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 2018 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 2018. The Group's audited turnover amounted to HK$30,413 million, representing a year-on-year increase of 3.0%. Profits attributable to shareholders were HK$3,333 million, representing a year-on-year increase of 6.3%.

In 2018, international trade disputes intensified; the global equity market remained volatile and interest rate levels continued to rise. Against this scenario, the Group has made a concerted effort to overcome these issues under the leadership of the Board and the executive team to further improve operational efficiency and enhance internal control. During the year, it is encouraging to note that the Group maintained stable growth for its core business segments and achieved major breakthroughs in new business arenas. In addition, the Group capitalised on market opportunities and successfully completed a number of major projects, creating a strong foundation for its long-term development.

The Board of Directors has recommended a final dividend of HK52 cents per share for 2018 (2017: HK48 cents per share). Together with an interim dividend of HK48 cents per share (2017: HK46 cents per share) paid during the year, total dividends for the year amounted to HK$1 per share (2017: HK94 cents per share).

INFRASTRUCTURE FACILITIES

The infrastructure facilities business recorded a profit of HK$1,749 million for the year, representing an increase of 14.0% over last year and accounting for 44.3% of the Group's Net Business Profit*. Adopting a quality management and operation model, the toll roads business generated stable profits and cash flows for the Group. The water and environmental protection business also further enhanced its management and mode of operation and continued to expand its investment scale systematically to maintain growth momentum.

Toll roads

The three toll roads and the Hangzhou Bay Bridge under the Group recorded overall growth in toll revenue and traffic flow. During the year, road and traffic conditions remained smooth and stable while road safety continued to be maintained. In anticipation of the first China International Import Expo (CIIE) held in Shanghai in November 2018, the Group implemented well thought-out plans to ensure smooth traffic flow for the respective roads and expressways during the event, and to carry out construction works and other specific assignments that were required to ensure efficiency at toll sections and provide quality services for the event.

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$376 million	+1.2%	HK$749 million	+5.7%	60.57 million	+5.0%
Hu-Kun Expressway (Shanghai Section)	100%	HK$465 million	+4.4%	HK$1,110 million	+2.4%	58.17 million	+0.3%
Hu-Yu Expressway (Shanghai Section)	100%	HK$211 million	+1.0%	HK$628 million	+4.4%	41.43 million	-2.2%
Hangzhou Bay Bridge	23.0584%	HK$144 million	+19.9%	HK$1,942 million	+6.6%	14.09 million	+5.6%
Total		**HK$1,196 million**	**+4.3%**	**HK$4,429 million**	**+5.1%**	**174.26 million**	**+1.6%**

In 2018, the traffic flow and toll revenue for Jing-Hu Expressway (Shanghai Section) continued to maintain its growth compared to last year, benefitting from rising motor vehicle parc. As a key thoroughfare for the CIIE this year, a number of tasks have been carried out to ensure the smooth operation, safe environment and quality of service for the Jing-Hu Expressway (Shanghai Section), including allocation of duty rosters and strengthening of supervision work. All these plans and projects were completed on time. Since September 2018, the project company has organized themed activities for the event, and has maintained high service standards for its collection counters. In view of frequent changes in traffic volume at toll lanes, the project company has taken different effective measures during the year to ensure safe and smooth traffic flows. The diversion works of traffic flow for passenger cars and trucks at the Anting toll station was completed and the station has been put into service in September. Traffic conditions during peak hours were effectively improved.

The toll revenue for Hu-Kun Expressway (Shanghai Section) maintained at almost the same level as last year with steady traffic flow of vehicles. This was somehow affected by slower economic activities over weekends, stagnating truck traffic due to structural adjustments in various industries in the central and surrounding areas brought by the macroeconomic factors as well as such unfavorable factors as an increasing number of days affected by typhoon and fog and other adverse climate conditions during the year. The project company also carried out a variety of construction and maintenance works specifically for CIIE in parallel with the annual road maintenance plans. Efforts were made to improve toll counter services. The Fengjing toll station was ranked as one of the "20 Best Toll counters" in Shanghai under the municipal promotion theme of "Welcome to CIIE, demonstrating quality counter services and building up Shanghai service brands".

The annual traffic flow for the Hu-Yu Expressway (Shanghai Section) dropped during the year as a result of the resumption of toll collection for vehicles between the Xujing station and Jiasong station and the closure of the temporary toll-free ramps at Huting North Road in July 2017. The decline was also due to the opening of the Shenhai Expressway and the inauguration of metro No. 17 in Shanghai. Adverse weather conditions such as frequent snow and fog also led to the decline but toll revenue continued to maintain growth. In support of the CIIE held in Shanghai, more than 10 construction works were carried out and all of them were completed on time and in terms of quality and work volume. In September, the project company further intensified its competition programs advocating smiling toll services and enhanced quality service and efficiency. During the year, the information and intelligence capability for its road control system was also strengthened. Phase I of the project commenced with trial operation beginning at the end of 2018. At the same time, traffic changes were monitored from time to time following the upgrading of the Xujing toll station and the opening of the Jiudu toll station. This has helped improve traffic congestions and ensure smooth road conditions in a timely manner, greatly enhancing traffic capacity at the Xujing toll station.

In 2018, the traffic flow and toll revenue for the Hangzhou Bay Bridge maintained satisfactory growth, 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. By adopting Grade 1 bridge-building technology, the Hangzhou Bay Bridge boasted a safe structure. During the year, both the south-shore and north-shore service areas on the bridge were selected as the "National Top 100 Demonstration Service Areas" and "five-star Serivce Area" in the Zhejiang Province. Haitian Island was highly commended as a 4A scenic area having passed the second review by national authorities. During the year, the project company developed a comprehensive intelligent system and accomplished more than half of the upgrading work for the installation of a high density surveillance control within the bridge area. The project included technological and transformation work such as improvement of the integrated operation and management system, the establishment of application programs for joint service force, the enhancement of service card information collection and adaptable viewable data. The application of such digital-wise systems was completed during the year and was proved to be effective.

Water services

During the year, the Group continued to invest in the sewage treatment and solid waste projects as well as other environmental protection-related fields, and continued to seek quality acquisition projects with strategic significance.

Following the completion of the acquisition for 56,593,000 shares in Canvest Environmental Protection Group Company Limited ("**Canvest Environmental**") from SIIC Environment Holdings Limited ("**SIIC Environment**"), the Company, through True Victor Holdings Limited, a wholly-owned subsidiary, further acquired 73,660,000 shares in the entity at a price of HK$3.92 each from an external fund company in December 2018, increasing its shareholding by 3%. Such investment amounted to HK$289 million and the transaction was completed by the end of the year.

Immediately after the completion of the transaction, the Group held 17.52% equity interests in Canvest Environmental. In addition, the acquisition is expected to open up more business co-operations in a variety of aspects, thereby strengthening the overall development of the Group's solid waste business segment.

SIIC Environment

SIIC Environment successfully completed the dual primary listing in the Hong Kong Stock Exchange by way of introduction on 23 March 2018 (stock code: 807), bringing about further interactions between Singapore and Hong Kong investors.

