上海實業控股有限公司
SHANGHAI INDUSTRIAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 363)

ANNOUNCEMENT OF 2017 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 2017. The Group's net profit amounted to HK$3,150 million, representing a year on-year increase of 8.5%. The increase was mainly attributable to stable growth in profits from the infrastructure segment, higher booked revenues from the real estate business as well as steady profit contributions from consumer products. A revenue of HK$29,504 million was recorded for the year, representing an increase of 33.3% over last year.

In 2017, the global economy was volatile and confronted by mixed issues. In spite of the sound and steady growth in China and the rebound of the RMB exchange rate, the risk of inflation in Europe and America escalated while interest rates were expected to go up and international geopolitical situations remained tense. The Group continued to integrate its financing activities and business operations under the leadership of the Board and the management. Through tightening its internal control and enhancing operational efficiency, the Group achieved stable growth for its core business segments during the year. Capitalizing on capital market operations, a number of major projects were completed during the year, laying a solid foundation for the long-term development of the Group.

The Board of Directors has recommended a final dividend of HK48 cents per share for 2017 (2016: HK46 cents per share). Together with an interim dividend of HK46 cents per share (2016: HK36 cents per share and a special dividend of HK10 cents per share) paid during the year, total dividends for the year amounted to HK94 cents per share (2016: HK82 cents per share and a special dividend of HK10 cents per share).

INFRASTRUCTURE FACILITIES

The infrastructure facilities business of the Group recorded a profit of HK$1,533 million for the year, representing an increase of 9.7% over the same period last year and accounting for 43.8% of the Group's Net Business Profit*. The toll roads business continued to provide stable profits and cash flows to the Group; our newly acquired assets also generated additional profits. The scale of our water and environmental protection business expanded steadily. The Group will continue to identify future merger and acquisition as well as development opportunities from various fields in the industry for further growth.

Toll roads

In 2017, the three toll roads and Hangzhou Bay Bridge under the Group recorded overall growth in toll revenue and traffic flow. Through measures taken to prevent traffic congestions, peak traffic flow on holidays such as the Spring Festival, the Tomb Sweeping Day, the Labour Day, the National Day and other important occasions was effectively resolved. As a result, road and traffic conditions remained smooth and stable and road safety operations were ensured.

The key operating figures of the respective tolls roads/bridge are as follows:

Toll roads/bridge	Interest attributable to the Group	Net profit from project company	Change	Toll revenue	Change	Traffic flow (vehicle journey)	Change
Jing-Hu Expressway (Shanghai Section)	100%	HK$372 million	+21.2%	HK$709 million	+2.6%	57.70 million	+6.9%
Hu-Kun Expressway (Shanghai Section)	100%	HK$446 million	+11.5%	HK$1,083 million	+5.5%	58.02 million	+6.3%
Hu-Yu Expressway (Shanghai Section)	100%	HK$209 million	+18.8%	HK$602 million	+14.7%	42.38 million	-2.8%
Hangzhou Bay Bridge	23.0584%	HK$119 million	+47.9%	HK$1,822 million	+15.4%	13.34 million	+12.3%
Total		**HK$1,146 million**	**+19.0%**	**HK$4,216 million**	**+10.3%**	**171.44 million**	**+4.5%**

Benefitting from a rising number of vehicles using the highway, the traffic flow for Jing-Hu Expressway (Shanghai Section) has maintained its growth. During the year, the project company, Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd. ("**Hu-Ning Expressway**") further improved its toll collection efficiency and quality through competition activities. A road safety competition under the theme "Safety 360" was organized to promote safety management standards and employees' safety awareness. To cope with continuous increases in traffic flow for the electronic toll collection (ETC) lanes, the facilities at the Jiangqiao toll station was improved and transformed. As a result, entrance traffic operation efficiency during peak hours was enhanced by 14%. During the year, "pre-maintenance" work was implemented and special projects such as pavement renovations in the section leading to the town and road improvement in Motor City interchange and outer ring interchanges were conducted to ensure road safety operations. Hu-Ning Expressway acquired approximately 11.27% shareholdings in Zhejiang Wufangzhai Industrial Co., Ltd. ("**Wufangzhai**") held by Shanghai Galaxy Investment Co., Ltd. ("**Shanghai Galaxy**") for a total consideration of RMB162,764,700. Completed in the first half of 2017, the transaction raised Hu-Ning Expressway's interest in Wufangzhai to approximately 23.97%. This has been accounted for in the Group's accounts by way of equity accounting and the increased shareholdings are expected to contribute higher profits to the project company.

By adhering to the principle of making progress while maintaining stability, Hu-Kun Expressway (Shanghai Section) maintained stable growth in annual toll revenue and traffic flow. During the year, the project company continued to take routine measures to prevent traffic congestions and ensure smooth traffic flows, fully utilized effective customer service systems, strengthened on-site management of ETC lanes and improved all-rounded emergency measures to ensure safe and smooth traffic flows at toll lanes. During the year, under the guidance of establishing a demonstration enterprise with safety culture, the project company further strengthened safety operations, promoted safety culture among its employees and successfully completed all necessary requirements to become a role model for a municipal enterprise with a safety culture. In addition, Hu-Kun Expressway (Shanghai Section) has transformed the Fengjing Service Area into a place under the theme of "Spring Station". As the only expressway service area that has won the title of "demonstration service area" in Shanghai, Fengjing Service Area successfully passed a review taken every two years.

Although the resumption of toll collection by the Jiasong toll station of the Hu-Yu Expressway (Shanghai Section) in the beginning of the year and the close of the temporary ramps at Huting North Road in July affected traffic flow of the section to some extent, toll revenue recorded stronger growth due to the resumption and continuous growth in motor vehicle parc as well as increases in travelling and the opening of Jiudu Road toll station in July. In respect of changes at the above toll stations and sections together with possible public responses, the project company actively communicated with relevant government departments and implemented a large number of traffic security measures and carried out respective propaganda work. With concerted efforts from all parties, the toll collection and opening of toll stations as well as the close of temporary ramps were all in a steady and orderly manner and traffic conditions resumed to normal. During the year, continued toll competitions have led to enhanced toll collection quality and efficiency. Traffic outflow at the toll stations in the urban area of Qingpu increased by almost 18% year-on-year, which effectively reduced congestions during peak hours. The Lanlu Port Bridge of the road, the only bridge project representing Shanghai municipal city for the national trunk highway network inspection conducted during the year, was highly commended by the inspection team for the detailed and comprehensive preparation work made by the project company for the inspection exercise and the great efforts it has put into the daily operation.

