上海實業控股有限公司
SHANGHAI INDUSTRIAL HOLDINGS LIMITED
(Stock Code : 363)

Annual Report 2019

Exploring Breakthroughs

順勢有為 探求突破

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Shen Xiao Chu *(Chairman)*
Mr. Zhou Jun *(Vice Chairman & Chief Executive Officer)*
Mr. Xu Bo *(Deputy CEO)*
Mr. Xu Zhan

Independent Non-Executive Directors

Prof. Woo Chia-Wei
Mr. Leung Pak To, Francis
Mr. Cheng Hoi Chuen, Vincent
Mr. Yuen Tin Fan, Francis

BOARD COMMITTEES

Executive Committee

Mr. Shen Xiao Chu *(Committee Chairman)*
Mr. Zhou Jun
Mr. Xu Bo

Audit Committee

Mr. Cheng Hoi Chuen, Vincent *(Committee Chairman)*
Prof. Woo Chia-Wei
Mr. Leung Pak To, Francis
Mr. Yuen Tin Fan, Francis

Remuneration Committee

Prof. Woo Chia-Wei *(Committee Chairman)*
Mr. Leung Pak To, Francis
Mr. Cheng Hoi Chuen, Vincent
Mr. Yuen Tin Fan, Francis
Mr. Li Han Sheng
Mr. Tang Ming

Nomination Committee

Prof. Woo Chia-Wei *(Committee Chairman)*
Mr. Leung Pak To, Francis
Mr. Cheng Hoi Chuen, Vincent
Mr. Yuen Tin Fan, Francis
Mr. Li Han Sheng
Mr. Tang Ming

COMPANY SECRETARY

Mr. Yee Foo Hei

QUALIFIED ACCOUNTANT

Mr. Lee Kim Fung, Edward

AUTHORISED REPRESENTATIVES

Mr. Zhou Jun
Mr. Yee Foo Hei

REGISTERED OFFICE

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COMPANY STOCK CODE

Stock Exchange : 363
Bloomberg : 363 HK
Reuters : 0363.HK
ADR : SGHIY

COMPANY WEBSITE

www.sihl.com.hk

AUDITOR

Deloitte Touche Tohmatsu

ADR DEPOSITORY BANK

The Bank of New York Mellon
BNY Mellon Shareowner Services
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Toll free (USA) : (1) 888 BNY ADRS
Website : www.bnymellon.com/shareowner
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INFORMATION FOR SHAREHOLDERS

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Investor Relations

Telephone	:	(852) 2821 3936
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Share Registrar

Tricor Secretaries Limited

Address	:	54th Floor, Hopewell Centre 183 Queen's Road East Hong Kong
Telephone	:	(852) 2980 1333
Facsimile	:	(852) 2861 1465

Our Website

Press releases and other information of the Group can be found at our website: www.sihl.com.hk.

DIVIDEND

Proposed 2019 final dividend of HK52 cents per Share (2018: HK52 cents per Share) will be paid to shareholders on or about Friday, 12 June 2020 subject to shareholders' approval.

For the interim dividend for the year, the Company completed the payment in the form of distribution in specie to the qualified shareholders of the Company on the basis of 1 SIUD Share for every 1 Share held (2018: interim dividend of HK48 cents per Share and total dividends for the year of HK$1 per Share).

CLOSURE OF REGISTER OF MEMBERS

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 on Monday, 11 May 2020 and Tuesday, 12 May 2020, 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 by 4:30 p.m. on Friday, 8 May 2020.

For the purpose of determining shareholders' entitlement to the final dividend, the register of members of the Company will be closed on Friday, 29 May 2020, on which 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 by 4:30 p.m. on Thursday, 28 May 2020.

FINANCIAL CALENDAR

2019 interim results announced	29 August 2019
2019 final results announced	31 March 2020
Despatch of 2019 annual report	on or about 16 April 2020
2020 annual general meeting	19 May 2020
Ex-dividend date for 2019 final dividend	27 May 2020
Record date for 2019 final dividend	29 May 2020
Despatch of notice of 2019 final dividend	on or about 12 June 2020

CHAIRMAN'S STATEMENT

Shen Xiao Chu
Chairman

I am pleased to report to our shareholders the Group's results for the year 2019.

In the face of external factors like escalating trade disputes, fluctuations in global capital markets, as well as political and social conditions around the world in the year of 2019, the Group continued to focus on developing its principal businesses such as infrastructure and environmental protection, real estates and consumer goods under the leadership of the Board and our executive team, and continued to strengthen its business management and improve its operating efficiency. In addition, new business arenas were expanded and internal control measures were enhanced, resulting in satisfactory operating performance and stable growth momentum across different business segments. Along with this, the asset size of the Group has been expanded in an orderly manner and its asset structure has been further streamlined, laying a solid foundation for its long-term development.

For the year ended 31 December 2019, the Group's total revenue amounted to HK$32,345 million, representing a year-on-year increase of 6.4%. Net profit rose year-on-year by 0.5% to HK$3,350 million. The moderate increase in net profit was mainly attributed to a high profit base achieved during last year, arising from a significant increase in profits generated from sales revenue of the Shanghai Bay project of SI Development in which the Company holds a 49% equity interest.

The Board of Directors has recommended a final dividend of HK52 cents per Share (2018: HK52 cents per Share) for 2019. For the interim dividend for the year, the Company completed the payment in the form of distribution in specie to the qualified shareholders of the Company on the basis of 1 SIUD Share for every 1 Share held (2018: interim dividend of HK48 cents per Share and total dividends for the year of HK$1.00 per Share).

The Group's three principal businesses continued to grow steadily in 2019. The infrastructure and environmental protection business recorded a profit of HK$1,756 million for the year, representing a year-on-year increase of 0.4%. For water services, the turnover and net profit for SIIC Environment for the year of 2019 were RMB5,960 million and RMB600 million, respectively, up by 12.2% and 11.1% year-on-year. During the year, General Water of China recorded a revenue of HK$2,198 million, representing a decline of 3.6% over last year; net profit amounted to HK$213 million, representing a year-on-year decline of 7.8%. During the year, the toll roads business continued to improve its service quality and toll collection efficiency while pursuing quality management. The segment recorded steady business growth, providing a strong cash flow to the Group.

The real estate business recorded a profit of HK$780 million for the year, representing a year-on-year decrease of 30.2%. The drop in net profit was mainly attributed to a high profit base achieved during last year, arising from a significant increase in profits generated from sales revenue of the Shanghai Bay project of SI Development in which the Company holds a 49% equity interest.

SI Urban Development's revenue for 2019 was HK$8,584 million, representing an increase of 23.0% over last year; profit attributable to shareholders was HK$600 million, a year-on-year increase of 4.8%. SI Development's revenue for the year was RMB8,866 million, a year-on-year increase of 2.3%; profit attributable to shareholders was RMB782 million, a year-on-year increase of 18.9%.

The consumer products business recorded steady growth, with a net profit of HK$1,104 million, representing a year-on-year increase of 2.5%. The segment continued to provide a steady profit and cash flow to the Group.

Maintaining stable growth and refining its management

During the year, the infrastructure segment's three quality expressways and Hangzhou Bay Bridge continued to provide stable profit and cash flow to the Group. Overall traffic flow and revenue dropped slightly as a result of adjustments in the structure of the industry in surrounding areas and the implementation of toll concessions for electronic toll collection lanes nationwide. In addition, considerable efforts were made during the year to prevent road congestions and ensure smooth traffic flow. These measures included enhanced management standards, improved road maintenance, strengthened monitoring and control of the roads and improved operational efficiency, all of which effectively helped to resolve peak traffic flow issues during major holidays and events. Works were completed with high quality and high standards which aimed to safeguard the celebration of the 70th anniversary of the founding of the People's Republic of China and the Second China International Import Expo (CIIE).

As part of the prevention and control measures to the COVID-19 epidemic, the central government announced in February 2020 that toll fees would be waived for toll roads across the country until the above measures ended. As such, it is expected that the total revenue and profit of the Group's toll roads will be affected in the coming financial year. Currently, the Ministry of Transport is also considering introducing respective policies which will protect the legitimate rights and interests of toll road users, creditors, investors as well as expressway operators.

SIIC Environment which is listed both in Singapore and Hong Kong continued to expand the asset size of its water and environmental protection business in an orderly manner. The asset quality of the company continued to be improved and the management continued to be refined, resulting in a satisfactory growth of its profitability. The daily water treatment capacity of SIIC Environment exceeded 11,740,000 tonnes; together with General Water of China, the daily capacity for water treatment for the Group was about 18,670,000 tonnes. During the year, SIIC Environment made major breakthroughs in solid waste business. Its 70%-owned subsidiary together with Canvest Environmental and Baowu Environment established a joint venture, in which SIIC Environment holds an effective interest of 42%. The joint venture then obtained a renewable energy development center project in Baoshan, Shanghai, the first innocuous domestic waste treatment facility in Shanghai. SIIC Environment will cooperate with Baowu Environment with a view to building a series of ecological industrial parks, so as to further expand related businesses along the Yangtze River Economic Belt and the Belt and Road regions.

CHAIRMAN'S STATEMENT

Through Shanghai Galaxy and Galaxy Energy, the Group owns 13 photovoltaic power generation projects nationwide with a total asset scale of 590MW. Approximately 866 million kWh of on-grid electricity was sold during the year, representing a year-on-year increase of 5.8%.

In addition, our solid waste power generation business made through investing in Canvest Environmental, recorded steady growth in terms of investment scale and market shares. Green Energy, an investment by Shanghai Galaxy through cooperation with Shangtou Asset, focused on offshore wind power business in Shanghai. In addition, the Company joined hands with Shanghai Pharmaceuticals, a subsidiary of SIIC, to invest in CIRC, a company listed on the Hong Kong Stock Exchange, as cornerstone investors to explore the development potential in the radioactive drugs sector. While pursuing other potential quality acquisitions, Shanghai Galaxy and Galaxy Energy will continue to refine the management of their existing projects to enhance efficiency.

Improving efficiency of real estate operations and expanding quality landbank in an orderly manner

In 2019, SI Development took initiative to seize development opportunities in several regions with Shanghai as its core, including the Yangtze River Delta regions such as Jiangsu and Zhejiang, and also Chengdu, Chongqing and Qingdao, and further enhanced its operational and development capabilities. Steady progress was made in the development of the company's projects. In addition, plans were made to strengthen its property management platforms and further consolidate service standards. During the year, the company managed further a variety of public facilities and commercial property projects, including judiciary authorities, civil affairs services, exhibition centers, as well as colleges and universities. During the year, SI Development won a sizeable land for residential development in Gucun, Baoshan, Shanghai through bidding at the lowest bid price of RMB2,819 million. Two additional land parcels at Guanglai Road, Xihong Bridge, Qingpu District, Shanghai and Huacao Town, Minhang District, Shanghai for rental purpose were successfully acquired by way of equity investment, at a bidding price of RMB191.69 million and RMB300.60 million, respectively.