In 2018, SIIC Environment recorded a revenue of RMB5,313 million, representing a year-on-year growth of 14.5%. The increase in revenue was mainly attributable to the newly constructed BOT (build-operate-transfer) projects during the year which resulted in increases for urban EPC (engineering, procurement and construction) revenue and also from higher revenues from increased water supply. After deduction of related listing expenses, profit for SIIC Environment for the full year recorded a year-on-year growth of 0.9% to RMB540 million, mainly due to profits attributable to the newly acquired enterprises and profit contributed by existing enterprises, in particular from the increased revenue of service concession arrangements and higher service income.

During the year, SIIC Environment expanded its projects continuously, including the following items: (1) it successively won bids and acquired more than 10 projects, such as the sewage PPP project in Beihai, Guangxi, sewage treatment projects in Yingcheng, Jiutai district, Changchun and in Karun, a PPP project for comprehensive sewage enhancement in Hulan District and the sewage treatment project in Fengxin's industrial park, Jiangxi; (2) it implemented the upgrading and expansion projects in Shenzhen, Hangzhou Bay and Chenzhou, the emission standard of which has been enhanced to Grade 1A or higher, out of which the sewage treatment plant in Pudixia, Shenzhen met the rare surface water quality standard category III in the country, establishing a remarkable benchmark in the industry.

In December, SIIC Environment acquired the sewage treatment project in Xinglong Town, Bayan County, Heilongjiang, the PRC with a total investment of RMB54.60 million for a franchise period of 30 years. The planned area for the project is 32,000 square metres, with Grade 1A water discharge standard and water content in sludge is less than 60%. In future, the capacity of the plant will be increased from the current daily capacity of 10,000 tonnes to 40,000 tonnes. In the same month, SIIC Environment (Dalian) Waste Water Treatment Co., Ltd., a 95.65% owned subsidiary signed a supplementary franchise agreement for three sewage treatment projects located in the Puwan New District, including (1) the Liujia sewage treatment plant project with a planned daily capacity of 10,000 tonnes; (2) Sanshilipu sewage treatment plant project with Grade 1A water discharge standard and a planned daily capacity of 20,000 tonnes; and (3) Houhai sewage treatment plant project, with Grade 1A water discharge standard and a planned daily capacity of 20,000 tonnes.

In January 2019, Fudan Water Engineering and Technology Co., Ltd. ("**Fudan Water**"), a 92.15 owned subsidiary, signed a BOT franchise agreement in relation to the construction and development of a waste incineration BOT project for approximately RMB600 million, with a franchise period of 30 years (excluding the construction period). The project will be built in the Recycled Economic Industrial Park in Shen County, Shandong, with a total planned daily capacity of 1,200 tonnes. The first phase of investment is approximately RMB360 million, with a planned daily capacity of 700 tonnes. Grate incinerator technology will be employed to convert waste to energy to generate electricity for the Shen County, Shandong. In the same month, Fudan Water signed an operation and management agreement for the Cixi North City sewage treatment project and entrusted management procument project for constructed wetlands. The agreement is for a period of two years, with an option to extend for another year. The project is located at Hangzhou Bay New Zone, Ningbo, Zhejiang, the PRC, and the discharge standard of the sewage treatment plant project is Grade 1B standard, with a total planned daily capacity of 100,000 tonnes, while the discharge standard of the constructed wetland is Grade 1A standard.

In January 2019, SIIC Environment (Dezhou) Waste Water Treatment Co., Ltd., a subsidiary indirectly owned as to 75.5% by SIIC Environment, signed a TOT (Transfer-Operation-Transfer) supplementary agreement. The total investment amount of the project is approximately RMB46.42 million. It is an upgrading project for the sewage treatment plant in Dezhou, Shandong, the PRC, and the discharge standard is to be upgraded from Grade 1B to Grade 1A standard. The franchise period was extended from 20 years to 30 years.

General Water of China

General Water of China Co., Ltd. ("**General Water of China**") recorded net profits of HK$231 million for 2018 with a year-on-year increase of 34.1%. Revenue amounted to HK$2,279 million, a year-on-year increase of 14.8%. As at the end of 2018, General Water of China owned 30 water supply facilities and 28 sewage treatment plants with a total daily capacity of 6,800,000 tonnes, among which, the total water production daily capacity was 4,362,000 tonnes and daily sewage treatment capacity was 2,437,500 tonnes, and two reservoirs with a gross storage tank volume of 182,320,000 tonnes and a pipe network of 6,030 kilometers in total. General Water of China has been awarded one of the Top 10 Most Influential Enterprises in China's Water Industry for the 15th consecutive year, ranking the fifth.

During the year, the company actively developed new regional markets nationwide, strengthened its interactions with clients and market penetration, and actively explored the capital market. In addition, it continued to optimize its corporate capital structure and deepen enterprise standardization management in order to promote the quality and efficiency and sustainable and healthy development of the company. During the year, the development model to expand the regional integrated market was improved continually. Related work in Bengbu and Huzhou were actively pushed forward and good results were seen in Xiangtan and Shenzhen.

In April, the expansion and transformation construction project for the sewage treatment plant in eastern Wenzhou passed the completion examination. The daily capacity of the project was upgraded from 100,000 tonnes to 150,000 tonnes, and the discharge standard was upgraded from Grade 2 GB18918-2002 standard to Grade 1A standard, contributing to the emission reduction in Longwan District, Wenzhou. In June, the Wuhua mountain reservoir and hydropower station in Suifenhe commenced on-grid power generation, which was the first hydropower generation project for General Water of China. In November 2018, the handover and alteration project for water diversion for the Jiangnan Group commenced, serving 12,066 users, aiming at completion of the alteration work by the end of August 2019.

NEW BUSINESS ARENA

As at the end of 2018, the total photovoltaic asset capacity of Shanghai Galaxy Investment Co., Ltd. ("**Shanghai Galaxy**") and its 80.25% owned subsidiary, SIIC Aerospace Galaxy Energy (Shanghai) Co., Ltd. ("**Galaxy Energy**"), amounted to approximately 580MW with an additional 19.8MW acquired during the year. The photovoltaic team continued to strengthen in-depth studies on macro policies, industry dynamics and the capital market and also sought new acquisition projects with potential as opportunities arise. During the year, the two companies further improved the management of existing projects, reducing costs and enhancing efficiencies. The total amount of on-grid electricity sold from the 12 photovoltaic power stations reached 819 million kWh, representing an increase of 15.3% over last year. In addition, the Ningdong Taike project and the Xinzhou Taike project under Shanghai Galaxy and Galaxy Energy were successfully listed in the Renewable Energy Tariff Subsidies Catalogue.

In June 2018, the Company (through its wholly-owned subsidiary) and Shanghai Pharmaceuticals Holding Co., Ltd., a subsidiary of the parent company, both as cornerstone investors, subscribed for China Isotope & Radiation Corporation's ("**CIRC**") H shares for approximately HK$257 million and HK$173 million, respectively, representing approximately 3.7% and 2.5% of the total enlarged share capital of CIRC. The investment has provided the Group with an opportunity to participate in the nuclear medicine industry with higher entry barriers and to develop more potential projects in the field with stable growth.