The Group acquired a 23.0584% interest in the Hangzhou Bay Bridge project during the last financial year which is in line with the Group's development strategy for its toll roads business. The acquisition has reinforced the asset portfolio of its infrastructure facilities business and increased the operating profits of the segment. The operational efficiency of the Hangzhou Bay Bridge continued to improve, and its traffic flow and toll revenue recorded satisfactory growth in 2017, benefitting from the resumption of original toll levels and the implementation of favorable policies in Zhejiang province for ETC vehicles to pay toll according to actual routes, as well as lesser impact from bad weather conditions such as fog and snow. By adopting first class bridge-building technology, the Hangzhou Bay Bridge has a safe structure. Both the south-shore and north-shore service areas on the Hangzhou Bay Bridge were selected as the "National Top 100 Demonstration Service Areas" during the year, and the scenic area of Haitian Island was awarded by the Ningbo government as an "Excellent Tourist Attraction".

Water services

The Group's environmental protection and water business has developed rapidly in recent years through mergers and acquisitions as well as its organic growth. Total water treatment capacity has increased by more than 10 million tonnes and the Group's future investments will still be focused on the development of municipal sewage treatment, waste-to-energy and industrial sewage treatment and other environmental protection-related fields.

In January 2017, the Company subscribed for 350,000,000 new ordinary shares in SIIC Environment Holdings Ltd. ("**SI Environment**") at a placement price of S$0.63 per share, which was approved by the independent shareholders of SI Environment. Completed in May, the share subscription and increase in shareholdings in SI Environment are considered to be in line with the Group's development strategy of expanding its infrastructure facilities business.

In addition, in February 2017, the Company, through its wholly-owned subsidiary subscribed for 300,000,000 new ordinary shares of Canvest Environmental Protection Group Company Limited ("**Canvest Environmental**") at HK$3.50 per share for a total investment sum of HK$1,050 million. The transaction was completed and both parties will work together for the strategic development of waste-to-energy business.

Also in February of the same year, the Company, through its wholly-owned subsidiary indirectly acquired an additional 3.75% shareholding interest in Longjiang Environmental Protection Group Co., Ltd. ("**Longjiang Environmental**") at a consideration of RMB96 million, increasing the Group's shareholding to 98.75%. The transaction will enable the Group to further benefit from the earnings contributions brought by Longjiang Environmental, and is in line with the Group's development strategy of investing its water services business in the northeastern region of the PRC, especially in the Heilongjiang Province.

SI Environment

SI Environment recorded an annual revenue of RMB4,639 million for 2017, representing a year-on-year growth of 75.2%. The increase in revenue was mainly attributable to the newly constructed BOT (build-operate-transfer) projects which resulted in an increase of urban EPC (engineering, procurement and construction) revenue and revenue contributions from newly acquired enterprises. Profits increased by 17.7% year-on-year to RMB536 million, mainly due to profit contributions from newly constructed BOT projects and from newly acquired enterprises.

During the year, SI Environment commenced its application for a dual primary listing on the Main Board of the Hong Kong Stock Exchange by way of introduction. Relevant resolutions had been approved by its shareholders at the extraordinary general meeting held on 29 January 2018, and in early March, SI Environment was approved in principle for listing by the Hong Kong Stock Exchange. The shares of SI Environment commenced official trading on the Hong Kong Stock

Exchange on 23 March 2018. It is expected that the dual listing will offer more mobility for shareholders' trading of the respective stock and to further expand the capital base of the company to support its long-term development.

In January 2017, Longjiang Environmental acquired in cash a 100% equity interest of CITIC Envirotech Water Resource (Hegang) Co., Ltd. for RMB111.87 million. The company is operating two sewage treatment plants and a water recycling project in Hegang City, Heilongjiang, the PRC with a designed daily capacity of 110,000 tonnes.

In July, SI Environment acquired the entire share capital of Pinghu Dushan Sewage Treatment Co., Ltd. ("**Pinghu Dushan Sewage**") at a consideration of RMB9.11 million. Pinghu Dushan Sewage is licensed to engage in public sewage treatment until 19 July 2067, and was given to operate a PPP project for sewage treatment plant in Eastern Pinghu City, Zhejiang Province, China, with a daily capacity of 220,000 tonnes.

In August, Longjiang Environmental acquired the entire share capital of Jiaohe Jiaxin Water Co., Ltd. ("**Jiaohe Jiaxin Water**") at a consideration of RMB95 million. Jiaohe Jiaxin Water is operating a 30-year BOT sewage treatment project with a total designed daily capacity of 30,000 tonnes.

The process of urbanisation in China and requirements for a better living environment is favorable to the company's business development strategy which focuses on investments in environmental protection business such as sewage treatment and waste-to-energy. Going forward, SI Environment will continue to explore additional financing channels, expand the scale of its business through organic growth and external mergers and acquisitions as well as to streamline its internal management and control systems and to enhance the company's brands and recognition.

General Water of China

General Water of China Co., Ltd. ("**General Water of China**") recorded net profits of HK$172 million for 2017 with a year-on-year decrease of 5.6%. Revenue amounted to HK$1,985 million, a year-on-year increase of 2.2%. As at the end of 2017, General Water of China owned 30 water supply facilities and 27 sewage treatment plants with a total daily capacity of 6,622,500 tonnes, among which, total water production daily capacity was 4,265,000 tonnes and daily sewage treatment capacity was 2,437,500 tonnes, and two reservoirs with a gross storage tank volume of 182.32 million tonnes and a pipe network of 6,030 kilometres in total. General Water of China has been awarded one of the Top 10 Most Influential Enterprises in China's Water Industry for the 14th consecutive year, ranking the fifth.

During the year, the development of municipal water supply and drainage projects were carried out by General Water of China through a variety of channels. While new regional markets were being developed, the company capitalized on the competitiveness of the area where the project companies are located. Adhering to its regional market development strategy, General Water of China has broadened its coverage to the surrounding markets. In addition, new business arenas were explored, and a number of projects were investigated in order to obtain valuable business resources. Capitalized on its own brand and the advantage of its resources, the company also took part in tenders for relevant projects and carried out subsequent reviews according to the Group's overall plans for its environmental water projects, which has effectively supported the sustainable and healthy development of the Group's water business segment.

By focusing on enlarging pipe network coverage and developing the reporting and installation business, the respective project companies further expanded their water supply services during the year, with new users increased by approximately 100,000, which greatly increased the revenues for these companies. In addition, the Class 1A upgrading project for the sewage treatment plant in eastern Wenzhou was completed for overall testing and final acceptance of the construction and installation project was also completed. The Class 1A upgrading and expansion project for a sewage treatment plant in river east of Xiangtan city was at the final settlement stage. The 240T/D sludge centralized drying incineration project in Wenzhou had successfully passed the completion examination. Xiangtan no. 3 water plant quality upgrading and expansion project had held its inauguration ceremony and the project is expected to be completed and put into production in June of 2019. With the joint efforts of all parties, the Suifenhe project received financial subsidies and compensations from the municipal government and operational cash flow was improved significantly.