CHAIRMAN'S STATEMENT




During the year, SI Urban Development continued to increase the operational efficiency of its commercial assets. Projects for commercial, office, hotel, long-term rental apartments located at such popular cities as Shanghai, Beijing and Chongqing achieved encouraging results through reformation and innovation under the operating models of diversified business and commercial brands. A joint venture was formed during the year among SI Urban Development, Aerospace Group and other parties in which SI Urban Development holds approximately 32.5% beneficial interest. The new company also won a Guilin Road land project in Xuhui District, Shanghai, with a total capital commitment of approximately RMB1,527.50 million. The land is strategically located at a prime location which is expected to be adjacent to the intersection of the existing Metro Line 9 and the future Metro Line 15 in Shanghai. In January 2020, SI Urban Development made an announcement for a capital injection into SIIC Financial Leasing following which the company will hold 20% of its capital after completion of the capital increase. SIIC Financial Leasing is an integrated credit provider based in Shanghai whose business mainly includes the provision of financing to regional governments and its platform companies to fund local infrastructure projects.

Continuing to innovate consumer products and consolidating strategic transformation and upgrading

Despite a volatile economy and changing regulatory controls, Nanyang Tobacco achieved satisfactory growth both in turnover and volume of sales during the year through adopting a series of development strategies for the company. These strategic moves include brand innovation, broadening its markets and tailoring its products to meet the needs of different consumers and sales channels. During the year, the company was able to maintain its strategic goals of "Strengthening business growth; pursuing for excellence; and ensuring healthy internal operation and external development". The company's versatile production line introduced last year represents the world's first tobacco processing line that enables the production of a variety of cigarette specifications, multiple packaging forms and rapid switching of specifications. Satisfactory progress on production was made during the year. During the year, Nanyang Tobacco was planning to establish an overseas supply and distribution platform based in Hong Kong with a large PRC cigarette enterprise under the principle of ensuring "reciprocal needs and mutual benefits" in which the two companies agree to share their resources and complement each other in the development of their overseas businesses.

CHAIRMAN'S STATEMENT

In 2019, Wing Fat Printing recorded stable growth for its results, benefitting from a balanced development of its tobacco packaging and exquisite packaging business as well as the moulded-fibre business. During the year, the company was committed to implementing its "1+1+1" strategic plans of promoting the balanced development of its packaging and moulded-fibre business in a steady pace and at the same time treating medicine packaging as well as intelligent packaging with medicine packages as an interface. Implementation plans for the enhancement of intelligent manufacturing processes were further explored in order to increase the company's overall operation and management standards and competitiveness in the market, laying a solid foundation for its sustainable and healthy development.

PROSPECTS

For the year of 2020, continued trade disputes, volatility in interest rates and currency exchanges as well as threats from the coronavirus epidemic and control measures taken by different governments on the community's economic and production activities should present multiple severe challenges to the development of the Group's businesses. Against this scenario, the Group has pledged to take proactive measures to enhance its operating and management efficiency, strengthen risk management and controls, continue to reform and innovate, and to further streamline its asset structure and business through carefully planned and deployment of its resources.

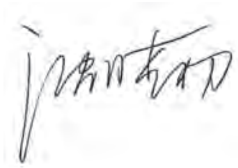
For the infrastructure and environmental protection businesses, we will continue to streamline our management and improve our operational efficiency for such areas as water service, solid waste treatment and photovoltaic power generation. We will also continue to expand our capital size steadily through effective financing channels, and plan for expansion in a prudent manner so as to enhance the company's competitive position in the market. Quality management will continue to be introduced to our toll road operations in an effort to reduce costs and increase efficiency and to maintain stable business growth.

The real estate business will further streamline its asset and financial structures, to more effectively deploy its capital resources and manage overall risk, and to further revitalize its assets. Focusing on our core businesses, we will steadily promote the development of our projects under construction and accelerate the turnover of property inventory of completed buildings. We will also enhance the operational efficiency and strategic positioning of our commercial properties and property management business, strengthen our cooperation with strategic partners and maintain a stricter control of our development progress and capital risks, while looking for investment opportunities when they arise.

CHAIRMAN'S STATEMENT

For consumer products business, Nanyang Tobacco will continue to pursue product innovation and development, optimize its product structure and enhance its brand development. The company will also be committed to further upgrade its production equipment in order to maintain its competitive position in the industry and to increase its profitability. Wing Fat Printing will continue to embark on its operation strategy which has been established for the promotion of a balanced development of its packaging business and moulded-fibre business. The company will also continue to seek for self enhancement during its business development process and to enhance its overall profitability as well as its ability to resolve operational risks.

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, 31 March 2020

SIHL AT A GLANCE

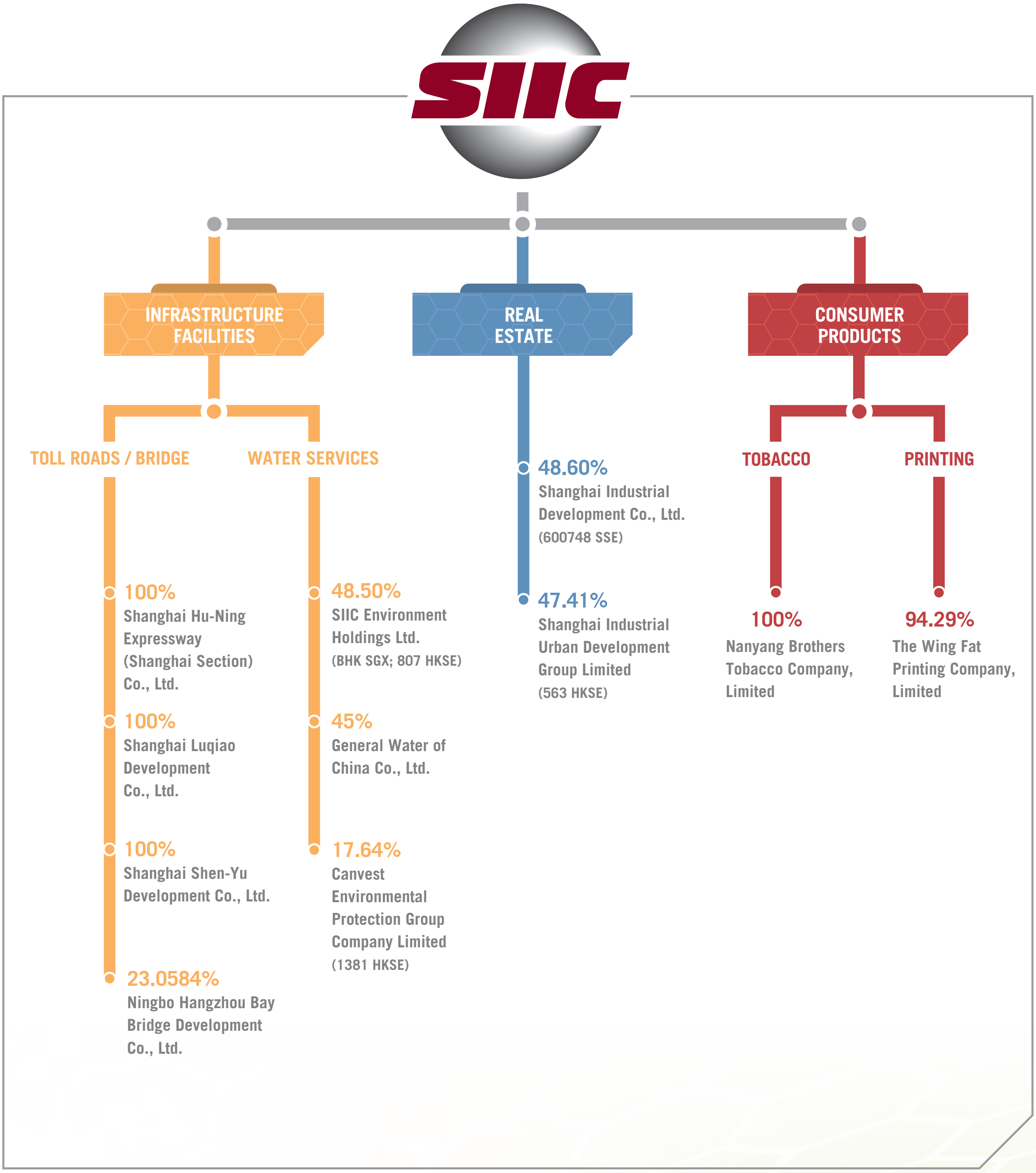
Shanghai Industrial Holdings Limited ("SIHL", HKSE Stock Code: 363) was incorporated in Hong Kong in January 1996, and on 30 May of the same year was listed on the Stock Exchange of Hong Kong. SIHL is a constituent stock of the MSCI China Index and Hang Seng Composite Index, and an eligible stock of Shanghai-Hong Kong Stock Connect. At the end of 2019, the company's total assets reached HK$174.9 billion and profit attributable to owners of the Company was HK$3.350 billion.

Shanghai Industrial Holdings Limited, is the largest overseas conglomerate enterprise of Shanghai Industrial Investments (Holdings) Company Limited ("SIIC"). As the flagship in the SIIC group of companies, SIHL has been successful in leveraging its Shanghai advantage since listing, in terms of securing the best investment opportunities in mainland China with full support from the parent company.

Over the past 20 years' development, SIHL has became a conglomerate company with three core businesses: infrastructure facilities (including toll roads/bridge, and environmental protection related business such as sewage treatment and solid waste treatment business), real estate and consumer products (including Nanyang Tobacco and Wing Fat Printing). SIHL will continue to raise its governance standard in order to create favourable returns and value for shareholders.

GROUP BUSINESS STRUCTURE

As at 31 March 2020

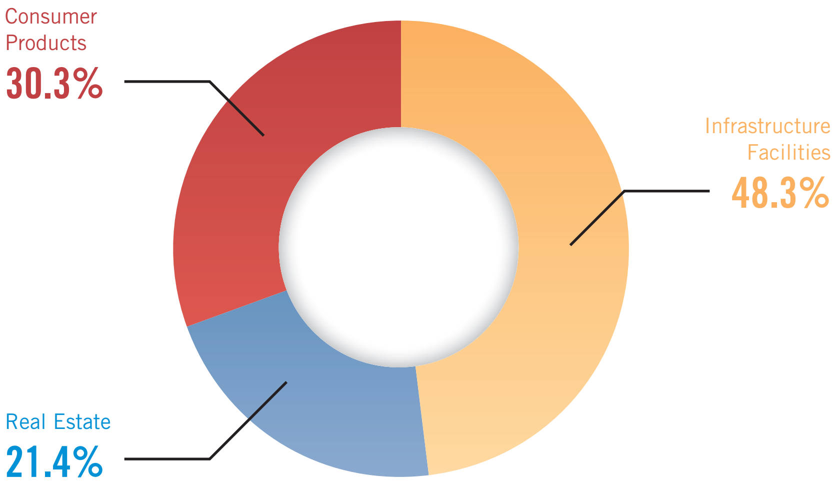


BUSINESS REVIEW, DISCUSSION AND ANALYSIS

For the year ended 31 December 2019, the Group's audited revenue amounted to HK$32,345 million, representing a year-on-year increase of 6.4%. Profits attributable to shareholders were HK$3,350 million, representing an increase of 0.5% over the past year. The moderate increase in profit was mainly due to a relatively high profit base recorded for last year, arising from a significant increase in sales revenue from the Shanghai Bay project of SI Development in which the Company holds a 49% interest.