In July 2018, Shanghai Jiyun Infrastructure Construction Co., Ltd., a wholly-owned subsidiary of the Company, and Shanghai Shangtou Asset Operations Co., Ltd. and Shanghai Galaxy, both subsidiaries of the parent company, established a joint venture entity in Shanghai, the PRC with capital contributions of RMB200 million, RMB200 million and RMB100 million, respectively. The joint venture company then completed the acquisition of a 30% interest of Shanghai Green Energy Co., Ltd. through public bidding by way of capital increase at the end of August for investment in the offshore wind power stations industry.

REAL ESTATE

The real estate segment recorded a profit of HK$1,118 million for the year, representing a year-on-year increase of 27.2% and accounting for 28.4% of the Group's Net Business Profit*. Since the Company holds a 49% interest in Shanghai Bay, a project in Qingpu, Shanghai developed by Shanghai Industrial Development Co., Ltd. ("**SI Development**"), the profit shared on the booked revenue upon delivery of the properties during the year contributed to the remarkable growth in profits of the real estate business.

SI Development

The revenue of SI Development for 2018 amounted to RMB8,664 million, representing an increase of 18.0% over last year, the growth of which was mainly attributable to booked revenues from its projects. Net profit for the year was RMB658 million, representing a decrease of 25.0% year-on-year. SI Development completed the acquisition of two property management companies and management takeover in the first half of the year, enabling it to establish a unified platform for its property management business, and laying a solid foundation for modular and organized management practices. The company also continued to integrate its resources on investment properties, optimize its customer structure, stabilize the level of its leasing activities and continued to move forward with service upgrading and brand building.

During the year, properties were sold according to targets for specific cities while development and management controls have been elevated. Contract sales amounted to RMB5,257 million, with a gross floor area of 272,400 square meters, among which, new projects for sale such as A New Era in Jiading, Shanghai, Shanghai Bay in Qingpu, Shanghai and SIIC Tianlan Bay in Huzhou achieved encouraging sales performance. Projects launched for sale, including Hi-Shanghai in Hangzhou, Sea Palace in Quanzhou were popular among premium customers, with an increasing number of contracts signed. Property sales booked during the year amounted to RMB5,080 million for the year, with a gross floor area of 326,600 square meters, which mainly included Shanghai Bay in Qingpu, Shanghai, Sea Palace in Quanzhou, International Beer City in Qingdao and Shanghai International Art Centre in Shanghai. The rental income for the year amounted to approximately HK$524 million. A total of 10 projects were under construction during the year, covering a total gross floor area of 2,260,000 square meters.

In November 2018, a wholly-owned subsidiary of SI Development entered into an equity transfer agreement for the acquisition of 49% equity interests in Shanghai Industrial Investment Development (Quanzhou) Co., Ltd. ("**SID Quanzhou**") for a consideration of RMB978 million. The transaction was completed by the end of 2018. Together with the acquisition of 2% equity interests from another shareholder in December 2017, the company is now wholly-owned by SI Development. SID Quanzhou is principally engaged in the development of the Sea Palace project in Donghai, Quanzhou, the PRC into a large urban integrated community, scheduled to be launched to the market by phases over the next few years.

In the same month, Qingdao Shanghai Industrial Investment Center - Phase III, a construction and alteration project of SI Development's International Beer City in Qingdao officially commenced. Located at a prime area of the Jinjialing Financial zone, Laoshan District, the development is situated at the core of the national pilot district for integrated financial reforms and is a Class 2 key construction project for the Qingdao municipal government and Laoshan district government. The Phase III project has a site area of approximately 30,300 square meters, with a total gross floor area of approximately 220,000 square meters. The project will be developed into a super high-rise twin tower of 201.8 meters high, with large international conference rooms and business and entertainment facilities. A large urban complex featuring financial, commercial, hotel, cultural and entertainment facilities, the development has attracted some of the world's top 100 enterprises and leading local banks and financial institutions, notably the Diaoyutai Hotel and MGM Resorts, both renowned international hotel brands. Upon completion, the development is expected to become a landmark building in the Jinjialing Financial zone in the central business area of Laoshan.

In February 2019, SI Development won two parcels of lands both located in the large residential community in Gucun, Baoshan, Shanghai through bidding, namely Gucun land parcel No. 0421-01 (approximately 26,600 square meters) and Gucun land parcel No. 0423-01 (approximately 32,100 square meters). The total transaction price amounted to approximately RMB2,819 million, for a term of 70 years with a plot ratio of 2.0. The acquisition is line with SI Development's strategy to strengthen its investments in Shanghai. The acquisition will increase the company's land bank, further strengthen its well-established brand image in the Shanghai market and bring about a positive impact to future economic return and brand effectiveness.

In 2019, SI Development will speed up its project development activities, promote the transformation and upgrading of its property management and property investment businesses. Apart from further developing financial real estate and cultural real estate businesses, it will explore other business arenas in urban redevelopment, long-term rental apartments and real estates for elderly care, striving to improve overall operational efficiency and to create benchmark projects for the company, build branding effect, explore its core values and improve its results as a whole.

SI Urban Development

Profits attributable to shareholders of Shanghai Industrial Urban Development Group Limited ("**SI Urban Development**") for 2018 amounted to HK$573 million, representing a year-on-year rise of 6.9%. Revenue for the year amounted to HK$6,978 million, representing a decrease of 25.6% from last year, primarily accounted for the delay in rolling out new projects and revenue carried forward during the first three quarters due to imposition of price limits. Property sales booked for the year amounted to HK$5,966 million and approximately 269,000 square meters of gross floor area were delivered, mainly including Urban Cradle and Grand Mansion in Shanghai, and Originally in Xi'an. Rental income amounted to HK$704 million for the year. Contract sales amounted to RMB5,150 million, accounting for a gross floor area of 239,000 square meters, and mainly from projects including Urban Cradle in Shanghai, originally in Xi'an and Contemporary Arts Villas in Shanghai.

In January and February 2018, SI Urban Development entered into respective agreements with a wholly-owned subsidiary of the parent company to acquire a 35% equity interest in Shanghai Real Estate North Region Investment Development Co., Ltd. for a consideration of approximately RMB88.34 million, and a 100% equity interest in Shanghai Shangtou Real Estate Investment Co., Ltd. for approximately RMB531 million. The two companies were respectively engaged in primary and secondary land development. Through such acquisitions, SI Urban Development is now engaged in both primary and secondary land developments complementing its principal business.

In addition, SI Urban Development achieved major breakthroughs in primary commercial land development in Shanghai, focusing on developments for commercial and office buildings. In July 2018, SI Urban Development acquired a parcel of land located in Meilong Town, Minhang District, Shanghai with a total site area of 20,571.9 square meters for a consideration of RMB522.53 million. Representing the first commercial and office land parcel under the "urban village" renovation project in Shanghai, the site is planned to be developed into a refined living community integrating business, culture and education, leisure and entertainment as well as retailing activities. The acquisition established a strong foothold for SI Urban Development in the Minhang District.