NEW BUSINESS ARENA

As at the end of 2017, Shanghai Galaxy and its 85% owned subsidiary, SIIC Aerospace Galaxy Energy (Shanghai) Co., Ltd., operated 11 photovoltaic power generation projects in the PRC, with total photovoltaic assets capacity reaching 560MW. During the year, the total amount of on-grid electricity sold was approximately 716 million kWh, representing an increase of 28.7% over the previous year. With the rapid growth of the photovoltaic business, the project companies continued to pursue more potential quality assets, and efforts were also made to strengthen the management of existing projects. As national policies have provided firm support to the environmental protection industry, it is expected that the development of the photovoltaic power generation business will be further driven. In future, efficient and safe management of resources will be strengthened to ensure that power generation will be increased under a healthy external environment with enhanced resources utilization to support the company's long-term sustainable development.

REAL ESTATE

The real estate segment recorded a profit of HK$894 million for the year and accounting for 25.6% of the Group's Net Business Profit*. Shanghai Industrial Urban Development Group Limited ("**SI Urban Development**") had recorded additional gains arising from the disposal of a 75% interest in the "U Center" project in Shanghai in 2016. While no such additional gains similar to that of 2016 were recorded during the year, higher gross profit margin and revenues booked from properties sales increased significantly, leading to an increase in profit of by 18.9% year-on-year.

In November 2017, the Group restructured its assets to optimize its resource allocation, pursuant to which, Shanghai Urban Development (Holdings) Co., Ltd., a non-wholly owned subsidiary of SI Urban Development, transferred its entire equity interest in Shanghai Shenda Property Company Limited and Shanghai Urban Development Commercial Property Development Company Limited to the wholly-owned subsidiaries of Shanghai Industrial Development Co., Ltd. ("**SI Development**") for RMB70 million and RMB17 million respectively. Both companies are engaged in property management in the PRC. Such transactions will enable SI Urban Development to focus on property developments in Shanghai as well as first-tier and second-tier core cities in the country, thereby divesting its non-core property management business. At the same time, it will allow SI Development to expand rapidly its property management business, thus consolidating its industry position and increasing its market shares.

SI Development

SI Development recorded a revenue of RMB7,234 million for the year, representing an increase of 11.46% over last year, arising mainly from property sales booked for real estate projects. Net profit for the year amounted to RMB872 million, representing an increase of 47.2% over last year. Contract sales for the year amounted to RMB5,304 million, arising from such projects as A New Era in the City in Jiading, Shanghai, Sea Palace in Quanzhou and Hi-Shanghai in Hangzhou with a gross floor area of 263,800 square meters. Property sales booked for the year were RMB5,247 million, which mainly included Shanghai Bay in Qingpu, Shanghai, Sea Palace in Quanzhou and Hi-Shanghai in Chongqing. Rental income for the year amounted to HK$358 million.

In December 2017, through its wholly–owned subsidiaries, SI Development acquired the property interest in the E1B project at a consideration of RMB187,000,000 and 80% equity interest in Shanghai Shangtou Commercial Asset Management Co., Ltd. ("**SSCAM**") at a consideration of RMB13,720,000 respectively, from wholly-owned subsidiaries of Shanghai Industrial Investment (Holdings) Company Limited ("**SIIC**"). The E1B project include the land use right of a project site located at the Pao Jiang Industrial Zone, Shaoxing City, Zhejiang Province and the immovable properties erected thereon. With a site area of 13,110 square meters and a total gross floor area of 33,211.44 square meters, the project is for both office and commercial use, with the land use right for such purposes expiring on 4 December 2044. The project development was completed in August 2017. Following this, SI Development will be able to further strengthen the rental income of its real estate business, and at the same time, enjoy potential capital appreciation in the future. SSCAM is a commercial property management company that has intelligent operation management systems, and was entrusted to operate and manage the Changning United 88 Center project and the Pudong Shengyin Building project. The acquisition will improve the property management quality of SI Development and enhance its profitability.

In June, a wholly-owned subsidiary of SI Development won the bid for the purchase of land use rights for the land lot "Sudi 2017-WG-10" in Suzhou, Jiangsu at a consideration of RMB2,196.60 million. The land parcel is located in Mudu Town, Wuzhong District, Suzhou with a site area of 40,816.9 square meters and a plot ratio of 2.2, for residential use.

In the same month, Guangzhou Cowork Internet Technology Co., Ltd. was invited by SI Development to inject 100% equity interest of its wholly-owned subsidiary, Guangzhou Cowork Technology Co., Ltd. into Weplus (Shanghai) Technology Co., Ltd. ("**Weplus Technology**"), a 45% associated company of SI Development, for an increase of registered capital amounting to RMB41,058,919. Upon completion of the transaction, Weplus Technology is able to strategically penetrate the Southern China market and have presence in 19 major cities, occupying 51 locations across the country with a leading position in the industry in terms of the number of cities and locations. The transaction marks a step forward for SI Development in the exploration of the shared office business and represents an effective pilot programme for the company. The transaction will lay a solid foundation for Weplus Technology in developing the platform mode for resource matching, service upgrading and space sharing in the shared office business.

In July, SI Development introduced Mori Building China (Shanghai) Co., Ltd. to contribute an additional capital of approximately RMB128.08 million to Shanghai Hongsheng Investment Development Co., Ltd. ("**Shanghai Hongsheng**"), a 49% associated company of SI Development, representing a 10% equity interest of Shanghai Hongsheng. In addition to optimizing the funding structure, the transaction is expected to benefit Shanghai Hongsheng from the extensive experience of its new shareholder in the area of urban redevelopment and town management. Such resources are expected to help the company to step up the development and construction progress of the Honghou North Bund project and to efficiently enhance the quality of project construction and operation.

In November 2017, the official launch ceremony of "SI Services+" was held. "SI Services+" is a comprehensive smart lifestyle service platform that integrates the quality service resources of SI Development as a whole, covering a variety of services such as property services, smart energy, shared office, social services and health-care for the elderlies. It will offer quality experience and value-added services to its customers and strengthen the momentum and capability of the company for innovative development.