In 2019, the Group's core business continued to record stable growth as the management continued to streamline its capital structure and further tightened internal control. During the year, the Group's major projects progressed smoothly while efforts were made for strategic transformation and product innovation, resulting in the consolidation of the scale and profit base of its core businesses, and acting as a key driving force for the Group's new sources of revenue in the future.

Profit contribution from the Group's core business



INFRASTRUCTURE FACILITIES

The infrastructure facilities business recorded a profit of HK$1,756 million for the year, representing an increase of 0.4% over last year and accounting for 48.3% of the Group's Net Business Profit. Continued efforts will be made to expand the scale of investment of the water and environmental protection business in an orderly way and to maintain the profitability and operational efficiency of the toll roads business.

Toll Roads

During the year, the traffic flow of the three toll roads and Hangzhou Bay Bridge remained stable while traffic conditions remained smooth, in particular, during holidays. Toll revenue and profit for the year have however declined due to impacts resulting from diversion of traffic flows on expressways, adjustments on the structure of surrounding road network, and implementation of toll concessions for electronic toll collection lanes nationwide.

In response to implementation plans for the "cancellation of toll stations on provincial borders" introduced by the Shanghai Municipal Government, the project companies have made considerable efforts to carry out necessary works, including the completion of related civil projects, equipment installation and lane reconstruction. During the year, improvement works to ensure the successful celebration of the 70th anniversary of the founding of the People's Republic of China were also completed with high quality and standards. The construction work for the second China International Impact Expo (CIIE) was completed on schedule and of good quality. The Hangzhou Bay Bridge and the "two districts and one island" recorded overall safe and orderly operation, and the structure of which maintained Class I standard. The construction of "intelligent bridge" was further promoted, and the services and management of the "two districts and one island" were enhanced constantly.

BUSINESS REVIEW, DISCUSSION AND ANALYSIS

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

Toll roads/bridge	Interest attributable to the Group	Net profit attributable to the Group	Change	Toll revenue	Change	Traffic flow (vehicle journey)	Change
Jing-Hu Expressway (Shanghai Section)	100%	HK$347 million	-7.7%	HK$689 million	-8.0%	59.15 million	-2.3%
Hu-Kun Expressway (Shanghai Section)	100%	HK$382 million	-17.9%	HK$1,041 million	-6.2%	59.21 million	+1.8%
Hu-Yu Expressway (Shanghai Section)	100%	HK$213 million	+0.7%	HK$603 million	-4.0%	43.34 million	+4.6%
Hangzhou Bay Bridge	23.0584%	HK$148 million	+3.2%	HK$1,896 million	-2.4%	14.76 million	+4.7%
Total		**HK$1,090 million**	**-8.9%**	**HK$4,229 million**	**-4.5%**	**176.46 million**	**+1.3%**

The total revenue of the Group's toll roads is expected to decline in the coming financial year following calls from state announcements in February 2020 for the waiving of toll fees for toll roads across the country during the prevention and control period of the COVID-19 coronavirus epidemic until such prevention and control measures ended. Currently, the Ministry of Transport is also considering introducing respective policies which will protect the legitimate rights and interests of toll road users, creditors, investors as well as expressway operators. During this period, project companies will endeavour to fulfill their social responsibilities, ensure smooth traffic, combat the epidemic and ensure efficient transportation of materials needed for production and living. In the short term, we will closely review the impact of the waiver of toll fees for toll roads across the country to the Group, and take respective measures to minimize the adverse effects which it brought about.

In 2020, all the roads are expected to undergo national inspections for the assessment of the maintenance and management performance of the expressways nationwide, which takes place every five years. Taking this opportunity, we will be making corresponding improvements to our roads to ensure that the facilities remain intact and to further promote the enhancement of the management. Having gained experience from the first two CIIEs, we will carry out our works with higher standards to safeguard the third CIIE. Going forward, we will continue to optimize the operations and emergency measures for major holidays with a view to improving road capacity during peak hours. Congestion elimination contests will be held continually to improve the efficiency and services of toll collection counters. We will also pay attention to changes in road traffic from time to time and make respective road deployments.

BUSINESS REVIEW, DISCUSSION AND ANALYSIS

Water Services

During the year, the Group actively explored investment opportunities in sewage treatment and solid waste projects as well as potentials in environmental protection-related areas. Considerable efforts will be made to streamline the operation and management and expand the production capacity of existing projects to promote rapid business growth.

SIIC Environment

In 2019, SIIC Environment recorded a revenue of RMB5,960 million, representing a year-on-year increase of 12.2%. The growth was mainly attributable to rising revenue from service concession arrangements as well as financial and service income from a bigger volume and higher prices of water sold. Profit for the year rose to RMB600 million, representing an increase of 11.1% over last year.

During the year, seven new sewage treatment projects with a total daily capacity of 297,500 tonnes were added to the company in Jilin, Zhejiang, Shandong, Henan and Heilongjiang provinces, along with a waste incineration project with a daily capacity of 1,200 tonnes. In addition, eight sewage treatment projects, with a total daily treatment capacity of 232,500 tonnes, have been put into operation in Jilin, Zhejiang, Jiangxi and Liaoning provinces. In the Shanghai, Jiangxi and Heilongjiang provinces, the company has signed agreements for five sewage treatment projects, with a total daily treatment capacity of 375,000 tonnes, to upgrade and expand their capacity and to adjust the price of water.

BUSINESS REVIEW, DISCUSSION AND ANALYSIS




A major breakthrough in solid waste business was made by the company during the year with the formation of a new joint-venture among SIIC Environment, Canvest Environmental and Baowu Environment. The joint-venture company, in which SIIC Environment beneficially holds 42% interest, is principally engaged in waste-to-energy business in Shanghai, with a registered capital of RMB1.1 billion. In November, 2019, a renewable energy development center project in Baoshan, Shanghai, was acquired by Baojin'gang Environmental. With a total planned daily treatment capacity of 3,800 tonnes and a total investment of approximately RMB3,041 million, the project represents the first innocuous domestic waste treatment facility to be constructed in Shanghai. In cooperation with Canvest Environmental and Baowu Environment, SIIC Environment will capitalize on the project to build a series of ecological industrial parks in order to further expand related businesses along the Yangtze River Economic Belt and the One Belt and One Road.

In December 2019, SIIC Environment established a joint venture with a wholly-owned subsidiary of our parent company and another independent third party in which SIIC Environment holds 40% interest. The joint venture, as a cornerstone investor, invested in the listed H shares of Taizhou Water Group in Hong Kong, at a consideration of HK$52.75 million for 25% of its total number of H shares and approximately 6.25% of its total issued share capital. The investment is expected to fully capitalize on the huge growth potential of the water supply industry in Taizhou, facilitate the future expansion of SIIC Environment in the environmental protection industry in Taizhou, and generate sound synergy with its existing projects in the city.

Looking ahead, SIIC Environment will continue to focus on investing in water services and waste incineration projects with secured and stable cash flow and develop business of high quality as soon as opportunities arise.

BUSINESS REVIEW, DISCUSSION AND ANALYSIS

General Water of China

General Water of China recorded a net profit of HK$213 million for the year with a year-on-year decrease of 7.8%. Revenue amounted to HK$2,198 million, a decrease of 3.6% over last year. Adhering to its general principle of achieving steady progress and robust development, the company further streamlined its capital and profit structures as well as its management hierarchy during the year and continued to improve its asset quality. For the 16th consecutive year, the company was awarded one of the Top 10 Most Influential Enterprises in China's Water Industry, ranking among top 3 for the first time. It was also recognized as one of the 2019 Top 50 Environmental Enterprises in China. As at the end of the year, General Water of China owned 34 water supply facilities and 27 sewage treatment plants with a daily capacity of 6,927,000 tonnes, among which, the water production daily capacity accounted for 4,429,500 tonnes and daily sewage treatment capacity of 2,497,500 tonnes, and two reservoirs with a gross storage tank volume of 182,320,000 tonnes and a pipe network of 6,248 kilometers in total.

In January 2019, phase II of a PPP (public-private partnership) project for a sewage treatment plant in the new zone of eastern Huzhou was established, which would be invested, constructed and operated by General Water of China, with a daily sewage treatment capacity of 100,000 cubic meters and a total investment of approximately RMB238 million. The project represented the company's initial presence in Huzhou since the implementation for promoting protection from pollution of the Yangtze River. During the year, General Water of China also successfully signed a contract for the reconstruction and expansion project of sewage treatment for the comprehensive environmental improvement of Wuxing Children Clothing Industrial Park in Huzhou, marking further cooperation between General Water of China and the Huzhou Municipal Government in the field of water services, with a daily sewage treatment capacity of 10,000 tonnes, a daily advanced treatment capacity of recycled water of 12,500 tonnes and a total estimated investment of approximately RMB73.28 million. The investment projects during the year also included the Jiangnan Group and urban and rural water supply project in Nanzhushan Town which was to take over and renovate the water supply facilities in the area and to operate them in the long run, with a daily water supply of 15,000 tonnes and contract value of approximately RMB95.52 million.

Details of the water development projects under the Group as at 31 December 2019 are as follows:

	Province	Projects of SIIC Environment	Project type	Daily capacity (tonnes)	Interest attributable to SIIC Environment	Project progress
Sewage treatment/reclaimed water treatment projects						
1	Auhui	Sewage treatment project in Hefei Chemical Industrial Park	Sewage treatment	30,000	60%	The project is in operation.
2	Auhui	Sewage treatment plant O&M project in Hefei Feidong County Circular Park Constructed Wetland	Sewage treatment	30,000	60%	The project is in operation.
3	Auhui	Phase I of sewage treatment plant project in southern Lingbi	Sewage treatment	25,000	46.4%	The project is in operation.
4	Auhui	Phase II of sewage treatment plant project in southern Lingbi	Sewage treatment	25,000	46.4%	The project is in operation.
5	Auhui	Sewage treatment plant project in northern Lingbi	Sewage treatment	20,000	46.4%	The project is in operation.
6	Auhui	Phase I of reclaimed water project of sewage treatment plant in southern Lingbi	Reclaimed water treatment	25,000	46.4%	The project is yet to commence construction.
7	Fujian	Phase I of sewage treatment plant BOT project in Longmen Town, Anxi	Sewage treatment	12,500	100%	The project is in operation.
8	Fujian	Phase II of sewage treatment plant BOT project in Longmen Town, Anxi	Sewage treatment	12,500	100%	The project is yet to commence construction.
9	Fujian	Sewage treatment plant BOT forward project in Longmen Town, Anxi	Sewage treatment	25,000	100%	The project is yet to commence construction.
10	Guangdong	Sewage treatment plant project in southern Songshan Lake, Dalang, Dongguan	Sewage treatment	100,000	75.5%	• The project is in operation. • The upgrading project is under construction by government.
11	Guangdong	Phase I of sewage treatment plant project in Shayao, Shijie, Dongguan	Sewage treatment	60,000	75.5%	• The project is in operation. • The upgrading project is under construction by government.
12	Guangdong	Phase II of sewage treatment plant in Yantian, Fenggang, Dongguan	Sewage treatment	50,000	75.5%	• The project is in operation. • The upgrading project is under construction by government.
13	Guangdong	Phases I and II of BOT project in Sanzhou, Changan, Dongguan	Sewage treatment	150,000	35.5%	The project is in operation.
14	Guangdong	Phase I of water purification centre project in Meihu, Huizhou	Sewage treatment	100,000	100%	The project is in operation.
15	Guangdong	Phase II of water purification centre project in Meihu, Huizhou	Sewage treatment	100,000	100%	The project is in operation.
16	Guangdong	Phases I and II of water purification centre advance treatment project in Meihu, Huizhou	Sewage treatment	200,000	100%	• The project is in operation. • The upgrading project is yet to commence construction.
17	Guangdong	Phase III of water purification centre project in Meihu, Huizhou	Sewage treatment	100,000	100%	• The project is in operation. • The upgrading project is yet to commence construction.
18	Guangdong	Sewage treatment plant project in Pinghu, Shenzhen	Sewage treatment	25,000	100%	• The project is in operation. • The upgrading project is under debugging stage.