SI Urban Development has launched a number of residential developments in the market, recording stable prices and consistent sales. In October 2018, Urban Cradle - Royal Mansion achieved sales of

RMB1,500 million within just the first hour of sales. In August, all units in towers 1 and 3 of Phase I of the residential portion of TODTOWN, an integrated landmark metro superstructure in Shanghai, were sold within the first three hours. In May 2018, the Originally project in Xi'an also achieved remarkable results with all its small luxury residential units sold out shortly after they were put on the market. In the second half of the year, the Contemporary Art Villa, a rare find villa project in Shanghai, attracted high-end customers with dozens of units sold out rapidly.

In line with its strategy, SI Urban Development has acquired lands through a number of channels to increase its opportunities for obtaining new sites for development, including bidding, share acquisitions as well as urban renewals. During the year, the company successfully won tenders for two pieces of land for "residential rental property" purpose in Shanghai through public tenders, marking its official entry into the residential rental market. In November, Shanghai Urban Development (Holdings) Co., Ltd. ("**Shanghai Urban Development**"), a subsidiary owned as to 59% by SI Urban Development, won the bid for a piece of land situated at Caohejing Road, Xuhui District, Shanghai with a total gross floor area of approximately 17,161 square meters, at a consideration of RMB456.48 million. In December 2018, Shanghai Urban Development successfully bid another piece of land situated at Zizhu Hi-Tech Industrial Development Zone, Wujing Town, Minhang District, Shanghai with a total gross floor area of approximately 47,383.3 square meters, for a total consideration of RMB649.10 million. The two land parcels will be developed into residential developments for rental purpose according to respective land use categories. Developing residential rental properties is expected to bring a stable income to SI Urban Development in the long term, and is in line with the State's "rental and purchase in parallel" housing policy.

CONSUMER PRODUCTS

The consumer products business recorded a profit of HK$1,076 million during the year, representing a year-on-year rise of 0.6% over last year and accounting for approximately 27.3% of the Group's Net Business Profit*. Nanyang Brothers Tobacco Company, Limited ("**Nanyang Tobacco**") continued to strengthen its structure, improved operational efficiency and stepped up efforts to diversify its products. To enhance its competitive advantages, the company also developed heterotypic products and carried out technology innovation and modification. Maintaining a stable operation, The Wing Fat Printing Company, Limited ("**Wing Fat Printing**") achieved satisfactory growth in revenue and profits for both packaging business and moulded fibre business.

Tobacco

Ensuring a healthy internal operation and external development, Nanyang Tobacco has committed to strengthen its existing business and continue to pursue for excellence. Not only focusing on rapid expansion, the company has been trying to develop exquisite and innovative products. Capitalizing on opportunities for the development of heterotypic tobacco, the company has kept abreast with new market trends and accelerated the production of innovative products. Revenue and profit after tax for the year amounted to HK$3,215 million and HK$955 million respectively, representing a year-on-year increase of 4.0% and 0.5%.

In respect of product upgrading, Nanyang Tobacco further enhanced and upgraded its products, effectively strengthened the competitive strengths of the classic series and replaced its traditional soft packs as well as launching round box products. The development of new products has expanded the depth and breadth of the classic product series. Upholding its market-oriented principle, Nanyang Tobacco successfully developed a new vintage and elegant product and the first milk tea flavour product of Nanyang Tobacco. It also launched a commemorative cigarette version for Hong Kong-Zhuhai-Macau Bridge on the occasion of the opening of the bridge and the first slim cigarette of Nanyang Tobacco.

During the year, Nanyang Tobacco introduced new equipment to produce heterotypic cigarettes, enhancing its position as a leading company in the world. Equipped with a rapid switching and versatile processing system for its production lines, the company is able to produce multiple specifications and packaging of cigarettes, and has developed five new product features - long cigarettes, short and super slim cigarettes, queen size cigarettes, short king size cigarettes and standard king size cigarettes, meeting popular demands from the market. Currently, Nanyang Tobacco continued to further study the composite technology for composite filters and innovative tobacco products which are heated and non-flammable.

In respect of business cooperation, Nanyang Tobacco and a PRC large cigarette enterprise have jointly established an overseas manufacturing base during the year to further realize its strategy of localizing production and sales, so as to enhance its brands for overseas sales and marketing in international markets, and build platforms for overseas production and sales management, overseas investment as well as mergers and acquisitions and market expansion of hyterotypic tobacco products. In addition, the company has also carried out strategic cooperation projects with its South Korean partner, complementing each other’s advantages and sharing resources in relation to marketing, cigarette technologies, innovative tobacco development and raw material procurement, in order to work together to achieve mutual benefits and win-win results.

In future, Nanyang Tobacco will undergo product innovations and developments in a sustainable way to meet the increasing demand of consumers. It will enhance its sales and marketing strategies, move forward the brand upgrading of classic series and strengthen its leading position in regional sales. Furthermore, Nanyang Tobacco will continue to work together with its partners to achieve win-win co-operation, further explore development, and carefully plan for the upgrading and expansion project for its canned tobacco production lines to maintain its leading position in the industry.

Printing

Wing Fat Printing recorded a revenue of HK$1,553 million in 2018, representing a year-on-year increase of 9.7%, benefiting from growth from both the packing business and the moulded fibre business. Net profits for the year amounted to HK$128 million, which were almost the same as last year.

2018 marked the 105th anniversary of Wing Fat Printing, and a year to consolidate the transformation development of the company. Against a complex macroeconomic environment, including the on-going Sino-US trade frictions, slower economic growth in the Greater China Region and greater exchange rate fluctuations, Wing Fat Printing overcame such difficulties and achieved steady growth. During the year, the company negotiated with large international customers who demanded price reductions, confronted surging raw material prices and rising labor costs and strengthened internal management in order to meet imminent challenges. Looking ahead, the company will continue to consolidate its transformation, build up a team of talents, promote all rounded and balanced developments and made considerable efforts to achieve stable and healthy growth and to realize the Group's "1+1+1" development goals.

** Net profit excluding net corporate expenses*

PROSPECTS

The internal and external economic environment is expected to continue to present new challenges to the Group in 2019. In light of this, we are committed to follow through with our strategic targets for the whole year, further strengthen our risk management, optimize our asset and business structures, improve operational efficiency and deliver quality operations for the sustainable development of the Group.

As for infrastructure facilities, the division will continue to maintain its growth momentum. The water and environmental protection business will further enhance operational management, expand the size of its investment gradually, and explore new opportunities for continued growth. For toll roads, with consistent improvement in quality operation and management, we will strive to control costs, increase efficiency and maintain stable profit growth. For new business arenas, we will continue to invest in photovoltaic power generation and explore developments in clean energy such as offshore wind power generation to create new drivers for the Group's profitable growth.

In the real estate business, the Group will continue to refine its management structure and strengthen quality control. The overall risks of the Group will be more closely monitored and a positive and flexible marketing strategy will be adopted to accomplish sales and profit targets. We will continue to improve our asset structure and project planning, further enhance the management of our commercial assets and profit contribution, seize market opportunities, and revitalise existing assets as opportunities arise. Focus will be made on developing core businesses, optimizing debt and capital structures, and seeking appropriate investment opportunities as they arise.