SI Urban Development

Profits attributable to shareholders of SI Urban Development for the year amounted to HK$558 million, representing a rise of 6.9%. The increase is mainly attributable to more properties delivered during the year upon completion of construction under Urban Cradle in Shanghai and Originally in Xi'an. Revenue amounted to HK$9,357 million, representing an increase of 70.4% as compared to last year. Properties delivered during the year mainly included Urban Cradle and Grand Mansion in Shanghai and Originally in Xi'an, accounting for a gross floor area of 358,000 square meters. Overall contract sales of SI Urban Development dropped 10.0% to RMB5,940 million, which mainly included Urban Cradle and Grand Mansion in Shanghai and Originally in Xi'an, representing a gross floor area of 386,000 square meters, an increase of 8.4% over last year. Rental income for the year amounted to HK$635 million.

TODTOWN was jointly developed by SI Urban Development, Sun Hung Kai Properties Limited and the Shanghai government. The residential portion of TODTOWN Phase I is planned to be launched in the market in 2018; the commercial portion has already commenced construction. The development is expected to generate more stable rental income for the company in the future.

In August, SI Urban Development won the bid for the land use rights of a land plot for a land premium of RMB2,220 million. The land is located at Minhang District, Shanghai, next to a large park and is a metro superstructure project along Metro Line No. 12, with a total site area of approximately 34,000 square meters and a total gross floor area of approximately 118,000 square meters, for commercial and office use. The site is expected to be developed into a low-density commercial complex.

Subsequent to the year end, through its subsidiaries, SI Urban Development entered into respective agreements with the wholly-owned subsidiaries of SIIC, on 30 January and 28 February 2018, to acquire a 100% equity interest in Shanghai Shangtou Real Estate Investment Company Limited ("**Shanghai Shangtou**") for RMB530,827,057.19 and a 35% equity interest in Shanghai Real Estate Northern Region Investment Development Company Limited ("**NR Investment**") for RMB88,338,100. Shanghai Shangtou principally holds two secondary land development projects in China, and NR Investment is principally engaged in primary land development in China. The acquisition provides a good opportunity for SI Urban Development to expand its investment to the primary and secondary land development business in Shanghai, which complements its principal businesses. The acquisitions are also in line with the Group's strategic integration framework for its real estate segment.

CONSUMER PRODUCTS

The consumer products business contributed a profit of HK$1,070 million during 2017, which was basically the same with that of last year and accounting for 30.6% of the Group's Net Business Profit*. Through its efforts in recent years, The Wing Fat Printing Company, Limited ("**Wing Fat Printing**") has diversified its development. Apart from traditional tobacco and wine packaging business, the company also successfully expanded into the new exquisite high-end moulded fiber packaging business which has become an important source of contribution for its business. During the year, due to the decline in consumption in the tobacco market and against the macro-environment of smoking control, profits for the tobacco industry were more or less affected. In view of the current market situation and strengths of the company, Wing Fat Printing will establish new goals and introduce respective measures in order to achieve sustainable development in the coming year.

Tobacco

During the year, Nanyang Brothers Tobacco Company, Limited ("**Nanyang Tobacco**") continued to work hard to overcome from the changing external environment. Through expanding the market and upgrading its technologies, the company has improved itself as well as operational efficiency. During the year, the operational targets established for the whole year were achieved recording a profit after tax of HK$950 million and a revenue of HK$3,092 million. This represented a moderate decrease from last year due to objective factors from the external environment. In the coming year, Nanyang Tobacco will continue to capitalize on opportunities for development, maintain the sales volume of its traditional products, and actively promote new products development. In addition, advanced production technology and equipment will be introduced in order to make innovative breakthroughs into new tobacco project and to increase the company's profitability.

During the year, Nanyang Tobacco strived to develop new markets and products to cope with market challenges. The company has made considerable efforts to develop its business in countries and markets along the "One Belt and One Road". Extensive researches were conducted and differnent ways were explored to bring vitality to the century-old national brand “Double Happiness” into the surrounding markets. Satisfactory results are expected for the expansion of the product into countries of Central Asia. Currently, the company is striving to target at the duty-free markets in Armenia and Azerbaijan and will subsequently expand its sales efforts into other countries. The Double Happiness “One Belt and One Road” commemorative edition for Central Asia also successfully opened its market in Vietnam.

In addition, Nanyang Tobacco continued to carry out new product development programs to upgrade its products, including the successful launch of such new products that brought market attention to the “Double Happiness” brand. New products to be launched to the market include Double Happiness Nanyang Classic, Double Happiness Ta Shee, Double Happiness Classic Deluxe (round box) and Pearl of the Orient (Hong Kong Milk Tea Flavor).

Printing

Wing Fat Printing recorded a revenue of HK$1,416 million for 2017, representing a rise of 16.3% over last year. This was mainly attributable to the increase in revenue brought by the new exquisite high-end moulded fiber packaging business and the wine-packaging business during the year. Net profits for the year amounted to HK$128 million, which were basically the same as last year.

The year 2017 was a critical year for the business transformation of Wing Fat Printing and a crucial time for the company to transform, change and innovate. During the year, the company was under the pressure of continuous decline in product pricing, surging raw material prices, rising labor costs as well as other internal and external competitions and challenges. By virtue of the determination and commitment of the management team, the company was able to achieve its annual operational objectives of “making new breakthroughs for new business, seeking steady increase for traditional business” which were introduced in the beginning of the year. It is encouraging to note that with the above efforts, both traditional business and new ventures made progress.

Through the efforts of the management team, in just three years, the new exquisite high-end moulded fiber packaging business serving multi-national customers, has become a new driver for strategic transformation of the century-old Wing Fat Printing and new power engine for its growth and development. The declined trend encountered in the past years for the traditional printing and packaging business has also come to an end. In face of the impact resulted from significant rises in raw materials such as papers and cartons since 2016, the company actively took effective measures to increase revenue and explore business potential, which are able to offset the impact of substantial increases in raw material prices for the current operating results, and safeguarded the strategy of “a transforming development propelled by two wheels” of Wing Fat Printing.

** Net profit excluding net corporate expenses*

PROSPECTS

Going forward, the Group will continue to maintain the growth momentum for the development of its infrastructure facilities business while actively explore investment opportunities in such areas as new infrastructure business models, new environmental protection businesses and new arenas in clean energy. For toll roads, the Group will continue to streamline its management and continue with its efforts to control cost and increase efficiency for better investment gains.

For the real estate business, the Group will continue to enhance its asset structure and project planning activities while further improving management capabilities and profit contributions of its commercial assets. At the same time, we will monitor carefully the pace of our development, adopt a positive and flexible marketing strategy to fully accomplish our sales and profit targets.

Nanyang Tobacco is expected to maintain its stable sales and profits through further expansion of markets, optimizing product mix and strengthening technological transformation. In addition, efforts will be made to strengthen its internal management, control cost and take appropriate measures to prevent exchange risk. Wing Fat Printing will strive to enhance its operational and management ability in the traditional cigarette and wine packaging businesses as well as its new exquisite moulded fiber business with the intention to maintain positive business and profit growth.