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	Province	Projects of SIIC Environment	Project type	Daily capacity (tonnes)	Interest attributable to SIIC Environment	Project progress
Sewage treatment/reclaimed water treatment projects						
19	Guangdong	Sewage treatment plant expansion project in Pinghu, Shenzen	Sewage treatment	55,000	100%	• The project is in operation. • The upgrading project is under debugging stage.
20	Guangdong	Sewage treatment plant project in Pudixia, Shenzhen	Sewage treatment	50,000	100%	• The project is in operation. • The upgrading project is under debugging stage.
21	Guangdong	Sewage treatment plant project in Egongling, Shenzhen	Sewage treatment	50,000	100%	• The project is in operation. • The upgrading project is under debugging stage.
22	Guangdong	Phase II of sewage treatment plant project in Henggang, Shenzhen	Sewage treatment	100,000	100%	• The project is in operation. • The upgrading project is under debugging stage.
23	Guangdong	Reclaimed water plant project in Henggang, Shenzhen	Reclaimed water treatment	50,000	100%	The project is in under construction.
24	Guangdong	Sewage treatment plant project in Guanlan, Shenzhen	Sewage treatment	200,000	60%	The project is in operation.
25	Guangdong	Phase II of water purification plant upgrading and expansion project in Guanlan, Shenzhen	Sewage treatment	40,000	60%	The project is in operation.
26	Guangdong	Sewage treatment plant project in Wuchuan	Sewage treatment	40,000	100%	• The project is in operation. • The upgrading project is under construction.
27	Guangxi	Sewage treatment plant project in Hongkan, Beihai	Sewage treatment	200,000	55%	• The project is in operation. • The upgrading project is yet to commence operation.
28	Guangxi	Sewage treatment plant project in Daguansha, Beihai	Sewage treatment	20,000	55%	The project is yet to commence operation.
29	Guangxi	Phase I of urban sewage treatment plant project in Beiliu	Sewage treatment	40,000	100%	The project is in operation.
30	Guangxi	City sewage treatment plant upgrading and expansion project in Beiliu	Sewage treatment	40,000	100%	The project is in operation.
31	Heilongjiang	City sewage treatment plant and reclaimed water plant project in Anda	Sewage treatment	45,000	57.7%	The project is in operation.
32	Heilongjiang	Sewage treatment plant TOT project in Anda Development Zone	Sewage treatment	20,000	57.7%	The project is in operation.
33	Heilongjiang	Sewage treatment plant project in Baoqing	Sewage treatment	20,000	58%	The project is in operation.
34	Heilongjiang	City sewage treatment plant no. 2 project in Fujin	Sewage treatment	35,000	58%	• 10,000 tonnes are in operation. • 25,000 tonnes expansion project is under construction.
35	Heilongjiang	Sewage treatment plant project in Fujin	Sewage treatment	15,000	57.1%	The project is in operation.
36	Heilongjiang	Phase I of sewage treatment plant project in Acheng, Harbin	Sewage treatment	50,000	58%	The project is in operation.
37	Heilongjiang	Phase II of sewage treatment plant project in Acheng, Harbin	Sewage treatment	50,000	58%	The project is in operation.

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	Province	Projects of SIIC Environment	Project type	Daily capacity (tonnes)	Interest attributable to SIIC Environment	Project progress
Sewage treatment/reclaimed water treatment projects						
38	Heilongjiang	Sewage treatment plant O&M project in old town, Hulan, Harbin	Sewage treatment	20,000	58%	The project is in operation.
39	Heilongjiang	Second plant of sewage treatment plant no. 2 project in old town, Hulan, Harbin	Sewage treatment	30,000	58%	The project is in operation.
40	Heilongjiang	Sewage treatment plant O&M project in Limin, Hulan, Harbin	Sewage treatment	50,000	58%	The project is yet to commence operation.
41	Heilongjiang	Sewage treatment plant project in Pingfang, Harbin	Sewage treatment	150,000	57.3%	The project is in operation.
42	Heilongjiang	Sewage treatment plant project in Taiping, Harbin	Sewage treatment	325,000	58%	The project is in operation.
43	Heilongjiang	Sewage treatment plant project in Wenchang, Harbin	Sewage treatment	325,000	58%	The project is in operation.
44	Heilongjiang	Sewage treatment plant upgrading and reconstruction project in Wenchang, Harbin	Sewage treatment	650,000	58%	• The project is in operation. • The upgrading project is under construction.
45	Heilongjiang	Sewage treatment plant project in Xinyigou, Harbin	Sewage treatment	100,000	57.3%	• The project is in operation. • The upgrading project is under construction.
46	Heilongjiang	Phase I of sewage treatment plant project in Heihe	Sewage treatment	25,000	57.6%	• The project is in operation. • The upgrading project is yet to commence construction.
47	Heilongjiang	Phase I of sewage treatment project in Jiguan, Jixi	Sewage treatment	50,000	58%	The project is in operation.
48	Heilongjiang	Phase II of sewage treatment plant project in Jiguan, Jixi	Sewage treatment	50,000	58%	The project is in operation.
49	Heilongjiang	Phases I and II of sewage treatment plant advance treatment project in Jiguan, Jixi	Sewage treatment	100,000	58%	The project is in operation.
50	Heilongjiang	Reclaimed water project in Jixi	Reclaimed water treatment	5,000	58%	The project is under construction.
51	Heilongjiang	Sewage treatment plant project in eastern Jiamusi	Sewage treatment	100,000	56.4%	• The project is under construction. • The upgrading project is under debugging stage.
52	Heilongjiang	Phase I of sewage treatment plant project in western Jiamusi	Sewage treatment	50,000	56.4%	The project is in operation.
53	Heilongjiang	Phase II of sewage treatment plant project in western Jiamusi	Sewage treatment	50,000	56.4%	The project is yet to commence operation.
54	Heilongjiang	City sewage treatment plant project in Mudanjiang	Sewage treatment	100,000	58%	The project is in operation.
55	Heilongjiang	Phase II of sewage treatment plant project in Mudanjiang	Sewage treatment	100,000	58%	The project is in operation.
56	Heilongjiang	Sewage treatment plant project in Ningan	Sewage treatment	20,000	57.5%	• The project is under construction. • The upgrading project is in trial operation.

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	Province	Projects of SIIC Environment	Project type	Daily capacity (tonnes)	Interest attributable to SIIC Environment	Project progress
Sewage treatment/reclaimed water treatment projects						
57	Heilongjiang	Sewage treatment plant reconstruction and expansion project in Ningan	Sewage treatment	15,000	57.5%	The project is in trail operation.
58	Heilongjiang	Sewage treatment plant franchise project in Shangzhi	Sewage treatment	40,000	58%	The project is in operation.
59	Heilongjiang	Phase I of city sewage treatment plant project in Shuangyashan	Sewage treatment	50,000	58%	The project is in operation.
60	Heilongjiang	Phase II of city sewage treatment plant project in Shuangyashan	Sewage treatment	50,000	58%	The project is in operation.
61	Heilongjiang	Sewage treatment plant in Youyi, Shuangyashan	Sewage treatment	10,000	58%	The project is in operation.
62	Heilongjiang	City sewage treatment and reclaimed water project in Anbang River Basin, Shuangyashan	Reclaimed water treatment	40,000	29.6%	The project is under construction.
63	Heilongjiang	Phases I and II of city sewage treatment plant project in Zhaodong	Sewage treatment	50,000	57.1%	The project is in operation.
64	Heilongjiang	Sewage treatment plant no. 2 project in Zhaodong	Sewage treatment	50,000	57.1%	The project is in operation.
65	Heilongjiang	Phase I of sewage treatment and reclaimed water project in eastern Hegang	Sewage treatment	30,000	58%	The project is in operation.
66	Heilongjiang	Phase II of sewage treatment and reclaimed water project in eastern Hegang	Sewage treatment	30,000	58%	The project is yet to commence construction.
67	Heilongjiang	Phase I of sewage treatment and reclaimed water project in western Hegang	Sewage treatment	50,000	58%	The project is in operation.
68	Heilongjiang	Phase II of sewage treatment and reclaimed water project in western Hegang	Sewage treatment	50,000	58%	The project is yet to commence construction.
69	Heilongjiang	Sewage treatment and reclaimed water project in Hegang	Reclaimed water treatment	30,000	58%	The project is yet to commence operation.
70	Heilongjiang	Sewage treatment plant and sludge disposal project in Fuyuan	Sewage treatment	10,000	58%	• The project is in operation. • The upgrading project is under construction by government.
71	Heilongjiang	Sewage treatment plant project in Xinglong, Bayan	Sewage treatment	10,000	58%	The project is under construction.
72	Heilongjiang	Sewage treatment plant expansion project in Xinglong, Bayan	Sewage treatment	30,000	58%	The project is yet to commence construction.
73	Heilongjiang	Sewage treatment plant project in eastern Wudalianchi Scenic Area	Sewage treatment	2,200	57.6%	The project is yet to commence operation.
74	Heilongjiang	Sewage treatment plant project in new district of Wudalianchi Scenic Area	Sewage treatment	3,000	57.6%	The project is yet to commence operation.
75	Heilongjiang	Sewage treatment plant project in Aihui	Sewage treatment	200	57.6%	The project is yet to commence operation.