Nanyang Tobacco will continue to carry out product innovation and development to maintain its sales and profitability. It will explore potential for new development, upgrade production facilities, and retain its favorable position in the sector. Wing Fat Printing will strengthen balanced development of its packaging business, focused on cigarette and wine packaging, as well as its new moulded-fibre business, and continue to enhance its operational and management abilities, exerting full strength on business transformation.

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 2019

FINAL DIVIDEND

The Board of Directors has recommended a final dividend of HK52 cents per share for 2018 (2017: HK48 cents per share). Together with an interim dividend of HK48 cents per share (2017: HK46) paid during the year, total dividends for the year amounted to HK$1 per share (2017: HK94 cents per share).

Subject to approval by the Shareholders at the Annual General Meeting, the final dividend will be paid on or about Wednesday, 12 June 2019 to Shareholders whose names appear on the register of members of the Company on Wednesday, 29 May 2019.

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, 23 May 2019 at 3:00 p.m. (the "**Annual General Meeting**"). Notice of the meeting will be despatched to the shareholders in mid-April 2019 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, 14 May 2019 to Wednesday, 15 May 2019, 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 Friday, 10 May 2019.

Final Dividend

For the purpose of determining Shareholders' entitlement to the final dividend, the register of members of the Company will be closed on Wednesday, 29 May 2019. 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 Tuesday, 28 May 2019.

REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed the Company's consolidated annual results for the year ended 31 December 2018.

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 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

On 18 February 2018, the convertible bonds issued by Tong Jie Limited, a wholly owned subsidiary of the Company, as guaranteed by the Company and listed on the Stock Exchange, became mature, and an outstanding balance of HK$32,000,000 was redeemed and cancelled in full.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities for the year ended 31 December 2018.

PUBLICATION OF THE ANNUAL REPORT

The Annual Report 2018 will be despatched to the Shareholders in mid-April 2019 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 2018

	Notes	**2018**	2017
		HK$'000	HK$'000
			(restated)
Revenue	*3*	**30,412,883**	29,520,325
Cost of sales		**(18,764,622)**	(17,678,032)
Gross profit		**11,648,261**	11,842,293
Net investment income		**530,558**	850,218
Other income, gains and losses		**990,267**	1,093,811
Selling and distribution costs		**(1,130,901)**	(1,080,824)
Administrative and other expenses		**(2,254,870)**	(2,385,564)
Finance costs		**(1,969,449)**	(1,799,378)
Share of results of joint ventures		**196,436**	231,782
Share of results of associates		**244,589**	390,048
Gain on disposal of subsidiaries/interests in associates/interest in a joint venture		**268,292**	229,270
Profit before taxation		**8,523,183**	9,371,656
Income tax expense	*4*	**(3,429,512)**	(4,236,931)
Profit for the year	*5*	**5,093,671**	5,134,725
Profit for the year attributable to			
- Owners of the Company		**3,333,020**	3,135,182
- Non-controlling interests		**1,760,651**	1,999,543
		5,093,671	5,134,725
		HK$	HK$
Earnings per share	*7*		
- Basic		**3.066**	2.884
- Diluted		**3.065**	2.882

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	HK$'000	HK$'000
		(restated)
Profit for the year	**5,093,671**	5,134,725
Other comprehensive (expense) income		
Item that will not be reclassified to profit or loss		
Fair value change on equity instruments at fair value through other comprehensive income held by subsidiaries, net of tax	**(18,157)**	-
Items that may be subsequently reclassified to profit or loss		
Exchange differences arising on translation of foreign operations		
- subsidiaries	**(3,634,072)**	4,100,249
- joint ventures	**(172,698)**	270,224
- associates	**(192,783)**	354,280
Fair value change on available-for-sale investments held by subsidiaries	**-**	12,539
Reclassification on derecognition of available-for-sale investments held by subsidiaries	**-**	(45,478)
Reclassification of translation reserve upon disposal of associates	**-**	(7,650)
Other comprehensive (expense) income for the year	**(4,017,710)**	4,684,164
Total comprehensive income for the year	**1,075,961**	9,818,889
Total comprehensive (expense) income for the year attributable to		
- Owners of the Company	**1,187,685**	5,763,055
- Non-controlling interests	**(111,724)**	4,055,834
	1,075,961	9,818,889

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2018

	Note	**31.12.2018**	31.12.2017	1.1.2017
		HK$'000	HK$'000	HK$'000
			(restated)	(restated)
Non-Current Assets				
Investment properties		**19,372,125**	22,629,653	18,637,786
Property, plant and equipment		**5,542,064**	5,027,205	4,392,813
Prepaid lease payments – non-current portion		**227,448**	254,159	243,135
Toll road operating rights		**8,413,587**	9,718,405	9,812,934
Goodwill		**800,097**	848,012	809,347
Other intangible assets		**7,734,021**	7,895,262	7,325,733
Interests in joint ventures		**3,355,941**	3,861,399	3,467,597
Interests in associates		**6,482,054**	5,076,505	3,378,695
Investments		**1,004,038**	820,747	1,192,415
Receivables under service concession arrangements – non-current portion		**17,874,120**	15,875,734	12,489,936
Deposits paid on acquisition of investment properties/property, plant and equipment		**846,196**	526,706	139,974
Other non-current receivables		**18,515**	26,739	58,732
Deferred tax assets		**399,097**	320,781	468,745
		72,069,303	72,881,307	62,417,842
Current Assets				
Inventories		**57,825,834**	52,833,604	46,588,061
Trade and other receivables	*8*	**8,363,616**	12,376,498	10,288,992
Contract asssets		**925,371**	-	-
Prepaid lease payments – current portion		**5,413**	5,707	5,293
Investments		**603,904**	483,045	226,967
Receivables under service concession arrangements – current portion		**426,874**	330,247	244,374
Amounts due from customers for contract work		**-**	1,291,540	710,079
Prepaid taxation		**868,526**	753,827	503,469
Pledged bank deposits		**628,045**	751,162	430,853
Short-term bank deposits		**344,134**	537,466	309,705
Bank balances and cash		**25,132,470**	32,137,738	31,533,394
		95,124,187	101,500,834	90,841,187
Assets classified as held for sale		**225,955**	-	-
		95,350,142	101,500,834	90,841,187