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.

Shen Xiao Chu
Chairman

Hong Kong, 28 March 2018

FINAL DIVIDEND

The Board of Directors has recommended a final dividend of HK48 cents per share for 2017 (2016: HK46 cents per share). Together with an interim dividend of HK46 cents per share (2016: HK36 cents per share and a special dividend of HK10 cents per share) paid during the year, total dividends for the year amounted to HK94 cents per share (2016: HK82 cents per share and a special dividend of HK10 cents per share).

Subject to approval by the Shareholders at the Annual General Meeting, the final dividend will be paid on or about Tuesday, 12 June 2018 to Shareholders whose names appear on the register of members of the Company on Thursday, 31 May 2018.

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, 24 May 2018 at 3:00 p.m. (the "**Annual General Meeting**"). Notice of the meeting will be despatched to the shareholders in mid-April 2018 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* and the website of the Company at *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 Tuesday, 15 May 2018 to Wednesday, 16 May 2018, 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 Monday, 14 May 2018.

Final Dividend

For the purpose of determining Shareholders' entitlement to the final dividend, the register of members of the Company will be closed on Thursday, 31 May 2018. 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 Wednesday, 30 May 2018.

REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed the Company's consolidated annual results for the year ended 31 December 2017.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange for the year ended 31 December 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2017, SI Urban Development, a subsidiary of the Company, bought back a total of 300,000 of its own ordinary shares on the Stock Exchange for a total consideration of approximately HK$481,000, and all these shares were cancelled. Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

ANNOUNCEMENT DATED 28 FEBRUARY 2018 REGARDING THE ACQUISITION OF EQUITY INTEREST IN SHANGHAI SHANGTOU (THE "SHANGTOU ANNOUNCEMENT")

Below is the supplementary information of the Shangtou Announcement. Capitalised terms used in this announcement shall have the same meanings as those defined in the Shangtou Announcement, unless otherwise stated herein. The Transferor acquired Shanghai Shangtou in 2014 at the consideration of approximately RMB3,300 million (the "**Original Acquisition**"). However, the assets held by Shanghai Shangtou at the time of the Original Acquisition were substantially different from the assets that it currently holds. The principal assets of Shanghai Shangtou (excluding the Carved-out Assets) currently comprise the land and properties held under three project companies established by Shanghai Shangtou after the Original Acquisition. Therefore, the original acquisition cost of Shanghai Shangtou is not relevant for the purpose of the Shangtou Announcement.

PUBLICATION OF THE ANNUAL REPORT

The Annual Report 2017 will be despatched to the Shareholders in mid-April 2018 and will be made available at the HKExnews website of the Stock Exchange at *www.hkexnews.hk* and the website of the Company at *www.sihl.com.hk* accordingly.

BOARD OF DIRECTORS

As at the date of this announcement, the Board of Directors of the Company comprises four Executive Directors, namely Mr. Shen Xiao Chu, Mr. Zhou Jun, Mr. Xu Bo and Mr. Xu Zhan; four Independent Non-Executive Directors, namely, Prof. Woo Chia-Wei, Mr. Leung Pak To, Francis, Mr. Cheng Hoi Chuen, Vincent and Mr. Yuen Tin Fan, Francis.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	**2017**	2016
		HK$'000	HK$'000
Revenue	*3*	**29,504,287**	22,131,758
Cost of sales		**(17,678,032)**	(14,460,588)
Gross profit		**11,826,255**	7,671,170
Net investment income		**850,218**	731,408
Other income, gains and losses		**1,106,141**	888,455
Selling and distribution costs		**(1,080,602)**	(1,070,256)
Administrative and other expenses		**(2,378,922)**	(2,307,635)
Finance costs		**(1,781,329)**	(1,426,982)
Share of results of joint ventures		**231,782**	214,147
Share of results of associates		**390,048**	73,030
Gain on derecognition/disposal of interests in associates/ disposal of assets through disposal of interests in subsidiaries		**229,270**	2,725,933
Profit before taxation		**9,392,861**	7,499,270
Income tax expense	*4*	**(4,235,224)**	(2,659,370)
Profit for the year	*5*	**5,157,637**	4,839,900
Profit for the year attributable to			
- Owners of the Company		**3,150,472**	2,903,030
- Non-controlling interests		**2,007,165**	1,936,870
		5,157,637	4,839,900
		HK$	HK$
Earnings per share	*7*		
- Basic		**2.898**	2.673
- Diluted		**2.897**	2.639

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	HK$'000	HK$'000
Profit for the year	**5,157,637**	4,839,900
Other comprehensive income (expense)		
Items that may be subsequently reclassified to profit or loss		
Exchange differences arising on translation of foreign operations		
- subsidiaries	**4,082,787**	(2,594,309)
- joint ventures	**270,224**	(248,214)
- associates	**354,280**	(255,669)
Fair value change on available-for-sale investments held by subsidiaries	**12,539**	27,469
Reclassification on derecognition/disposal of available-for-sale investments held by subsidiaries	**(45,478)**	(66)
Reclassification of translation reserve upon disposal of associates	**(7,650)**	(11,106)
Other comprehensive income (expense) for the year	**4,666,702**	(3,081,895)
Total comprehensive income for the year	**9,824,339**	1,758,005
Total comprehensive income for the year attributable to		
- Owners of the Company	**5,766,297**	760,325
- Non-controlling interests	**4,058,042**	997,680
	9,824,339	1,758,005

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2017

	Note	**2017**	2016
		HK$'000	HK$'000
Non-Current Assets			
Investment properties		**22,615,656**	18,619,278
Property, plant and equipment		**5,026,406**	4,388,915
Prepaid lease payments – non-current portion		**254,159**	243,135
Toll road operating rights		**9,718,405**	9,812,934
Goodwill		**848,012**	809,347
Other intangible assets		**7,895,262**	7,325,733
Interests in joint ventures		**3,861,399**	3,467,597
Interests in associates		**5,076,505**	3,378,695
Investments		**796,723**	1,170,084
Receivables under service concession arrangements – non-current portion		**15,875,734**	12,489,936
Deposits paid on acquisition of subsidiaries/ property, plant and equipment		**526,706**	139,974
Other non-current receivables		**26,739**	58,732
Deferred tax assets		**308,927**	458,621
		72,830,633	62,362,981
Current Assets			
Inventories		**51,884,480**	45,899,422
Trade and other receivables	*8*	**10,823,840**	9,242,575
Prepaid lease payments – current portion		**5,707**	5,293
Investments		**483,045**	226,967
Receivables under service concession arrangements – current portion		**330,247**	244,374
Amounts due from customers for contract work		**1,291,540**	710,079
Prepaid taxation		**753,827**	503,469
Pledged bank deposits		**751,162**	430,853
Short-term bank deposits		**537,466**	309,705
Bank balances and cash		**31,637,868**	31,312,457
		98,499,182	88,885,194

