</u></b> <b>HK\$'000</b>	<b><u>2013</u></b> <b>HK\$'000</b>
Current tax		
- Hong Kong	<b>202,242</b>	158,308
- PRC Land appreciation tax (" <b>PRC LAT</b> ")	<b>1,000,868</b>	648,661
- PRC Enterprise income tax (" <b>PRC EIT</b> ") (including PRC withholding tax of HK\$24,386,000 (2013: HK\$135,786,000))	<b>1,526,756</b>	838,243
	<b><u>2,729,866</u></b>	<b><u>1,645,212</u></b>
Under(over) provision in prior years		
- Hong Kong	<b>236</b>	(267)
- PRC LAT (note iv)	<b>(131,290)</b>	16,335
- PRC EIT	<b>(1,818)</b>	(9,231)
	<b><u>(132,872)</u></b>	<b><u>6,837</u></b>
Deferred taxation for the year	<b><u>(130,092)</u></b>	<b><u>(262,516)</u></b>
	<b><u>2,466,902</u></b>	<b><u>1,389,533</u></b>

notes:

- (i) Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.
- (ii) The Group's subsidiaries in the People's Republic of China (the "**PRC**") are subject to PRC EIT at a rate of 25% for both years, except for a PRC subsidiary which is qualified as High New Technology Enterprises and enjoys a preferential tax rate of 15% for the year ended 31 December 2014. The preferential tax rate is applicable for three years until 2016 and subject to approval for renewal. During the year ended 31 December 2013, another PRC subsidiary was also taxed at a lower rate of 12.5% (2014: 25%) on a transitional basis.
- (iii) PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including cost of land use rights, borrowing costs and all qualified property development expenditures.
- (iv) The Group recognised an overprovision (2013: underprovision) of PRC LAT during the year ended 31 December 2014 upon completion of tax clearance procedures by certain PRC subsidiaries with the respective tax authorities.

**(5) PROFIT FOR THE YEAR**

	<u>2014</u> <b>HK\$'000</b>	<u>2013</u> HK\$'000
Profit for the year has been arrived at after charging:		
Amortisation of toll road operating rights (included in cost of sales)	<b>746,569</b>	721,631
Amortisation of other intangible assets (included in cost of sales)	<b>82,581</b>	57,284
Depreciation of property, plant and equipment	<b>330,320</b>	273,083
Release of prepaid lease payments	<b>5,911</b>	3,934
Compensation to customers as a result of late delivery of properties	-	79,704
Decrease in fair value of investment properties (included in administrative and other expenses)	-	99,240
Impairment loss on bad and doubtful debts	<b>13,375</b>	17,530
Impairment loss on properties held for sale	<b>160,144</b>	36,374
Impairment loss on inventories, other than properties	<b>2,087</b>	5,001
Net foreign exchange loss (included in other income, gains and losses)	<b>262,850</b>	-
Research and development costs	<b>2,659</b>	17,117
Share of PRC EIT of joint ventures (included in share of results of joint ventures)	<b>40,703</b>	26,625
Share of PRC EIT of associates (included in share of results of associates)	<b>9,862</b>	10,485
and after crediting other income, gains and losses as follows:		
Increase in fair value of investment properties	<b>2,920</b>	-
Net foreign exchange gain	-	127,100
Net gain on disposal/written off of property, plant and equipment	<b>730</b>	2,826
Reversal of provision for compensation to customers as a result of late delivery of properties	<b>24,685</b>	-
Reversal of impairment loss on bad and doubtful debts	<b>4,188</b>	-
Reversal of impairment loss on other receivables	<b>11,271</b>	-

(6) **DIVIDENDS**

	<u>2014</u> HK\$'000	<u>2013</u> HK\$'000
Dividends recognised as distribution during the year:		
2014 interim dividend of HK45 cents		
(2013: 2013 interim dividend of HK42 cents) per share	<b>487,243</b>	454,111
2013 final dividend of HK45 cents		
(2013: 2012 final dividend of HK58 cents) per share	<b>487,243</b>	626,916
	<b>974,486</b>	1,081,027

The final dividend of HK45 cents per share in respect of the year ended 31 December 2014 (2013: final dividend of HK45 cents per share in respect of the year ended 31 December 2013), amounting to approximately HK\$487.2 million (2013: HK\$487.2 million) in total, has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

(7) **EARNINGS PER SHARE**

The calculations of the basic and diluted earnings per share attributable to owners of the Company are based on the following data:

	<u>2014</u> HK\$'000	<u>2013</u> HK\$'000
Earnings:		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	<b>3,069,003</b>	2,702,418
Effect of dilutive potential ordinary shares - interest on convertible bonds, net of tax	<b>70,145</b>	60,321
Earnings for the purpose of diluted earnings per share	<b>3,139,148</b>	2,762,739
	<u>2014</u>	<u>2013</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,082,760,696</b>	1,081,075,132
Effect of dilutive potential ordinary shares - convertible bonds	<b>107,319,758</b>	80,857,352
- share options of the Company	<b>1,555,728</b>	1,972,285
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>1,191,636,182</b>	1,163,904,769

The computation of diluted earnings per share does not assume:

- (i) the exercise of the Company's outstanding options if the exercise price of those options was higher than the average market price for the corresponding period; and
- (ii) the exercise of options issued by Shanghai Industrial Urban Development Group Limited ("SI Urban Development"), a listed subsidiary of the Group, because they are anti-dilutive as the exercise price of those options was higher than the average market price for the corresponding period.

**(8) TRADE AND OTHER RECEIVABLES**

	<b><u>2014</u></b> <b>HK\$'000</b>	<b><u>2013</u></b> <b>HK\$'000</b>
Trade receivables	<b>962,527</b>	1,112,578
Less: allowance for doubtful debts	<b>(27,953)</b>	(18,827)
	<b>934,574</b>	1,093,751
Other receivables	<b>4,005,793</b>	5,104,923
Total trade and other receivables	<b>4,940,367</b>	6,198,674

The Group generally allows credit periods ranging from 30 days to 180 days to its trade customers, other than property buyers. For property sales, due to the nature of business, the Group generally grants no credit period to property buyers. The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date, which approximates the respective revenue recognition dates.

	<b><u>2014</u></b> <b>HK\$'000</b>	<b><u>2013</u></b> <b>HK\$'000</b>
Within 30 days	<b>294,684</b>	288,178
Within 31 – 60 days	<b>260,654</b>	172,099
Within 61 – 90 days	<b>110,967</b>	226,304
Within 91 – 180 days	<b>96,075</b>	134,422
Within 181 – 365 days	<b>100,989</b>	169,979
Over 365 days	<b>71,205</b>	102,769
	<b>934,574</b>	1,093,751

**(9) TRADE AND OTHER PAYABLES**

	<b><u>2014</u></b> <b>HK\$'000</b>	<b><u>2013</u></b> <b>HK\$'000</b>
Trade payables	<b>3,588,618</b>	2,641,685
Consideration payables	<b>763,940</b>	325,348
Other payables	<b>11,816,303</b>	11,727,300
Total trade and other payables	<b>16,168,861</b>	14,694,333



The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	<b><u>2014</u></b> <b>HK\$'000</b>	<b><u>2013</u></b> <b>HK\$'000</b>
Within 30 days	<b>484,307</b>	553,062
Within 31 – 60 days	<b>234,290</b>	136,522
Within 61 – 90 days	<b>175,272</b>	54,079
Within 91 – 180 days	<b>117,992</b>	63,458
Within 181 – 365 days	<b>840,200</b>	859,465
Over 365 days	<b>1,736,557</b>	975,099
	<b><u>3,588,618</u></b>	<b><u>2,641,685</u></b>

## FINANCIAL REVIEW

### I. Analysis of Financial Results

#### 1. Revenue

In 2014, revenue amounted to approximately HK\$19,967.07 million, representing a year-on-year decrease of 7.4%, mainly due to the fact that the property sales booked by SI Urban Development decreased by approximately HK\$2,000 million as compared with last year. However, the decrease was partially offset by the increase in the revenues from infrastructure facilities and consumer products businesses.

The year-on-year increase in revenue of infrastructure facilities business was mainly attributable to the natural growth in the toll income from three expressways, and also SI Environment started consolidating the sales of Qingpu Sewage Plant No. 2 upon completion of the acquisition.

The real estate business recorded a decrease of revenue due to a drop in property sales booked by SI Urban Development of approximately HK\$2,000 million compared to last year, and the revenue of SI Development slightly decreased by approximately 2.6%.

As for the revenue from consumer products business, the net sales of cigarettes of Nanyang Tobacco increased by approximately 8.9%. Wing Fat Printing completed the acquisition of Wing Fat Molded which is engaged in paper molds production business and consolidated its sales, leading to increase in sales revenue, however revenue of the paper trading recorded a year-on-year decrease of 26.6%, which offset part of the increase in revenue of Wing Fat Printing, resulting in a 8.6% year-on-year increase of revenue from consumer products business.