	Note	31.12.2018	31.12.2017	1.1.2017
		HK$'000	HK$'000	HK$'000
			(restated)	(restated)
Current Liabilities				
Trade and other payables	*9*	**17,593,000**	19,289,195	16,067,133
Amounts due to customers for contract work		**-**	20,084	23,879
Contract liabilities		**15,288,349**	-	-
Customer deposits from sales of properties		**-**	16,579,420	14,847,476
Taxation payable		**4,145,234**	4,306,790	4,219,271
Bank and other borrowings		**12,921,483**	11,816,974	8,553,493
Convertible bonds		**-**	33,449	32,722
		49,948,066	52,045,912	43,743,974
Liabilities associated with assets classified as held for sale		**179,532**	-	-
		50,127,598	52,045,912	43,743,974
Net Current Assets		**45,222,544**	49,454,922	47,097,213
Total Assets less Current Liabilities		**117,291,847**	122,336,229	109,515,055
Capital and Reserves				
Share capital		**13,649,839**	13,649,839	13,633,449
Reserves		**27,625,457**	28,092,727	23,460,587
Equity attributable to owners of the Company		**41,275,296**	41,742,566	37,094,036
Non-controlling interests		**28,227,672**	29,445,374	25,637,359
Total Equity		**69,502,968**	71,187,940	62,731,395
Non-Current Liabilities				
Provision for major overhauls		**87,325**	85,333	82,077
Bank and other borrowings		**38,560,014**	41,305,437	37,863,971
Deferred tax liabilities		**9,141,540**	9,757,519	8,837,612
		47,788,879	51,148,289	46,783,660
Total Equity and Non-Current Liabilities		**117,291,847**	122,336,229	109,515,055

Notes:

(1) GENERAL

The financial information relating to the years ended 31 December 2018 and 2017 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 2017 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 2018 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).

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 2018 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, MERGER ACCOUNTING AND PRINCIPAL ACCOUNTING POLICIES

(i) Basis of Preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and by the Hong Kong Companies Ordinance. 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 the reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

(ii) Merger Accounting

The Group accounts for all its business combinations involving entities under common control using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("**AG 5**") issued by the HKICPA.

In April 2018, the Group, through a listed subsidiary namely Shanghai Industrial Urban Development Group Limited ("**SI Urban Development**"), acquired 100% equity interest in 上海市上投房地產投資有限公司 (Shanghai Shangtou Real Estate Investment Co., Ltd.) ("**Shangtou Real Estate**") (together with its subsidiaries collectively referred to as "**Shangtou Real Estate Group**"), from SIIC excluding certain carved-out investment properties and inventories, at a cash consideration of RMB530,827,000 (equivalent to HK$657,086,000). Pursuant to terms and conditions set out in the acquisition agreement, certain assets and liabilities of Shangtou Real Estate Group would be transferred to an entity controlled by 上海上投資產經營有限公司 (Shanghai Shangtou Asset Operations Co., Ltd.) ("**Shangtou Asset**") at nil consideration prior to the completion of the acquisition. Shangtou Real Estate was established in the PRC and principally engaged in land development.

In applying AG 5 to the acquisition of Shangtou Real Estate, the consolidated statement of financial position of the Group as at 1 January 2017 and 31 December 2017 have been restated to include the assets and liabilities of Shangtou Real Estate Group as if they were within the Group on these respective dates. The consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2017 have also been restated to include the financial performance, changes in equity and cash flows of Shangtou Real Estate Group as if they were within the Group since 1 January 2017.

(iii) Principal Accounting Policies

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

New and amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and 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.

(a) HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and HKAS 11 and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Infrastructure facilities, including investments in toll road projects and water-related businesses;
- Real estate, including property development and investment and hotel operation; and
- Consumer products, including manufacture and sales of cigarettes, packaging materials and printed products.

On the whole, the application of HKFRS 15 has no material impact on the retained profits at 1 January 2018. The following adjustments were made to the amounts recognised in the Group's consolidated statement of financial position as at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017	Reclassification	Carrying amounts under HKFRS15 at 1 January 2018
	HK$'000	HK$'000	HK$'000
Current Assets			
Amounts due from customers for contract work	1,291,540	(1,291,540)	-
Contract assets	-	1,291,540	1,291,540
Current Liabilities			
Amounts due to customers for contract work	20,084	(20,084)	-
Customer deposits from sales of properties	16,579,420	(16,579,420)	-
Contract liabilities	-	16,599,504	16,599,504

The following tables smmarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

	As reported	Adjustments	Amounts without application of HKFRS 15
	HK$'000	HK$'000	HK$'000
Current Assets			
Amounts due from customers for contract work	-	925,371	925,371
Contract assets	925,371	(925,371)	-
Current Liabilities			
Amounts due to customers for contract work	-	5,805	5,805
Customer deposits from sales of properties	-	15,282,544	15,282,544
Contract liabilities	15,288,349	(15,288,349)	-

(b) HKFRS 9 "Financial Instruments"

In the current year, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets, contract assets and financial guarantee contracts and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Available-for-sale investments HK$'000	Financial assets designated as at FVTPL HK$'000	Financial assets at FVTPL required by HKAS 39/ HKFRS 9 HK$'000	Equity instruments at FVTPL HK$'000	Equity instruments at FVTOCI HK$'000	Contract assets HK$'000	Investment revaluation reserve HK$'000	Retained profits HK$'000
Closing balance at 31 December 2017 (restated) - HKAS 39	820,747	217,593	265,452	-	-	-	329,674	27,404,829
Effect arising from initial application of HKFRS 15:	-	-	-	-	-	1,291,540	-	-
Effect arising from initial application of HKFRS 9:								
Reclassification								
From available-for-sale investments	(820,747)	-	-	62,745	758,002	-	(31,888)	31,888
From financial assets designated as at FVTPL	-	(217,593)	217,593	-	-	-	-	-
Opening balance at 1 January 2018 - HKFRS 9	-	-	483,045	62,745	758,002	1,291,540	297,786	27,436,717

(c) Amendments to HKAS 40 "Transfers of Investment Property"

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in HKAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

At the date of initial application, the Group assessed the classification of certain properties based on conditions existing at that date. There is no impact to the classification at 1 January 2018.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[3]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 - 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
4 Effective for annual periods beginning on or after 1 January 2021
5 Effective for annual periods beginning on or after a date to be determined

(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 2018

	Infrastructure facilities	**Real estate**	**Consumer products**	**Unallocated**	**Consolidated**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
REVENUE					
Segment revenue - external sales	**8,805,425**	**17,201,802**	**4,405,656**	**-**	**30,412,883**
Segment operating profit (loss)	**2,876,417**	**5,988,411**	**1,325,933**	**(407,446)**	**9,783,315**
Finance costs	**(671,239)**	**(1,141,157)**	**(2,485)**	**(154,568)**	**(1,969,449)**
Share of results of joint ventures	**195,773**	**663**	**-**	**-**	**196,436**
Share of results of associates	**270,971**	**(32,907)**	**6,525**	**-**	**244,589**
Gain on disposal of subsidiaries and interest in a joint venture	**113,153**	**155,139**	**-**	**-**	**268,292**
Segment profit (loss) before taxation	**2,785,075**	**4,970,149**	**1,329,973**	**(562,014)**	**8,523,183**
Income tax expense	**(592,063)**	**(2,554,753)**	**(234,939)**	**(47,757)**	**(3,429,512)**
Segment profit (loss) after taxation	**2,193,012**	**2,415,396**	**1,095,034**	**(609,771)**	**5,093,671**
Less: segment profit attributable to non-controlling interests	**(444,495)**	**(1,297,591)**	**(18,565)**	**-**	**(1,760,651)**
Segment profit (loss) after taxation attributable to owners of the Company	**1,748,517**	**1,117,805**	**1,076,469**	**(609,771)**	**3,333,020**