	Note	2017	2016
		HK$'000	HK$'000
Current Liabilities			
Trade and other payables	*9*	**17,457,019**	14,665,883
Customer deposits from sales of properties		**15,997,582**	14,776,557
Amounts due to customers for contract work		**20,084**	23,879
Taxation payable		**4,305,406**	4,207,441
Bank and other borrowings		**11,703,042**	8,553,493
Convertible bonds		**33,449**	32,722
		49,516,582	42,259,975
Net Current Assets		**48,982,600**	46,625,219
Total Assets less Current Liabilities		**121,813,233**	108,988,200
Capital and Reserves			
Share capital		**13,649,839**	13,633,449
Reserves		**27,930,013**	23,282,840
Equity attributable to owners of the Company		**41,579,852**	36,916,289
Non-controlling interests		**29,373,380**	25,556,228
Total Equity		**70,953,232**	62,472,517
Non-Current Liabilities			
Provision for major overhauls		**85,333**	82,077
Bank and other borrowings		**41,017,149**	37,595,994
Deferred tax liabilities		**9,757,519**	8,837,612
		50,860,001	46,515,683
Total Equity and Non-Current Liabilities		**121,813,233**	108,988,200

Notes:

(1) GENERAL

The financial information relating to the years ended 31 December 2017 and 2016 included in this announcement does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap.622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap.622) and will deliver the financial statements for the year ended 31 December 2017 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap.622).

<u>Scope of work of Messrs. Deloitte Touche Tohmatsu</u>

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 2017 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 at the end of each reporting period. 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

Amendments to HKFRSs that are mandatorily effective for current year

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

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of Annual Improvements to HKFRSs 2014 - 2016 Cycle

Except as descripted below, the application of the amendments to HKFRSs 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.

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosure that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other business; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in annual report. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in annual report, the application of these amendments has had no impact on the Group's 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[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendements[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRS 2015 - 2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2021

(3) SEGMENT INFORMATION

Segment revenue and results

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

For the year ended 31 December 2017

	Infrastructure facilities	**Real estate**	**Consumer products**	**Unallocated**	**Consolidated**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
REVENUE					
Segment revenue - external sales	**7,725,036**	**17,592,881**	**4,186,370**	**-**	**29,504,287**
Segment operating profit (loss)	**2,736,016**	**6,408,541**	**1,280,407**	**(101,874)**	**10,323,090**
Finance costs	**(589,281)**	**(1,113,496)**	**(3,819)**	**(74,733)**	**(1,781,329)**
Share of results of joint ventures	**231,361**	**421**	**-**	**-**	**231,782**
Share of results of associates	**166,622**	**217,597**	**5,829**	**-**	**390,048**
Gain on derecognition/disposal of interests in associates	**-**	**206,559**	**22,711**	**-**	**229,270**
Segment profit (loss) before taxation	**2,544,718**	**5,719,622**	**1,305,128**	**(176,607)**	**9,392,861**
Income tax expense	**(554,517)**	**(3,291,036)**	**(219,332)**	**(170,339)**	**(4,235,224)**
Segment profit (loss) after taxation	**1,990,201**	**2,428,586**	**1,085,796**	**(346,946)**	**5,157,637**
Less: segment profit attributable to non-controlling interests	**(456,850)**	**(1,534,780)**	**(15,535)**	**-**	**(2,007,165)**
Segment profit (loss) after taxation attributable to owners of the Company	**1,533,351**	**893,806**	**1,070,261**	**(346,946)**	**3,150,472**

For the year ended 31 December 2016

	Infrastructure facilities	Real estate	Consumer products	Unallocated	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE					
Segment revenue - external sales	5,274,746	12,777,693	4,079,319	-	22,131,758
Segment operating profit (loss)	1,922,357	3,004,067	1,298,846	(312,128)	5,913,142
Finance costs	(280,431)	(1,132,872)	(3,153)	(10,526)	(1,426,982)
Share of results of joint ventures	214,147	-	-	-	214,147
Share of results of associates	105,615	(34,259)	1,674	-	73,030
Gain on derecognition/disposal of interests in associates/ disposal of assets through disposal of interests in subsidiairies	308,565	2,395,035	22,333	-	2,725,933
Segment profit (loss) before taxation	2,270,253	4,231,971	1,319,700	(322,654)	7,499,270
Income tax expense	(452,181)	(1,980,444)	(228,786)	2,041	(2,659,370)
Segment profit (loss) after taxation	1,818,072	2,251,527	1,090,914	(320,613)	4,839,900
Less: segment profit attributable to non-controlling interests	(420,796)	(1,499,948)	(16,126)	-	(1,936,870)
Segment profit (loss) after taxation attributable to owners of the Company	1,397,276	751,579	1,074,788	(320,613)	2,903,030

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segment:

At 31 December 2017

	Infrastructure facilities	**Real estate**	**Consumer products**	**Unallocated**	**Consolidated**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Segment assets	**49,584,746**	**111,049,035**	**7,172,620**	**3,523,414**	**171,329,815**
Segment liabilities	**18,394,075**	**71,230,535**	**914,835**	**9,837,138**	**100,376,583**

At 31 December 2016

	Infrastructure facilities	Real estate	Consumer products	Unallocated	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	42,239,453	99,269,022	7,011,509	2,728,191	151,248,175
Segment liabilities	14,914,247	64,397,622	859,800	8,603,989	88,775,658

(4) INCOME TAX EXPENSE

	2017	2016
	HK$'000	HK$'000
Current tax		
- Hong Kong	**208,719**	187,738
- PRC Land appreciation tax ("**PRC LAT**")	**1,679,174**	902,936
- PRC Enterprise income tax ("**PRC EIT**") (including PRC withholding tax of HK$32,502,000 (2016: HK$4,918,000))	**1,817,909**	1,872,731
	3,705,802	2,963,405
Under(over)provision in prior years		
- Hong Kong	**1,173**	539
- PRC LAT (note i)	**79,750**	(6,234)
- PRC EIT (including overprovision of PRC withholding tax of Nil (2016: HK$13,970,000)) (note i)	**23,107**	(24,055)
	104,030	(29,750)
Deferred taxation for the year	**425,392**	(274,285)
	4,235,224	2,659,370

note:

(i) The Group recognised an underprovision (2016: overprovision) of PRC LAT and PRC EIT during the year ended 31 December 2017, upon completion of tax clearance procedures by certain PRC subsidiaries with the respective tax authorities.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

The Group's subsidiaries in the PRC are subject to PRC EIT at a rate of 25% for both years, except that (i) three (2016: two) PRC subsidiaries are qualified as High New Technology Enterprises and enjoy a preferential tax rate of 15% for the current year. The preferential tax rate is applicable for three years until 2018 and 2019, respectively, and subject to approval for renewal and (ii) certain PRC subsidiaries, engaging in public infrastructure projects, are entitled to full exemption from PRC EIT for the first three years and a 50% reduction in PRC EIT for the next three years from the first year of generating operating income.