## 2. Profit Contribution from Each Business

Net profit from the infrastructure facilities business for the year was approximately HK\$1,139.51 million, accounting for 33.2% of Net Business Profit, representing a year-on-year increase of 12.3%. Although the traffic flow of the three expressways recorded natural growth ranging from 4.8% to 8.3%, the total amount of net profit of the three expressways was HK\$858.67 million, representing a slight year-on-year decrease of 1.0%, which was mainly due to the absence of the 50% tax concession for Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd. starting from this year. As for water services business, SI Environment's results grew substantially due to the completion of the new acquisition projects which provided profit contribution and benefited from foreign exchange gain in the year. In addition, a gain of the fair value change from Longjiang Environmental of HK\$67.17 million and a dilution gain of HK\$15.76 million was booked resulting from the dilution of shareholding in General Water of China from 47.5% to 45%, driving the substantial growth in profit of the water services business.

Real estate business recorded a profit of approximately HK\$1,208.60 million, accounting for 35.3% of Net Business Profit, representing a significant increase of approximately HK\$470.94 million as compared to last year. The increase was mainly due to the disposal of Lot E of Qingpu District, Shanghai and a profit after tax of HK\$1,190.98 million was booked, and an impairment of HK\$318.65 million in total was provided for available-for-sale investment of three real estate projects. While for last year, there was a disposal gain of HK\$515.68 million from the disposal of interest in land parcel, representing 25% equity interest in the U Center project.

The consumer products business recorded a net profit of HK\$1,078.87 million for the year, accounting for 31.5% of Net Business Profit, and increased by HK\$77.40 million as compared with last year. The increase was mainly due to the stable business growth of Nanyang Tobacco, the net sales and net profit of which increased by 8.9% and 9.1% respectively during the year. The operating profit of Wing Fat Printing also remained stable, net profit of which increased by 8.3% as compared with last year.

## 3. Profit before Taxation

### (1) *Gross profit margin*

Gross profit margin for the year was 37.9%, representing an increase of 8.7 percentage points as compared to 29.2% for last year, which is mainly due to a higher proportion of property sales booked in respect of the real estate business with higher gross profit margin. The gross profit margin for the infrastructure facilities businesses and consumer products businesses remained stable as compared with those of 2013.

### (2) *Other income, gains and losses*

Other income, gains and losses decreased as compared to last year, which is mainly due to a foreign exchange loss booked given the depreciation of Renminbi during the year.

(3) *Gain on disposal of assets through disposal of subsidiaries*

Last year, a disposal of interest in a land parcel, representing 25% equity interest in U Center project was completed and recorded a pre-tax gain of HK\$819.13 million. There was no such similar gain during the year.

(4) *Net gain on disposal /deemed partial disposal of interests in other subsidiaries, joint ventures and associates*

During the year, the net gain was mainly derived from the completion of sales of 40% equity rights of Tianjin City Yi Jia He (天津億嘉合) by SI Urban Development and the dilution of shareholding in General Water of China from 47.5% to 45% resulting in a profit of HK\$15.76 million. While the net gain for the previous year was mainly derived from the disposal of two wholly-owned subsidiaries of SI Development, namely Huzhou Huhong Investment Development Co., Ltd. and Huzhou Hubin Investment Development Co., Ltd., together with the disposal of 30% equity interest in Zhejiang Tianwai project by Wing Fat Printing.

4. Dividends

The Group continued to adopt a stable dividend payout policy. The Board of Directors has proposed a final dividend of HK45 cents per share. Together with an interim dividend of HK45 cents per share, the total dividend amounted to HK90 cents per share for 2014 (2013: HK87 cents per share), annual dividend payout ratio is 31.8% (2013: 34.8%).

**II. Financial Position of the Group**

1. Capital and Equity attributable to owners of the Company

The Group had a total of 1,082,761,600 shares in issue as at 31 December 2014, which was increased by 10,000 shares as compared with 1,082,751,600 shares in issue as at the end of 2013. The increase is mainly attributable to the exercise of share options by employees during the year.

The equity attributable to owners of the Company reached HK\$35,518.02 million as at 31 December 2014, which was attributable to the net profits after deducting the dividend actually paid during the year.

2. Indebtedness

(1) *Borrowings*

During the year, the Company, through a wholly-owned subsidiary, SIHL Finance Limited, signed a HK\$4 billion or US dollars equivalent dual-currency syndicated loan, of which HK\$2 billion or US dollars equivalent are of a 3-year term and the remaining HK\$2 billion or US dollars equivalent are of a 5-year term, for settling a HK\$2.6 billion syndicated loan due in May 2014 and for general working capital purpose. Besides, the Company signed a RMB1

billion loan in February 2014 for settling a Renminbi loan due in May 2014.