For the year ended 31 December 2017 (restated)

	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	17,608,919	4,186,370	-	29,520,325
Segment operating profit (loss)	2,736,016	6,405,385	1,280,407	(101,874)	10,319,934
Finance costs	(589,281)	(1,131,545)	(3,819)	(74,733)	(1,799,378)
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	5,698,417	1,305,128	(176,607)	9,371,656
Income tax expense	(554,517)	(3,292,743)	(219,332)	(170,339)	(4,236,931)
Segment profit (loss) after taxation	1,990,201	2,405,674	1,085,796	(346,946)	5,134,725
Less: segment profit attributable to non-controlling interests	(456,850)	(1,527,158)	(15,535)	-	(1,999,543)
Segment profit (loss) after taxation attributable to owners of the Company	1,533,351	878,516	1,070,261	(346,946)	3,135,182

Segment assets and liabilities

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

At 31 December 2018

	Infrastructure facilities	**Real estate**	**Consumer products**	**Unallocated**	**Consolidated**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Segment assets	**51,766,999**	**104,332,943**	**7,723,938**	**3,595,565**	**167,419,445**
Segment liabilities	**20,806,750**	**66,705,624**	**767,987**	**9,636,116**	**97,916,477**

At 31 December 2017 (restated)

	Infrastructure facilities	Real estate	Consumer products	Unallocated	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	49,584,746	114,101,361	7,172,620	3,523,414	174,382,141
Segment liabilities	18,394,075	74,048,153	914,835	9,837,138	103,194,201

(4) INCOME TAX EXPENSE

	2018	2017
	HK$'000	HK$'000 (restated)
Current tax		
- Hong Kong	**204,049**	208,719
- PRC Land appreciation tax ("**PRC LAT**")	**1,544,261**	1,679,174
- PRC Enterprise income tax ("**PRC EIT**") (including PRC withholding tax of HK$74,727,000 (2017: HK$32,502,000))	**1,991,812**	1,819,616
	3,740,122	3,707,509
(Over)underprovision in prior years		
- Hong Kong	**193**	1,173
- PRC LAT (note i)	**(7,440)**	79,750
- PRC EIT (note i)	**(17,494)**	23,107
	(24,741)	104,030
Deferred taxation for the year	**(285,869)**	425,392
	3,429,512	4,236,931

note:

(i) The Group recognised an overprovision (2017: underprovision) of PRC LAT and PRC EIT during the year ended 31 December 2018, upon completion of tax clearance procedures by certain PRC subsidiaries with the respective tax authorities.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. 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 (2017: three) 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 from the date of grant 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

	2018 HK$'000	2017 HK$'000 (restated)
Profit for the year has been arrived at after charging:		
Amortisation of toll road operating rights (included in cost of sales)	**836,761**	805,438
Amortisation of other intangible assets (included in cost of sales)	**357,460**	339,871
Depreciation of property, plant and equipment	**459,311**	386,227
Release of prepaid lease payments	**7,638**	7,517
Impairment loss on bad and doubtful debts	**55,520**	34,710
Impairment loss on properties held for sale	**80,662**	280,519
Impairment loss on inventories, other than properties	**-**	12,601
Impairment loss on goodwill	**24,021**	-
Net foreign exchange loss (included in other income, gains and losses)	**52,841**	-
Net decrease in fair value of investment properties	**175,216**	-
Net loss on disposal/written off of property, plant and equipment	**394**	4,392
Research expenditure	**6,213**	7,884
Share of PRC EIT of joint ventures (included in share of results of joint ventures)	**89,015**	62,560
Share of PRC EIT of associates (included in share of results of associates)	**86,235**	123,292
and after crediting other income, gains and losses as follows:		
Gain on land resumption (note)	**538,579**	-
Gain from bargain purchase of interest in a subsidiary	**24,176**	8,097
Interest income	**604,559**	758,858
Net increase in fair value of investment properties	**-**	65,207
Reversal of impairment loss on bad and doubtful debts	**5,316**	38,599
Reversal of impairment loss on other intangible assets	**-**	28,229
Reversal of impairment loss on other receivables	**14,259**	4,896
Reversal of impairment loss on inventories, other than properties	**10,312**	-
Net foreign exchange gain (included in other income, gains and losses)	**-**	50,169

note: During the year ended 31 December 2018, two parcels of land with an aggregate carrying amount of RMB86,423,000 (equivalent to HK$102,398,000) held by the Group are resumed by the relevant government authority of Shanghai in the PRC for an aggregate compensation of RMB540,985,000 (equivalent to HK$640,977,000) and a gain of RMB454,562,000 (equivalent to HK$538,579,000) is recognised as other income.

(6) DIVIDENDS

	2018	2017
	HK$'000	HK$'000
Dividends recognised as distribution during the year:		
2018 interim dividend of HK48 cents (2017: 2017 interim dividend of HK46 cents) per share	**521,861**	500,117
2017 final dividend of HK48 cents (2017: 2016 final dividend of HK46 cents) per share	**521,862**	500,117
	1,043,723	1,000,234

The final dividend of HK52 cents per share in respect of the year ended 31 December 2018, amounting to approximately HK$565.4 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:

	2018	2017
	HK$'000	HK$'000
		(restated)
Earnings:		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**3,333,020**	3,135,182
Effect of dilutive potential ordinary shares - interest on convertible bonds, net of tax	**156**	607
Earnings for the purpose of diluted earnings per share	**3,333,176**	3,135,789

	2018	2017
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,087,211,600**	1,086,991,283
Effect of dilutive potential ordinary shares - convertible bonds	**118,214**	880,573
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,087,329,814**	1,087,871,856

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 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

	31.12.2018	31.12.2017	1.1.2017
	HK$'000	HK$'000	HK$'000
		(restated)	(restated)
Trade receivables			
- Good and services	**2,884,593**	3,838,738	1,749,985
- Operating lease	**25,037**	39,702	25,912
	2,909,630	3,878,440	1,775,897
Less: allowance for credit loss	**(113,413)**	(79,162)	(86,254)
	2,796,217	3,799,278	1,689,643
Other receivables	**5,567,399**	8,577,220	8,599,349
Total trade and other receivables	**8,363,616**	12,376,498	10,288,992

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 credit loss, presented based on the invoice or contract date, which approximates the respective revenue recognition dates.