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.

(5) PROFIT FOR THE YEAR

	2017 HK$'000	2016 HK$'000
Profit for the year has been arrived at after charging:		
Amortisation of toll road operating rights (included in cost of sales)	**805,438**	809,009
Amortisation of other intangible assets (included in cost of sales)	**339,871**	206,108
Depreciation of property, plant and equipment	**385,544**	365,693
Release of prepaid lease payments	**7,517**	7,484
Impairment loss on bad and doubtful debts	**34,710**	55,156
Impairment loss on goodwill	**-**	38,235
Impairment loss on properties held for sale	**280,519**	224,631
Impairment loss on inventories, other than properties	**12,601**	4,475
Net foreign exchange loss (included in other income, gains and losses)	**-**	271,164
Net loss on disposal/written off of property, plant and equipment	**5,394**	762
Research expenditure	**7,884**	1,829
Share of PRC EIT of joint ventures (included in share of results of joint ventures)	**62,560**	58,467
Share of PRC EIT of associates (included in share of results of associates)	**1,109**	13,876
and after crediting other income, gains and losses as follows:		
Gain on land resumption (note)	**-**	209,999
Gain from bargain purchase of interest in a subsidiary	**8,097**	-
Net increase in fair value of investment properties	**65,207**	305,450
Reversal of impairment loss on bad and doubtful debts	**38,599**	2,719
Reversal of impairment loss on other intangible assets	**28,229**	-
Reversal of impairment loss on other receivables	**4,896**	6,277
Net foreign exchange gain	**50,169**	-

note: During the year ended 31 December 2016, a piece of land with a carrying amount of RMB30,780,000 (equivalent to HK$35,958,000) held by the Group was resumed by the relevant government department of Shanghai of the PRC for a compensation of RMB210,510,000 (equivalent to HK$245,957,000). The difference between the compensation received and the carrying amount was recognised as other income.

(6) DIVIDENDS

	2017 HK$'000	2016 HK$'000
Dividends recognised as distribution during the year:		
2017 interim dividend of HK46 cents (2016: 2016 interim dividend of HK36 cents) per share	**500,117**	391,163
2016 special dividend of HK10 cents (2017: Nil) per share	-	108,657
2016 final dividend of HK46 cents (2016: 2015 final dividend of HK45 cents) per share	**500,117**	488,633
	1,000,234	988,453

The final dividend of HK48 cents per share in respect of the year ended 31 December 2017, amounting to approximately HK$521.9 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:

	2017 HK$'000	2016 HK$'000
Earnings:		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**3,150,472**	2,903,030
Effect of dilutive potential ordinary shares - interest on convertible bonds, net of tax	**607**	1,318
Earnings for the purpose of diluted earnings per share	**3,151,079**	2,904,348

	2017	2016
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,086,991,283**	1,086,074,031
Effect of dilutive potential ordinary shares - convertible bonds	**880,573**	14,632,298
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,087,871,856**	1,100,706,329

The computation of diluted earnings per share does not assume:

(i) the exercise of the Company's outstanding options as 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 the exercise price of those options was higher than the average market price for the corresponding period.

(8) TRADE AND OTHER RECEIVABLES

	2017	2016
	HK$'000	HK$'000
Trade receivables	**3,878,440**	1,774,114
Less: allowance for doubtful debts	**(79,162)**	(86,254)
	3,799,278	1,687,860
Other receivables	**7,024,562**	7,554,715
Total trade and other receivables	**10,823,840**	9,242,575

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/contract date, which approximates the respective revenue recognition dates.

	2017	2016
	HK$'000	HK$'000
Within 30 days	**2,307,041**	511,349
Within 31 – 60 days	**259,332**	255,866
Within 61 – 90 days	**144,823**	324,616
Within 91 – 180 days	**176,498**	170,387
Within 181 – 365 days	**274,976**	158,327
Over 365 days	**636,608**	267,315
	3,799,278	1,687,860

(9) TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	HK$'000
Trade payables	**4,728,477**	4,085,857
Consideration payables for acquisition of subsidaries	**-**	398,413
Other payables	**12,728,542**	10,181,613
Total trade and other payables	**17,457,019**	14,665,883

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

	2017	2016
	HK$'000	HK$'000
Within 30 days	**1,108,769**	869,497
Within 31 – 60 days	**229,024**	391,452
Within 61 – 90 days	**460,330**	256,090
Within 91 – 180 days	**518,238**	603,626
Within 181 – 365 days	**1,084,060**	868,971
Over 365 days	**1,328,056**	1,096,221
	4,728,477	4,085,857

FINANCIAL REVIEW

I. Analysis of Financial Results

1. Revenue

In 2017, the revenue amounted to approximately HK$29,504.29 million, representing a year-on-year increase of 33.3%, mainly due to completion and delivery of more property as compared to last year.

The year-on-year increase in revenue of the infrastructure facilities business was attributable to the increase in revenue from SI Environment of approximately HK$2,273.36 million as revenue from Longjiang Environmental was being consolidated upon the completion of the acquisition of additional interest in October 2016. In addition, its construction income also recorded a year-on-year increase.

The increase in revenue of HK$4,815.19 million of the real estate business was attributable to increases in property sales booked over last year.

The revenue of Nanyang Tobacco remained stable while the moulded fibre packaging business of Wing Fat Printing recorded growth. As a result, the revenue from the consumer products business increased by approximately 2.6% year-on-year.

2. Profit Contribution from Each Business

Net profit from the infrastructure facilities business for the year was approximately HK$1,533.35 million, accounting for 43.8% of Net Business Profit, and representing a year-on-year increase of 9.7%. For toll road business, the year-on-year reduction of traffic flow of the Hu-Yu Expressway (Shanghai Section) due to the resumption of toll collection in the Xujing to Jiasong section and the close of the temporary ramps at Huting North Road in July. The traffic flow of the other two expressways recorded a growth of 6.3% and 6.9% due to improvement and modification works of the toll plaza. The business also benefited from the fair value gain of Wufangzhai, which has become an associate after further acquisition of shares in it by Hu-Ning Expressway. As a result, toll road business achieved a year-on-year increase of 19.0%. Water services business also recorded steady growth, which was mainly attributable to the increase in profit attributable to shareholders of SI Environment by 17.7%, driven by profit contributions from newly acquired entities. The results of General Water of China remained stable. Canvest Environmental contributed a profit of HK$41.65 million during the year.