As at 31 December 2014, the total borrowings of the Group including bank borrowings, other borrowings and convertible bonds amounted to approximately HK\$44,589.13 million (31 December 2013: HK\$37,806.53 million), of which 60.4% (31 December 2013: 72.6%) was unsecured credit facilities.

(2) *Pledge of assets*

As at 31 December 2014, the following assets were pledged by the Group to banks to secure banking facilities granted by these banks to the Group:

- (a) investment properties with an aggregate carrying value of HK\$12,456,886,000 (31 December 2013: HK\$5,298,903,000);
- (b) leasehold land and buildings with an aggregate carrying value of HK\$1,664,858,000 (31 December 2013: HK\$940,841,000);
- (c) plant and machineries with an aggregate carrying value of HK\$30,956,000 (31 December 2013: HK\$14,837,000);
- (d) one (31 December 2013: one) toll road operating right of HK\$3,095,721,000 (31 December 2013: HK\$3,335,773,000);
- (e) receivables under service concession arrangements with an aggregate carrying value of HK\$2,553,891,000 (31 December 2013: HK\$2,294,931,000);
- (f) properties under development held for sale with an aggregate carrying value of HK\$8,443,487,000 (31 December 2013: HK\$10,630,517,000);
- (g) properties held for sale with an aggregate carrying value of HK\$129,768,000 (31 December 2013: HK\$132,958,000);
- (h) trade receivables with an aggregate carrying value of HK\$192,098,000 (31 December 2013: HK\$240,273,000); and
- (i) bank deposits with an aggregate carrying value of HK\$742,973,000 (31 December 2013: HK\$512,231,000).

(3) *Contingent liabilities*

As at 31 December 2014, the guarantees given to banks by the Group in respect of banking facilities utilised by an entity controlled by Xuhui District State Owned Asset Administrative Committee, property buyers and joint ventures amounted to approximately HK\$269.93 million, HK\$1,669.79 million and HK\$837.17 million (31 December 2013: HK\$340.59 million, HK\$3,137.45 million and HK\$212.23 million) respectively.

### 3. Capital Commitments

As at 31 December 2014, the Group had capital commitments mainly contracted for business development and investments in fixed assets of HK\$7,373.54 million (31 December 2013: HK\$8,894.87 million). The Group had sufficient internal resources and/or through loan market channel to finance its capital expenditures.

### 4. Bank Deposits and Short-term Investments

As at 31 December 2014, bank balances and short-term investments held by the Group amounted to HK\$26,332.41 million (31 December 2013: HK\$27,035.63 million) and HK\$490.20 million (31 December 2013: HK\$542.12 million) respectively. The proportions of US dollars and other currencies, Renminbi and HK dollars in respect of bank balances were 8%, 81% and 11% (31 December 2013: 4%, 85% and 11%) respectively. Short-term investments mainly consisted of investments such as Hong Kong and PRC listed shares.

While having sufficient working capital and a healthy interest cover, the Group is monitoring the market situation and the funding requirements for business development, will seek opportunities to optimize capital structure should the need arise.

## III. EVENT AFTER THE REPORTING PERIOD

The following event took place after the reporting period:

On 24 March 2015, SI Environment entered into a sales and purchase agreement with certain independent third parties, pursuant to which SI Environment has agreed to acquire an indirect 92.15% equity interest in 上海復旦水務工程技術有限公司 (Fudan Water Engineering and Technology Co., Ltd.) (“**Fudan Water**”). Fudan Water is principally engaged in the business of waste water treatment in the PRC. The consideration for the acquisition is RMB1,068,820,000 (equivalent to approximately HK\$1,335,691,000), to be satisfied by cash of RMB151,702,000 (equivalent to approximately HK\$189,580,000) and the balance by the allotment and issue of an aggregate of 1,560,000,000 ordinary shares of SI Environment. In addition to acquisition consideration, SI Environment also agreed to repay a shareholders loan of RMB479,180,000 (equivalent to approximately HK\$598,825,000) within 10 days after the completion of this acquisition. Therefore, the aggregate consideration under the sales and purchase agreement is RMB1,548,000,000 (equivalent to approximately HK\$1,934,516,000). Upon the issuance of consideration shares by SI Environment, the Group’s shareholding in SI Environment would be diluted from 41.85% to 35.99%.

Up to the date of approving these consolidated financial statements, this acquisition has not yet been completed.