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	Province	Projects of SIIC Environment	Project type	Daily capacity (tonnes)	Interest attributable to SIIC Environment	Project progress
Sewage treatment/reclaimed water treatment projects						
76	Heilongjiang	Sewage treatment plant project in Handaqi	Sewage treatment	500	57.6%	The project is yet to commence operation.
77	Heilongjiang	Sewage treatment plant project in Nenjiang Town, Nenjiang	Sewage treatment	30,000	57.6%	The project is yet to commence operation.
78	Heilongjiang	Sewage treatment plant project in Duobaoshan, Nenjiang	Sewage treatment	200	57.6%	The project is yet to commence operation.
79	Heilongjiang	Sewage treatment plant project in Xigangzi	Sewage treatment	200	57.6%	The project is yet to commence operation.
80	Henan	Phase I of sewage treatment plant no.3 project in Xiping	Sewage treatment	30,000	69.1%	The project is yet to commence construction.
81	Henan	Phase II of sewage treatment plant no.3 project in Xiping	Sewage treatment	20,000	69.1%	The project is yet to commence construction.
82	Henan	Phase I of sewage treatment plant project in Dongcheng, Luohe	Sewage treatment	20,000	75.5%	• The project is in operation. • The upgrading project is yet to commence construction.
83	Henan	Phase II of sewage treatment plant expansion project in Dongcheng, Luohe	Sewage treatment	30,000	75.5%	• The project is in operation. • The upgrading project is yet to commence construction.
84	Henan	Sewage treatment plant project in southern Baihe, Nanyang	Sewage treatment	100,000	69.1%	The project is in operation.
85	Henan	Sewage treatment plant no.1 project in Suiping	Sewage treatment	30,000	69.1%	The project is in operation.
86	Henan	Sewage treatment plant no.2 project in Suiping	Sewage treatment	10,000	69.1%	The project is in operation.
87	Hubei	Phase II of sewage treatment plant project in Cihu, Huangshi	Sewage treatment	125,000	100%	The project is in operation.
88	Hubei	Sewage treatment plant project in Hanxi, Wuhan	Sewage treatment	340,000	80%	The project is in operation.
89	Hubei	Sewage treatment plant reconstruction and expansion project in Hanxi, Wuhan (including Hanxi sludge treatment project)	Sewage treatment	260,000	80%	The project is in operation.
90	Hubei	Phase I of sewage treatment plant project in Qianchuan, Huangpi, Wuhan	Sewage treatment	30,000	100%	The project is in operation.
91	Hubei	Phase I of sewage treatment plant project in Panlong, Huangpi, Wuhan	Sewage treatment	22,500	100%	The project is in operation.
92	Hubei	Sewage treatment plant continued construction project in Panlong, Huangpi, Wuhan	Sewage treatment	22,500	100%	The project is in operation.
93	Hubei	Phase I of sewage treatment plant project in Wuhu, Huangpi, Wuhan	Sewage treatment	25,000	100%	The project is in operation.
94	Hubei	Phase I of sewage treatment plant project in Wuhan Economic and Technology Development Zone	Sewage treatment	60,000	100%	The project is in operation.
95	Hubei	Phase I of sewage treatment plant project in southern Suizhou	Sewage treatment	50,000	92.2%	The project is in operation.

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	Province	Projects of SIIC Environment	Project type	Daily capacity (tonnes)	Interest attributable to SIIC Environment	Project progress
Sewage treatment/reclaimed water treatment projects						
96	Hunan	Sewage treatment BOT project in Linwu, Chenzhou	Sewage treatment	10,000	20%	The project is in operation.
97	Hunan	Phase I of sewage treatment plant project in Chenzhou	Sewage treatment	80,000	100%	• The project is in operation. • The upgrading project is under construction.
98	Hunan	Phase I of sewage treatment expansion plant project in Chenzhou	Sewage treatment	40,000	100%	• The project is in operation. • The upgrading project is under construction.
99	Hunan	Sewage treatment project in Taohuajiang, Taojiang	Sewage treatment	20,000	75.5%	The project is in operation.
100	Hunan	Sewage treatment plant no. 1 upgrading and expansion project in Taohuajiang, Taojiang	Sewage treatment	10,000	75.5%	The project is in operation.
101	Hunan	Sewage treatment plant project in the new district of eastern Gaoxin, Yiyang	Sewage treatment	30,000	75.5%	The project is in operation.
102	Hunan	Sewage treatment plant BOT project in northern Yiyang	Sewage treatment	40,000	75.5%	The project is in operation.
103	Hunan	Phase II of sewage treatment plant expansion, upgrading and reconstruction projects in northern Yiyang	Sewage treatment	40,000	75.5%	The project is in operation.
104	Inner Mongolia	Sewage treatment BOT project in Dazhuangyuan Meat Processing Plant, Xilinhot	Sewage treatment	3,500	58%	The project is under construction.
105	Inner Mongolia	Sewage treatment plant BOT project in Xilinhot	Sewage treatment	40,000	58%	The project is under construction.
106	Jiangsu	Phase I of sewage treatment plant project at Xingang Park, Jingjiang	Sewage treatment	20,000	100%	The project is in operation.
107	Jiangsu	Phase II of sewage treatment plant project at Xingang Park, Jingjiang	Sewage treatment	20,000	100%	The project is yet to commence construction.
108	Jiangsu	Phase III of sewage treatment plant project at Xingang Park, Jingjiang	Sewage treatment	40,000	100%	The project is yet to commence construction.
109	Jiangsu	Phase I of sewage treatment plant project in southern Shuyang	Sewage treatment	30,000	100%	The project is in operation.
110	Jiangsu	Phase II of sewage treatment plant project in southern Shuyang	Sewage treatment	30,000	100%	The project is in operation.
111	Jiangsu	Phase I of sewage treatment plant project in Guanyinshan, Nantong	Sewage treatment	25,000	92.2%	The project is in operation.
112	Jiangsu	Phase II of sewage treatment plant project in Guanyinshan, Nantong	Sewage treatment	48,000	92.2%	The project is in operation.
113	Jiangsu	Phase I of sewage treatment plant project in Huangqiao, Taixing	Sewage treatment	25,000	100%	The project is in operation.
114	Jiangsu	Phase II of sewage treatment plant project in Huangqiao, Taixing	Sewage treatment	25,000	100%	The project is yet to commence construction.

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	Province	Projects of SIIC Environment	Project type	Daily capacity (tonnes)	Interest attributable to SIIC Environment	Project progress
Sewage treatment/reclaimed water treatment projects						
115	Jiangsu	Phase I of sewage treatment plant project in Huangqiao Industrial Park, Taixing	Sewage treatment	10,000	100%	The project is in operation.
116	Jiangsu	Phase II of sewage treatment plant project in Huangqiao Industrial Park, Taixing	Sewage treatment	10,000	100%	The project is yet to commence construction.
117	Jiangsu	Phase I of sewage treatment plant with reclaimed water treatment project in Huangqiao Industrial Park, Taixing	Reclaimed water treatment	3,000	100%	The project is in operation.
118	Jiangsu	Phase II of sewage treatment plant with reclaimed water treatment project in Huangqiao Industrial Park, Taixing	Reclaimed water treatment	3,000	100%	The project is yet to commence construction.
119	Jiangxi	Phase I of sewage treatment plant project in Chongren Industrial Park	Sewage treatment	10,000	60%	The project is in operation.
120	Jiangxi	Phase I of sewage treatment plant project in Yihuang Industrial Park	Sewage treatment	5,000	60%	• The project is in operation. • The upgrading project is yet to commence construction.
121	Jiangxi	Phase II of sewage treatment plant project in Yihuang Industrial Park	Sewage treatment	10,000	60%	• The project is in trial operation • The upgrading project is yet to commence construction.
122	Jiangxi	Phase I & II of sewage treatment plant advance treatment project in Yihuang Industrial Park	Sewage treatment	15,000	60%	The project is yet to commence construction.
123	Jiangxi	Phase I of comprehensive sewage treatment plant project in Yongxin Industrial and Development Zone	Sewage treatment	10,000	60%	The project is in operation.
124	Jiangxi	Phase I of sewage treatment plant project in Xiaolan Economic and Development Zone, Nanchang	Sewage treatment	25,000	60%	• The project is in operation. • The project is under construction.
125	Jiangxi	Phase II of sewage treatment plant project in Xiaolan Economic and Development Zone, Nanchang	Sewage treatment	50,000	60%	• The project is in operation. • The project is yet to commence construction.
126	Jiangxi	Phase I of sewage treatment plant project in Wanzai Industrial Park	Sewage treatment	5,000	60%	• The project is in operation. • The upgrading project is yet to commence operation.
127	Jiangxi	Sewage treatment plant expansion project in Wanzai Industrial Park	Sewage treatment	7,500	60%	• The project is in operation. • The upgrading project is yet to commence operation.
128	Jiangxi	Phase I of sewage treatment plant project in Yongfeng Industrial Park	Sewage treatment	10,000	60%	The project is in operation.
129	Jiangxi	Sewage treatment plant in Fengxin Industrial Park	Sewage treatment	34,000	60%	• 25,000 tonnes are in operation. • 7,000 tonnes are under debugging stage. • 2,000 tonnes are yet to commence construction.
130	Jilin	Sewage treatment plant project in Yingcheng, Jiutai, Changchun	Sewage treatment	15,000	58%	The project is in operation.

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Sewage treatment/reclaimed water treatment projects						
131	Jilin	Sewage treatment plant project in Kalun, Jiutai Development Zone, Changchun	Sewage treatment	25,000	58%	The project is in operation.
132	Jilin	Sewage treatment plant project in Panshi Industrial and Development Zone	Sewage treatment	10,000	58%	The project is in operation.
133	Jilin	Sewage treatment plant project in Mincheng Economic and Development Zone Jilin	Sewage treatment	2,500	58%	The project is in operation.
134	Jilin	Phases I & II of sewage treatment plant project in Jiaohe	Sewage treatment	25,000	58%	The project is in operation.
135	Jilin	Phase III of city sewage treatment plant expansion O&M project in Jiaohe	Sewage treatment	15,000	58%	The project is in operation.
136	Jilin	Sewage treatment plant project in Fuyu	Sewage treatment	30,000	58%	The project is in operation.
137	Liaoning	Phase I of sewage treatment plant project in Sanshilipu, Puwan New Zone, Dalian	Sewage treatment	20,000	92.7%	The project is in operation.
138	Liaoning	Sewage treatment plant project in Houhai, Puwan New Zone, Dalian	Sewage treatment	20,000	92.7%	The project is in operation.
139	Liaoning	Sewage treatment plant project in Dalian Bay	Sewage treatment	40,000	75.5%	The project is in operation.
140	Liaoning	Phase II of sewage treatment plant project in Quanshui River, Dalian	Sewage treatment	105,000	75.5%	The project is in operation.
141	Liaoning	Sewage treatment plant in northern Yingkou Economic and Technological Development Zone	Sewage treatment	30,000	60%	The project is in operation.
142	Liaoning	Sewage treatment plant project in Lingshui River, Dalian	Sewage treatment	60,000	86.5%	The project is in operation.
143	Liaoning	Sewage treatment plant upgrading and reconstruction project in Lingshui River, Dalian	Sewage treatment	20,000	86.5%	The project is in operation.
144	Liaoning	Sewage treatment plant project in Tiger Beach, Dalian	Sewage treatment	80,000	75.5%	The project is in operation.
145	Liaoning	Sewage treatment plant upgrading and reconstruction project in Tiger Beach, Dalian	Sewage treatment	10,000	75.5%	The project is in operation.
146	Ningxia Hui Autonomous Region	Phase I of sewage treatment plant no. 5 project in Yinchuan	Sewage treatment	50,000	100%	The project is in operation.
147	Ningxia Hui Autonomous Region	Phase II of sewage treatment plant no. 5 expansion, upgrading and reconstruction project in Yinchuan	Sewage treatment	50,000	100%	The project is in operation.
148	Ningxia Hui Autonomous Region	Phase I of sewage treatment plant project in Binhe New Zone, Yinchuan	Sewage treatment	50,000	100%	The project is in operation.