The real estate business recorded a net profit of approximately HK$893.81 million, accounting for 25.6% of Net Business Profit, and representing a year-on-year increase of 18.9%. The increase was mainly due to increases in property sales booked during the year over last year, resulting in a significant increase in operating profits. A profit after taxation of approximately HK$741.44 million was recorded last year arising from the completion of disposal of 75% interests in the "U Center" project in Shanghai by SI Urban Development.

The consumer products business recorded a net profit of HK$1,070.26 million for the year, accounting for 30.6% of Net Business Profit, and representing a year-on-year decrease of 0.4%. The net profit of Nanyang Tobacco decreased HK$20.93 million or 2.2% year-on-year, mainly due to the impact of macro-environment of smoking control which affected the tobacco industry, causing its sales to decline by 3.5% year-on-year. Wing Fat Printing contributed a net profit of HK$120.03 million for the year, representing a year-on-year increase of 15.8%. During the year, Wing Fat Printing actively took effective measures to curb the impact of the rising raw material prices and the disposal of 25% equity interest in Xuchang Yongchang contributed a net profit of HK$19.25 million.

3. Profit before Taxation

(1) Gross profit margin

Compared to 2016, overall gross profit margin increased by 5.4 percentage points, mainly due to an increase in proportion of property sales booked with higher profit margins in the real estate business for the year, while the proportion of construction income of SI Environment with relatively lower profit margin in the infrastructure facilities business increased, which in turn resulted in a decrease of 1.4 percentage points in the gross profit margin of the infrastructure facilities business. Meanwhile, the gross profit margin for the consumer products business remained stable.

(2) Other income, gains and losses

As Renminbi depreciated last year but turnaround and appreciated during the year, net foreign exchange gain was recorded for the year while net foreign exchange loss was booked for last year.

(3) Gain on derecognition/disposal of interests in associates/disposal of assets through disposal of interests in subsidiaries

The gain for the year was mainly attributable to a profit before tax of HK$206.56 million and HK$22.71 million from the fair value gain of on the revaluation of previously held interest in Quanzhou project and completion of disposal of 25% equity interests in an associate of Wing Fat Printing respectively. The gain for last year was HK$2,725.93 million which was mainly attributable to profit before tax from a fair value gain on revaluation of previously held interest in Longjiang Environmental and the completion of disposal of 75% interests in the “U Center” project in Shanghai.

4. Dividend

The Board of Directors of the Group has proposed to declare a final dividend of HK48 cents per share. Together with an interim dividend of HK46 cents per share, the total dividend amounted to HK94 cents per share for 2017 (2016: HK92 cents per share). Annual dividend payout ratio is 32.4% (2016: 34.4%).

II. Financial Position of the Group

1. Capital and Equity attributable to owners of the Company

The Company had a total of 1,087,211,600 shares in issue as at 31 December 2017, which was increased by 646,000 shares as compared with 1,086,565,600 shares in issue as at the end of 2016.

Equity attributable to owners of the Company reached HK$41,579.85 million as at 31 December 2017, and the increase was attributable to the net profit for the year after deducting the dividend actually paid during the year.

2. Indebtedness

(1) Borrowings

SIHL Finance Limited, a wholly-owned subsidiary of the Company, signed a HK$2.4 billion or US dollar equivalent dual-currency club loan for a term of 5 years in March 2017.

As at 31 December 2017, the total borrowings of the Group including bank borrowings, other borrowings and convertible bonds amounted to approximately HK$52,810.14 million (31 December 2016: HK$46,235.88 million), of which 64.5% (31 December 2016: 67.9%) was unsecured credit facilities. The proportions of US dollars, Renminbi and HK dollars of total borrowings were 3%, 84% and 13% (31 December 2016: 3%, 84% and 13%) respectively.

(2) Pledge of assets

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$12,056,862,000 (31 December 2016: HK$11,585,060,000);

(b) leasehold land and buildings with an aggregate carrying value of HK$150,233,000 (31 December 2016: HK$906,567,000);

(c) plant and machineries with an aggregate carrying value of HK$34,601,000 (31 December 2016: HK$20,218,000);

(d) one (31 December 2016: one) toll road operating right with a carrying value of HK$2,410,356,000 (31 December 2016: HK$2,415,929,000);

(e) receivables under service concession arrangements with an aggregate carrying value of HK$10,131,288,000 (31 December 2016: HK$9,179,515,000);

(f) properties under development held for sale with an aggregate carrying value of HK$1,930,280,000 (31 December 2016: HK$5,644,075,000);

(g) properties held for sale with an aggregate carrying value of HK$338,443,000 (31 December 2016: HK$16,233,000);

(h) trade receivables with an aggregate carrying value of HK$10,694,000 (31 December 2016: HK$63,968,000); and

(i) bank deposits with an aggregate carrying value of HK$751,162,000 (31 December 2016: HK$430,853,000).

(3) Contingent liabilities

As at 31 December 2017, the guarantees given to banks by the Group in respect of banking facilities utilised by property buyers and joint ventures amounted to approximately HK$4,652.21 million and HK$2,164.27 million (31 December 2016: HK$4,926.28 million and HK$1,779.63 million) respectively. As at 31 December 2016, the guarantees given to banks by the Group in respect of banking facilities utilised by an entity controlled by the State-owned Assets Supervision and Administration Commission of Shanghai Xuhui District amounted to approximately HK$163.02 million.

3. Capital Commitments

As at 31 December 2017, the Group had capital commitments mainly contracted for business developments and investments in fixed assets of HK$5,800.32 million (31 December 2016: HK$5,831.65 million). The Group had sufficient internal resources and / or through loan markets for the finance of its capital expenditures.

4. Bank Balances and Short-term Investments

As at 31 December 2017, bank balances and short-term investments held by the Group amounted to HK$32,926.50 million (31 December 2016: HK$32,053.02 million) and HK$483.05 million (31 December 2016: HK$226.97 million) respectively. The proportions of US dollars and other currencies, Renminbi and HK dollars of bank balances were 3%, 86% and 11% (31 December 2016: 3%, 88% and 9%) respectively. Short-term investments mainly consisted of investments such as bonds, Hong Kong and PRC listed shares.

While having sufficient working capital and a healthy interest cover, the Group is monitoring the market situation and respective funding requirements on a regular basis for business developments, and will seek opportunities to optimize its capital structure should the need arises.