	2018	2017
	HK$'000	HK$'000
Within 30 days	**858,526**	2,307,041
Within 31 – 60 days	**357,313**	259,332
Within 61 – 90 days	**384,973**	144,823
Within 91 – 180 days	**361,000**	176,498
Within 181 – 365 days	**281,079**	274,976
Over 365 days	**553,326**	636,608
	2,796,217	3,799,278

(9) TRADE AND OTHER PAYABLES

	31.12.2018	31.12.2017	1.1.2017
	HK$'000	HK$'000	HK$'000
		(restated)	(restated)
Trade payables	**4,837,599**	4,729,190	4,085,857
Consideration payables for acquisition of subsidaries	**126,110**	736,249	991,119
Other payables	**12,629,291**	13,823,756	10,990,157
Total trade and other payables	**17,593,000**	19,289,195	16,067,133

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

	2018	2017
	HK$'000	HK$'000
		(restated)
Within 30 days	**1,429,557**	1,109,482
Within 31 – 60 days	**275,450**	229,024
Within 61 – 90 days	**408,864**	460,330
Within 91 – 180 days	**349,819**	518,238
Within 181 – 365 days	**1,010,568**	1,084,060
Over 365 days	**1,363,341**	1,328,056
	4,837,599	4,729,190

FINANCIAL REVIEW

I. Analysis of Financial Results

1. Revenue

In 2018, the revenue amounted to approximately HK$30,412.88 million, representing a year-on-year increase of 3.0%, mainly due to increases in construction revenue recorded by SIIC Environment of the infrastructure facilities business, as well as higher volume of sewage water treatment and water supply and contributions from newly acquired companies which raised SIIC Environment’s revenue by approximately HK$979.88 million.

The revenue of the real estate business declined slightly, mainly due to the significant increase in sales of property ancillary facilities of SI Development compared with last year which was offset by decrease in property sales booked by SI Urban Development.

The revenue of Nanyang Tobacco remained stable while the moulded fibre packaging business of Wing Fat Printing recorded growth for the year. As a result, revenue from the consumer products business increased by approximately 5.2% year-on-year.

2. Profit Contribution from Each Business

Net profit from the infrastructure facilities business for the year amounted to approximately HK$1,748.52 million, accounting for 44.3% of Net Business Profit, and representing a year-on-year increase of 14.0%. For toll roads and bridge business, benefiting from natural traffic flow growth, as well as increases in shareholdings of Zhejiang Wufangzhai Industrial Co., Ltd. in June 2017 which brought about sharing in profits. As a result, the toll roads and bridge business recorded a year-on-year increase in profit of 4.3%.

For the water services business, an increase in profit of 42.7% was recorded. Increase due to the Company’s increase in shareholdings in SIIC Environment and Canvest Environmental resulted in increase in sharing of profits. The result of General Water of China was driven by increases in operating income resulting in a considerable year-on-year increase in profits.

The real estate business recorded a profit of approximately HK$1,117.81 million, accounting for 28.4% of the Net Business Profit, and representing an increase of approximately 27.2% over 2017. As the Company holds 49% interest of Shanghai Bay under SI Development in Qingpu, Shanghai, the profit shared on the booked sales upon delivery of the properties during the year contributed to the remarkable growth in profit of the real estate business.

The consumer products business recorded a net profit of HK$1,076.47 million, accounting for 27.3% of Net Business Profit, and representing a year-on-year increase of 0.6%. Despite an increase in revenue of cigarettes of 4.0% during the year, the net profit of Nanyang Tobacco remained stable due to increases in material costs and manufacturing expenses. Wing Fat Printing contributed a net profit of HK$121.05 million for the year, representing a year-on-year increase of 0.9%. Although profit contribution by moulded fiber packaging business increased during the year, the disposal of 25% equity interest in Xuchang Yongchang Printing Co., Ltd. contributed a net profit of HK$19.25 million in last year partly offset the profit growth.

3 Profit before Taxation

(1) Gross profit margin

Compared to 2017, overall gross profit margin decreased by 1.8 percentage points, mainly due to an increase in the proportion of property ancillary facilities income with relatively low margin in the real estate business, resulting in a decrease in gross profit margin of approximately 2.3 percentage points. Meanwhile, gross profit margins for the infrastructure facilities business and consumer products business remained stable during the year.

(2) Other income, gains and losses

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

(3) *Gain on disposal of subsidiaries/interests in associates/interest in a joint venture*

The gain for the year was mainly attributable to the disposal of a subsidiary which holds 26.01% equity interest in the Fuzhou real estate project and two water services project subsidiaries and a profit before taxation of HK$268.29 million was recorded. The gain for last year was mainly attributable to a profit before taxation of HK$206.56 million and HK$22.71 million from the fair value gain on the revaluation of previously held interest in Quanzhou project and completion of the disposal of 25% equity interest in an associate of Wing Fat Printing.

4. Dividend

The Board of Directors of the Group has proposed to declare a final dividend of HK52 cents per share. Together with an interim dividend of HK48 cents per share, the total dividend amounted to HK100 cents per share for 2018 (2017: HK94 cents per share). Annual dividend payout ratio is 32.6% (2017: 32.6%).

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 2018, There is no change compared with 1,087,211,600 shares as at the end of 2017.

Equity attributable to owners of the Company reached HK$41,275.30 million as at 31 December 2018, 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

As at 31 December 2018, the total borrowings of the Group including bank borrowings and other borrowings amounted to approximately HK$51,518.20 million (31 December 2017: HK$53,212.36 million), of which 64.0% (31 December 2017: 64.0%) was unsecured credit facilities. The proportions of US dollars, Renminbi and HK dollars of total borrowings were 3%, 84% and 13% (31 December 2017: 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$11,459,467,000 (31 December 2017: HK$12,056,862,000);

(b) leasehold land and buildings with an aggregate carrying value of HK$134,605,000 (31 December 2017: HK$150,233,000);

(c) plant and machineries with an aggregate carrying value of HK$27,173,000 (31 December 2017: HK$34,601,000);

(d) one (31 December 2017: one) toll road operating right with a carrying value of HK$2,105,856,000 (31 December 2017: HK$2,410,356,000);

(e) receivables under service concession arrangements with an aggregate carrying value of HK$10,196,365,000 (31 December 2017: HK$10,131,288,000);

(f) properties under development held for sale with an aggregate carrying value of HK$2,873,025,000 (31 December 2017: HK$1,930,280,000);

(g) properties held for sale with an aggregate carrying value of HK$736,551,000 (31 December 2017: HK$338,443,000);

(h) trade receivables with an aggregate carrying value of HK$152,084,000 (31 December 2017: HK$10,694,000); and

(i) bank deposits with an aggregate carrying value of HK$628,045,000 (31 December 2017: HK$751,162,000).

(3) Contingent liabilities

As at 31 December 2018, the guarantees given to banks by the Group in respect of banking facilities utilised by property buyers and joint ventures amounted to approximately HK$6,355.01 million and HK$1,648.58 million (31 December 2017: HK$4,652.21 million and HK$2,164.27 million) respectively.

3. Capital Commitments

As at 31 December 2018, the Group had capital commitments mainly contracted for business developments and investments in fixed assets of HK$12,254.67 million (31 December 2017: HK$5,800.32 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 2018, bank balances and short-term investments held by the Group amounted to HK$26,104.65 million (31 December 2017: HK$33,426.37 million) and HK$603.90 million (31 December 2017: HK$483.05 million) respectively. The proportions of US dollars and other currencies, Renminbi and HK dollars of bank balances were 3%, 83% and 14% (31 December 2017: 3%, 86% and 11%) 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.