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Sewage treatment/reclaimed water treatment projects						
149	Ningxia Hui Autonomous Region	O&M project for reclaimed water treatment plant no. 5 of Yinchuan Sewage Treatment Co., Ltd.	Reclaimed water treatment	50,000	100%	The project is in operation.
150	Shandong	Sewage treatment plant project in Dezhou	Sewage treatment	100,000	75.5%	• The project is in operation. • The upgrading project is under construction.
151	Shandong	Sewage treatment plant project in western Weifang	Sewage treatment	40,000	75.5%	The project is in operation.
152	Shandong	Phase I of sewage treatment plant project in Weifang High Technology Industrial Development Zone	Sewage treatment	50,000	75.5%	The project is in operation.
153	Shandong	Sewage treatment plant with reclaimed water treatment project in Weifang	Reclaimed water treatment	38,500	75.5%	The project is in operation.
154	Shandong	Sewage treatment plant expansion project in Weifang	Sewage treatment	200,000	75.5%	The project is in operation.
155	Shandong	Phase I of sewage treatment plant resumption and upgrading project in Shawo, Weifang	Sewage treatment	60,000	75.5%	The project is yet to commence construction.
156	Shandong	Phase II of sewage treatment plant resumption and upgrading project in Shawo, Weifang	Sewage treatment	40,000	75.5%	The project is yet to commence construction.
157	Shandong	Sewage treatment centre project in Shanting, Zaozhuang	Sewage treatment	20,000	75.5%	The project is in operation.
158	Shandong	Phase I of sewage treatment centre project in Yicheng, Zaozhuang	Sewage treatment	20,000	75.5%	The project is in operation.
159	Shandong	Phase II of sewage treatment centre project in Yicheng, Zaozhuang	Sewage treatment	20,000	75.5%	The project is in operation.
160	Shanghai	Phase I of sewage treatment plant no. 2 project in Qingpu	Sewage treatment	15,000	87.8%	The project is in operation.
161	Shanghai	Phase II of sewage treatment plant no. 2 project in Qingpu	Sewage treatment	45,000	87.8%	The project is in operation.
162	Shanghai	Phase III of sewage treatment plant no. 2 project in Qingpu	Sewage treatment	60,000	87.8%	The project is in operation.
163	Shanghai	Phase IV of sewage treatment plant no. 2 expansion project in Qingpu	Sewage treatment	60,000	87.8%	The project is in operation.
164	Shanghai	Sewage treatment plant no. 2 expansion project in Qingpu	Sewage treatment	60,000	87.8%	The project is yet to commence construction.
165	Shanghai	Sewage treatment plant project in western Fengxian	Sewage treatment	100,000	73.7%	The project is in operation.
166	Shanghai	Phase II of sewage treatment plant expansion project in western Fengxian	Sewage treatment	50,000	73.7%	The project is in operation.
167	Shanghai	Phase III of sewage treatment plant expansion project in western Fengxian	Sewage treatment	50,000	73.7%	The project is in operation.

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Sewage treatment/reclaimed water treatment projects						
168	Zhejiang	Phase I of sewage treatment plant with pipe network ancillary facilities project in Zhejiang Chemical Raw Material Site Linhai Park	Sewage treatment	12,500	100%	The project is in operation.
169	Zhejiang	Phase I of sewage treatment plant with pipe network ancillary facilities expansion and reconstruction project in Zhejiang Chemical Raw Material Site Linhai Park	Sewage treatment	12,500	100%	The project is in operation.
170	Zhejiang	Sewage treatment plant with pipe network ancillary facilities expansion project in Zhejiang Chemical Raw Material Base Linhai Park	Sewage treatment	25,000	100%	The project is yet to commence construction.
171	Zhejiang	Batch 1 of phase I of water purification plant project in Xiaocaoe, Yuyao	Sewage treatment	60,000	69.1%	The project is in operation.
172	Zhejiang	Batch 2 of phase I of water purification plant project in Xiaocaoe, Yuyao	Sewage treatment	60,000	69.1%	The project is in operation.
173	Zhejiang	City sewage treatment plant upgrading, reconstruction and expansion project in Xiaocaoe, Yuyao	Sewage treatment	30,000	69.1%	The project is in operation.
174	Zhejiang	Phase III of city sewage treatment plant upgrading and reconstruction project in Xiaocaoe, Yuyao	Sewage treatment	75,000	69.1%	The project is in operation.
175	Zhejiang	Phase III of city sewage treatment plant upgrading, reconstruction and expansion project in Xiaocaoe, Yuyao	Sewage treatment	75,000	69.1%	The project is yet to commence construction.
176	Zhejiang	Preserved pickle preprocess treatment plant project in Yuyao	Sewage treatment	3,000	69.1%	The project is in operation.
177	Zhejiang	Sewage treatment plant upgrading and reconstruction project in Binhai, Huangjiabu, Ningbo	Sewage treatment	30,000	64.5%	The project is in operation.
178	Zhejiang	Phase I of sewage treatment plant expansion project in Hangzhou Bay New Zone, Ningbo	Sewage treatment	90,000	64.5%	The project is in operation.
179	Zhejiang	Sewage treatment plant and artificial wetland O&M project in northern Cixi	Sewage treatment	100,000	59.9%	The project is in operation.
180	Zhejiang	Phase I of sewage treatment plant O&M project in Zhouxiang, Cixi	Sewage treatment	40,000	64.5%	The project is yet to commence operation.
181	Zhejiang	Phase I of sewage treatment plant project in eastern Pinghu	Sewage treatment	40,000	92.2%	The project is in operation.
182	Zhejiang	Phase II of sewage treatment plant expansion project in eastern Pinghu	Sewage treatment	45,000	92.2%	The project is in operation.
183	Zhejiang	Phase III of sewage treatment plant expansion project in eastern Pinghu	Sewage treatment	135,000	92.2%	The project is yet to commence construction.
Total				**9,619,300**		

BUSINESS REVIEW, DISCUSSION AND ANALYSIS

	Province	Projects of SIIC Environment	Project type	Daily capacity (tonnes)	Interest attributable to SIIC Environment	Project progress
Water supply projects						
1	Heilongjiang	Water supply plant no. 1 project in Mudanjiang	Water supply	80,000	58%	The project is in operation.
2	Heilongjiang	Water supply plant no. 2 project in Mudanjiang	Reclaimed water treatment	50,000	58%	The project is yet to commence operation.
3	Heilongjiang	Water supply plant no. 4 project in Mudanjiang	Water supply	170,000	58%	The project is in operation.
4	Heilongjiang	City water supply TOT project in Jiamusi (Xijiao water resource water supply project)	Water supply	160,000	58%	The project is in operation.
5	Heilongjiang	City water supply TOT project in Jiamusi (Jiangbei water plant)	Water supply	200,000	58%	The project is in operation.
6	Henan	Water supply plant no. 1 project in Suiping	Water supply	30,000	69.1%	The project is in operation.
7	Henan	Water supply plant no. 2 project in Suiping	Water supply	10,000	69.1%	The project is in operation.
8	Hubei	Water supply plant expansion project in Qianchuan, Huangpi, Wuhan	Water supply	40,000	100%	The project is in operation.
9	Hubei	Water supply plant reserve O&M project in Qianchuan, Huangpi, Wuhan	Water supply	80,000	100%	The project is in operation.
10	Hubei	Phase 5 of water supply plant reconstruction and expansion project in Qianchuan, Huangpi, Wuhan	Water supply	60,000	100%	The project is under construction.
11	Hubei	Phase I of new Wuhu water supply plant project in Huangpi, Wuhan	Water supply	100,000	100%	The project is in operation.
12	Hubei	Phase II of New Wuhu water supply plant project in Huangpi, Wuhan	Water supply	150,000	100%	The project is yet to commence construction.
13	Hunan	Huilongshan water supply plant city water supply project in Yiyang	Water supply	120,000	90%	The project is in operation.
14	Hunan	Phase I of water supply plant no. 3 city water supply project in Yiyang	Water supply	100,000	90%	The project is in operation.
15	Hunan	Phase II of water supply plant no. 3 city water supply expansion project in Yiyang	Water supply	100,000	90%	The project is in operation.
16	Hunan	Water supply plant no. 4 water supply project in Yiyang	Water supply	200,000	90%	The project is under construction.
17	Shandong	Water supply project in Hanting, Weifang	Water supply	60,000	26.2%	The project is in operation.
18	Shandong	City water supply project in Weifang (Bailanghe water supply plant project)	Water supply	120,000	51.3%	The project is in operation.
19	Shandong	City water supply project in Weifang (Gaoxin water distribution plant project)	Water supply	200,000	51.3%	The project is in operation.
20	Shandong	Fangzi Water Supply Holding Company project in Weifang	Water supply	40,000	26.2%	The project is in operation.
21	Shanxi	Water diversion project from Wenshui to Pingchuan (southern line)	Water supply	55,000	100%	The project is in operation.
Total				**2,125,000**		
Total for water projects				**11,744,300**		

BUSINESS REVIEW, DISCUSSION AND ANALYSIS

	Province	Projects of SIIC Environment	Project type	Daily capacity (tonnes)	Interest attributable to SIIC Environment	Project progress
Waste incineration projects						
1	Shandong	Phase I of household waste incineration thermal power generation project in Wulian	Waste incineration	300	82.9%	The project is in trial operation.
2	Shandong	Phase II of household waste incineration thermal power generation project in Wulian	Waste incineration	300	82.9%	The project is yet to commence construction.
3	Shandong	Waste incineration thermal power generation project in Shen	Waste incineration	1,200	47.5%	The project is yet to commence construction.
4	Shanghai	Waste incineration thermal power generation project in Pucheng	Waste incineration	1,050	50%	The project is in operation.
5	Shanghai	Renewable energy utilization center project in Baoshan	Waste incineration	3,800	42%	The project is in under construction.
6	Sichuan	Stage 1 of city household waste incineration thermal power generation project in Dazhou	Waste incineration	700	100%	The project is in operation.
7	Sichuan	Stage 2 of city household waste incineration thermal power generation project in Dazhou	Waste incineration	350	100%	The project is under construction.
8	Zhejiang	Waste incineration thermal power generation project in Wenling	Waste incineration	1,100	50%	The project is in operation.
Total				**8,800**		

	Province	Projects of SIIC Environment	Project type	Daily capacity (tonnes)	Interest attributable to SIIC Environment	Project progress
Sludge treatment projects						
1	Heilongjiang	Phase I of sewage treatment plant sludge disposal project in Harbin	Sludge treatment	650	58%	The project is in operation.
2	Heilongjiang	Phase II of sewage treatment plant sludge disposal project in Harbin	Sludge treatment	350	58%	The project is in operation.
3	Heilongjiang	Sludge disposal project in Heihe	Sludge treatment	40	57.6%	The project is in operation.
4	Heilongjiang	Sewage treatment plant sludge disposal project in Jiamusi	Sludge treatment	100	56.4%	The project is in operation.
5	Heilongjiang	Sewage treatment plant sludge disposal project in Mudanjiang	Sludge treatment	150	58%	The project is in operation.
6	Heilongjiang	Sludge disposal plant project in Ningan	Sludge treatment	40	57.5%	The project is in operation.
7	Henan	Sludge disposal project in Xinxiang	Sludge treatment	300	69.1%	The project is in operation.
8	Henan	Phase I of sewage treatment plant sludge disposal project in Nanyang	Sludge treatment	200	69.1%	The project is in operation.
9	Henan	Phase II of sewage treatment plant sludge disposal project in Nanyang	Sludge treatment	100	69.1%	The project is yet to commence construction.
10	Hubei	Sludge disposal project in Hanxi, Wuhan	Sludge treatment	325	80%	The project is under renovation.
Total				**2,255**		

	Province	Projects of General Water of China	Project type	Daily capacity (tonnes)	Interest attributable to General Water of China	Project progress
Sewage treatment projects						
1	Auhui	Sewage treatment plant projects nos. 2, 3 and 4 in Bengbu	Sewage treatment	350,000	100%	The project is in operation.
2	Auhui	Sewage treatment project in Suzhou	Sewage treatment	100,000	80%	The project is under construction.
3	Auhui	Guzhen GWC Sewage Treatment Co., Ltd. project	Sewage treatment	50,000	100%	The project is in operation.
4	Fujian	Sewage treatment project in Xiamen	Sewage treatment	1,202,500	55%	The project is in operation.
5	Guangdong	Sewage treatment plant project in Longhua, Shenzhen	Sewage treatment	150,000	90%	The project is in operation.
6	Heilongjiang	City sewage treatment project in Suifenhe	Sewage treatment	20,000	100%	The project is in operation.
7	Hunan	Sewage treatment project in Hedong, Xiangtan	Sewage treatment	150,000	100%	The project is in operation.
8	Zhejiang	Sewage treatment project in new zone of eastern Huzhou	Sewage treatment	50,000	81.16%	The project is in operation.
9	Zhejiang	Sewage treatment project in Huzhou	Sewage treatment	25,000	100%	The project is in operation.
10	Zhejiang	Sewage treatment plant upgrading entrustment project in new zone of eastern Wenzhou	Sewage treatment	50,000	Not applicable	The project is in operation.
11	Zhejiang	Sewage treatment project in eastern Wenzhou	Sewage treatment	150,000	100%	The project is in operation.
12	Zhejiang	Sewage treatment project in central Wenzhou	Sewage treatment	200,000	70%	The project is in operation.
Total				**2,497,500**		
Water supply/water generation projects						
1	Auhui	Water supply project in Bengbu	Water supply	705,000	60%	The project is in operation.
2	Auhui	Water supply project in Guzhen	Water supply	100,000	46.15%	The project is in operation.
3	Auhui	Water supply project in Huaiyuan	Water supply	157,000	60%	The project is in operation.
4	Fujian	Water generation project in Xiamen	Water generation	1,565,000	45%	The project is in operation.
5	Heilongjiang	Wuhua mountain reservoir project and water supply project in Suifenhe	Water supply	305,000	100%	The project is in operation.
6	Hubei	Water supply project in Xiangyang	Water supply	953,000	50%	The project is in operation.
7	Hunan	Water supply project in Xiangtan	Water supply	425,000	70%	The project is in operation.
8	Zhejiang	Reservoir and water induction project in Tiger Lake, Huzhou	Water supply	200,000	100%	The project is in operation.
9	Zhejiang	GWC sewage treatment (water supply plant) project in Huzhou	Water supply	19,500	100%	The project is in operation.
Total				**4,429,500**		
Total of water projects				**6,927,000**		

BUSINESS REVIEW, DISCUSSION AND ANALYSIS

NEW BUSINESS ARENA

As at the end of 2019, the total photovoltaic assets capacity of Shanghai Galaxy and Galaxy Energy, a subsidiary held by it, reached 590MW. The photovoltaic team continued to strengthen studies on macro policies, industry dynamics and the capital market. New acquisition projects with potential are also being sought as opportunities arise and the management system of existing projects continued to improve to reduce costs and increase efficiency. The total amount of on-grid electricity sold from the 13 photovoltaic power stations in 2019 reached 866 million kWh, representing an increase of 5.8% over last year. The renewable energy policy promulgated by the State during the year is expected to gradually increase the proportion of power generated across the country by renewable energy in the electricity market, which is conducive to the development of the industry.

In December 2019, SIIC Management, a wholly-owned subsidiary of the Company, and Shanghai Galaxy, set up a green energy fund with another independent third party, each holding approximately 33.158% interest and jointly putting in a total subscription amount of RMB190 million. The fund is intended to cooperate with other professional new energy enterprises and financial institutions to set up funds to introduce external funds and invest in strategic projects in emerging industries such as domestic high quality new energy, environment-friendly energy, new materials, and therefore create a green industry ecosystem. At the same time, it will integrate other existing clean energy sectors of the Group with other investment projects that are in line with the strategic direction of the funds as and when appropriate.

REAL ESTATE

The real estate segment recorded a profit of HK$780 million for the year 2019, representing a drop of 30.2% over last year, and accounting for approximately 21.4% of the Group's Net Business Profit. The decline is mainly due to the relatively high profit base recorded in the last financial year, during which profit in the segment increased significantly from sales revenue of the Shanghai Bay project of SI Development in which the Company holds a 49% interest.

SI Development

The revenue of SI Development for the year amounted to RMB8,866 million, representing an increase of 2.3% over last year, the growth of which was mainly attributable to contributions from sales revenue of its real estate projects. Net profit was RMB782 million, representing an increase of 18.9% year-on-year. Through effective marketing campaigns and efficient revitalization of existing projects during the year, contract sales of real estate projects reached RMB7,890 million, with a gross floor area of 395,000 square meters, among which, key projects such as Shanghai Bay (Phrase 4) in Qingpu, Shanghai, Territory Shanghai in Jing'an, Shanghai, Sea Palace in Quanzhou, Hi-Shanghai (Phrase 2) in Hangzhou, SIIC Tianlan Bay in Huzhou and SIIC Yungjing Bay in Huzhou all recorded strong sales performance. Sales for the remaining units of projects such as A New Era in Jiading, Shanghai, the Shanghai International Art Centre in Qingpu, Shanghai and Hi-Shanghai in Chengdu were actively under way. During the year, the gross floor area of properties delivered was approximately 258,400 square meters, which mainly included Hi-Shanghai (Phrase 2) in Hangzhou, A New Era in Jiading, Shanghai, Bella Rive in Qingpu, Shanghai and Sea Palace in Quanzhou. Rental income for the year amounted to approximately HK$531 million.

BUSINESS REVIEW, DISCUSSION AND ANALYSIS

In accordance with national strategies to integrate the Yangtze River Delta, SI Development made considerable efforts in researching development opportunities in the core areas of the Yangtze River Delta such as Jiangsu and Zhejiang, Chengdu-Chongqing region and Qingdao, while focusing on resources, in particular those of high quality, in these areas using Shanghai as its core. During the year, great efforts were made to strengthen the consolidation of its property management platforms, standardizing property service benchmarks and streamlining its business structure. For the year under review, the company was managing further 30 urban facilities and commercial property projects in respect of judiciary authorities, civil affairs services, exhibition centers, colleges and universities, with an aggregate area under management of about 25,000,000 square meters.

In respect of project development, SI Development won two parcels of land both located in the large residential community of Gucun in Baoshan, Shanghai through bidding in February 2019 at a relatively low price of RMB2,819 million. The two land parcels, Gucun Lot 0421-01 and Gucun Lot 0423-01, have a total area of approximately 58,730 square meters and a planned total gross floor area of approximately 117,460 square meters, covering a term of 70 years and a plot ratio of 2.0. The acquisition is in line with SI Development's development strategy to strengthen its investments in core regions and to further participate in the development of the Yangtze River Delta with Shanghai as the center.

A consortium established between Shining Real Estate, a wholly-owned subsidiary of SI Development, and an independent third party successfully acquired in August 2019 a parcel of land through bidding. Located at Lot 30-01 of Unit MHPO-1403, Huacao Town, Minhang District, Shanghai, the land was acquired at a price of RMB300.60 million is for residential purpose, and occupies a total area of approximately 19,800 square meters with a plot ratio of 2.67. Shining Real Estate, which owns 30% interest of the project, is responsible for the development of the parcel of land. The project represents SI Development's inaugural move into the rental housing market, and is in line with the company's strategy to strengthen its investments in Shanghai.

At the end of October 2019, Shanghai Qingyue, a company in which SI Development owns 49% interest, obtained the right for the use of a parcel of state-owned land for residential rental purpose. Located at north of Guanglai Road, Xihong Bridge, Qingpu, Shanghai, the land parcel Lot 04-33, was acquired through bidding at a price of RMB191.69 million with a total area of approximately 32,500 square meters and a plot ratio 1.5. Through bidding with cooperative partners, SI Development has accumulated extensive operating experience, laying a strong foundation for further exploration of the residential rental market, which is in line with the company's strategic development plans and creates a positive impact on the company's economy of scale and branding development.

In view of challenges from the severe economy and the changing environment of the real estate industry, SI Development will follow the trend of the market integrating major internal and external resources, and to explore and seek opportunities to promote high quality development of the company. In the coming year, the company will promote segment synergy, deepen the integration of financing and business operation, and expand business innovation on the basis of maintaining a stable and healthy development and operation of the core business, and by leveraging its extensive experience and resource advantages accumulated from its investments in the Yangtze River Delta region for years. Based on its core real estate business, the company will continue to integrate its financing and business operations, and accelerate the pace of participation in the integration of the Yangtze River Delta and the new round of urban constructions in Shanghai. Continued efforts will be made to upgrade its construction technology to improve safety and efficiency and to strengthen the integration of its property management business.

SI Urban Development

SI Urban Development recorded a revenue of HK$8,584 million for 2019, representing an increase of 23.0% over last year. Profits attributable to shareholders for the year amounted to HK$600 million, representing a year-on-year increase of 4.8%. Properties delivered during the year mainly included Urban Cradle in Shanghai, Originally in Xi'an, Contemporary Art Villas in Shanghai and Shenyang • U Center in Shenyang, with a gross floor area of approximately 244,500 square meters. Rental income for the year was approximately HK$750 million. Contract sales amounted to RMB6,180 million, representing a gross floor area of approximately 165,000 square meters, which mainly included Contemporary Art Villas in Shanghai, Urban Cradle in Shanghai and West Diaoyutai in Beijing.

During the year, the operational capability of SI Urban Development's commercial brands continued to strengthen with the inauguration of several commercial complexes. Considerable efforts were made to further develop and upgrade the commercial projects in prime urban sites in Shanghai, Beijing and Chongqing. The hotel and serviced-apartment sectors performed well; the business recruitment and office sectors progressed solidly; and the operating mode for rental housing continued to be refined. Driven by reforms and innovation, SI Urban Development achieved solid development for its wide range of operations and achieved continued growth and efficiency of its commercial assets despite mounting pressure from the market.

During the year, Hyatt Centric, an international and trendy brand under the Hyatt chain, was first introduced to Shanghai. As a TOD project in the city – TODTOWN, the project represents a new landmark in an urban complex in Shanghai. In addition, Urban Cradle Center, a development plan which began in 2019 and incorporating a park, wetland, offices, commercial facilities and a hotel, will bring new growth momentum to the 17-year-old project. The project represents a significant step forward in transforming a big residential city into a modern urban complex. Today, the growing sophistication of the "Ucenter series", "Uplaza+ series" and the "Urban renewal series" product lines have helped to further refine the commercial asset portfolio of SI Urban Development.

In conjunction with its 50%-owned joint venture and Aerospace Corporation, SI Urban Development took part subsequent to the year-end date in the bidding of the Guilin Road land project located in the southwestern of Xuhui District, Shanghai, with a total capital commitment of approximately RMB1,527.50 million, in which SI Urban Development holds 32.5% beneficial interest. Located adjacent to the intersection of the existing Metro Line 9 and the future Metro Line 15 in Shanghai, the project is expected to support future rental returns and the property value will be further enhanced upon completion. The transaction is expected to be completed in the first half of 2020.

In January 2020, SI Urban Development announced a capital injection into SIIC Financial Leasing which will account for 20% of the company's capital upon completion of the transaction. The equity of the company's existing shareholder, Shanghai Galaxy will be diluted to 28.95% accordingly after the completion of the capital increase, while the remaining shareholders are independent third parties. An integrated credit provider located in Shanghai, SIIC Financial Leasing's business included finance to regional governments and its platform companies to fund their projects in local infrastructure, water supply and construction of rail transportation. With this new joint venture, SI Urban Development is expected to further integrate its financing business, offer synergy and provide capital operation to its associated businesses. The transaction is expected to be completed in the first half of 2020.

BUSINESS REVIEW, DISCUSSION AND ANALYSIS

Set out below is a summary of the major property development projects of the Group as at 31 December 2019:

Major Development Properties

	City	Projects of SI Development	Type of property	Interest attributable to SI Development	Approximate site area (square meters)	Planned total GFA (square meters)	Pre-sold during the year (square meters)	Total GFA sold (square meters)	Expected date of completion
1	Kaifu District, Changsha	Fengsheng Building	Residential and commercial	90%	5,468	70,566	6,627	30,870	Completed
2	Chenghua District, Chengdu	Hi-Shanghai	Residential and commercial	100%	61,506	254,885	4,996	190,153	Completed
3	Beibei District, Chongqing	Hi-Shanghai	Residential and commercial	100%	30,845	74,935	3,301	57,626	Completed
4	Yuhang District, Hangzhou	Hi-Shanghai (Phase I)	Residential and commercial	85%	74,864	230,484	27,758	150,289	Completed
5	Yuhang District, Hangzhou	Hi-Shanghai (Phase II)	Residential and commercial	85%	59,640	198,203	56,539	–	Completed
6	Wuxing District, Huzhou	SIIC Garden Hotel	Hotel and commercial	100%	116,458	47,177	–	–	Completed
7	Wuxing District, Huzhou	Hurun Commercial Plaza	Commercial	100%	13,661	27,322	–	–	Under planning
8	Wuxing District, Huzhou	SIIC Tianlan Bay	Residential and commercial	100%	115,647	193,292	26,042	–	Completed
9	Wuxing District, Huzhou	SIIC Yungjing Bay	Residential	100%	68,471	207,906	28,953	–	2020
10	Shilaoren National Tourist Resort, Qingdao	International Beer City	Composite	100%	227,675	806,339	–	333,798	2014 to 2022, in phases
11	Fengze District, Quanzhou	Sea Palace	Residential and commercial	100%	170,133	1,064,099	152,188	160,653	2017 to 2021, in phases
12	Baoshan District, Shanghai	Gucun Large Residential Community Unit BSPO-0104, Lot 0421-01	Residential	100%	26,600	73,798	–	–	2022
13	Baoshan District, Shanghai	Gucun Large Residential Community Unit BSPO-0104, Lot 0423-01	Residential	100%	32,130	86,692	–	–	2022
14	Hongkou District, Shanghai	North Bund Project	Commercial and office	90%	23,037	230,568	–	–	2021
15	Jiading District, Shanghai	Sea Garden	Residential and commercial	100%	58,949	163,351	23,074	78,688	Completed

BUSINESS REVIEW, DISCUSSION AND ANALYSIS

	City	Projects of SI Development	Type of property	Interest attributable to SI Development	Approximate site area (square meters)	Planned total GFA (square meters)	Pre-sold during the year (square meters)	Total GFA sold (square meters)	Expected date of completion
16	Jiading District, Shanghai	Essence of Shanghai	Residential and commercial	100%	32,991	75,559	–	39,695	Completed
17	Jingan District, Shanghai	Territory Shanghai	Residential	100%	32,512	114,737	7,045	–	2020
18	Jinshan District, Shanghai	Flos Granti	Residential	100%	135,144	214,143	3,880	195,597	Completed
19	Qingpu District, Shanghai	Belle Rive	Villa	51%	315,073	59,577	–	25,985	Completed
20	Qingpu District, Shanghai	Shanghai Bay	Residential	51%	808,572	631,199	58,608	213,301 (parking lots included)	2011 to 2021, in phases
21	Qingpu District, Shanghai	He Villa/Sea County	Residential	51%	162,708	121,683	–	84,627 (shops and parking lots included)	Completed
22	Qingpu District, Shanghai	Shanghai International Art Centre	Composite	100%	194,956	120,363	580	96,673	Completed
23	Wuzhong District, Suzhou	Lot 2017-WG-10	Residential	100%	40,817	126,881	–	–	2020
Sub-total					**2,807,857**	**5,193,759**			

	City	Projects of SI Urban Development	Type of property	Interest attributable to SI Urban Development	Approximate site area (square meters)	Planned total GFA (square meters)	Pre-sold during the year (square meters)	Total GFA sold (square meters)	Expected date of completion
1	Chaoyang District, Beijing	American Rock	Residential and commercial	100%	121,499	523,833	–	454,610	Completed
2	Chaoyang District, Beijing	Youngman Point	Residential and commercial	100%	112,700	348,664	–	258,814	2007 to 2021, in phases
3	Haidian District, Beijing	West Diaoyutai • Emperor Seal	Residential	90%	42,541	250,930	15,958	188,027	2007 to 2021, in phases
4	Wancheng District, Changsha	Forest Sea	Residential and commercial	67%	679,620	1,032,534	693	304,889	2007 to 2025, in phases
5	Jiulongpo District, Chongqing	Top City	Residential, commercial and office	100%	120,014	786,233	–	376,095	Completed
6	Huaqiao Town, Kunshan	Yoooou.net	Commercial and office	30.7%	34,223	129,498	–	63,021	Completed
7	Zhoushi Town, Kushan	Royal Vila	Residential	53.1%	205,017	267,701	–	222,666	Completed
8	Baoshan District, Shanghai	Shangtou Baoxu	Residential	100%	118,880	306,167	98,249	98,249	2020 to 2021, in phases
9	Minhang District, Shanghai	Urban Cradle	Residential and commercial	53.1%	943,000	1,226,298	16,931	812,471	2007 to 2022, in phases
10	Minhang District, Shanghai	Shanghai Jing City	Residential and commercial	59%	301,908	772,885	–	560,409	Completed

BUSINESS REVIEW, DISCUSSION AND ANALYSIS

	City	Projects of SI Urban Development	Type of property	Interest attributable to SI Urban Development	Approximate site area (square meters)	Planned total GFA (square meters)	Pre-sold during the year (square meters)	Total GFA sold (square meters)	Expected date of completion
11	Minhang District, Shanghai	TODTOWN	Residential, commercial, hotel, office and apartment office	20.7%	117,825	605,000	18,546	56,205	2020 to 2022, in phases
12	Minhang District, Shanghai	Contemporary Art Villa (Jade Villa)	Residential	100%	116,308	83,622	21,140	61,683	2018 to 2022, in phases
13	Minhang District, Shanghai	Contemporary Splendour Villa (Courtyard Villa)	Residential	100%	120,512	191,636	3,140	3,140	2020 to 2022, in phases
14	Minhang District, Shanghai	Shangtou Xinhong	Residential	90%	69,495	212,347	–	–	2021
15	Minhang District, Shanghai	Chenghang Project	Commercial and office	80%	20,572	60,195	–	–	2021
16	Minhang District, Shanghai	Shenzhicheng Project	Rental housing	29.5%	47,435	128,075	–	–	2022
17	Minhang District, Shanghai	Chenglong Project	Rental housing	59%	47,383	118,458	–	–	2023
18	Songjiang District, Shanghai	Shanghai Youth City	Commercial and office	100%	57,944	212,130	–	139,840	Completed
19	Xuhui District, Shanghai	Jingxiang Project	Rental housing	59%	17,161	48,050	–	–	2022
20	Xuhui Binjiang, Shanghai	Binjiang U Center	Office and commercial	35.4%	77,371	525,888	–	–	2020 to 2022, in phases
21	Heping District, Shenyang	Shenyang • U Centre	Commercial, office and serviced apartment	80%	22,651	228,768	21,136	71,660	Completed
22	Futian District, Shenzhen	China Phoenix Tower	Residential, commercial and office	91%	11,038	106,190	–	78,343	Completed
23	Nankai District, Tianjian	Laochengxiang	Residential, commercial and office	100%	244,252	752,883	–	582,478	Completed
24	Binghu District, Wuxi	Urban Development International Center	Commercial, hotel, office and serviced apartment	59%	24,041	193,368	248	41,900	Completed
25	Chanba Ecotope, Xi'an	Originally	Residential, commercial and hotel	71.5%	2,101,967	3,899,867	54,525	2,442,803	2008 to 2022, in phases
26	Yantai	Yantai Project	Residential and commercial	100%	77,681	159,100	–	–	2022 to 2023, in phases
Sub-total					**5,853,038**	**13,170,320**			

	City	Projects of the Company	Type of property	Interest attributable to the Company	Approximate site area (square meters)	Planned total GFA (square meters)	Pre-sold during the year (square meters)	Total GFA sold (square meters)	Expected date of completion
1	Qingpu District, Shanghai	Belle Rive	Villa	49%	315,073	59,577	–	25,985	Completed
2	Qingpu District, Shanghai	Shanghai Bay	Residential	49%	808,572	631,199	58,608	213,301 (parking lots included)	2011 to 2021, in phases
3	Qingpu District, Shanghai	He Villa/Sea County	Residential	49%	162,708	121,683	–	84,627 (shops and parking lots included)	Completed
Sub-total					**1,286,353**[1]	**812,459**[1]			
Total					**9,947,248**[1]	**19,176,538**[1]			

Major Future Development Projects

	City	Projects of SI Development	Project type	Interest attributable to SI Development	Approximate site area (square meters)	Planned total GFA (square meters)	Expected date of completion
1	Qingpu District, Shanghai	Zhujiajiao Lot D2	Residential and commercial	51%	349,168	174,584	2020
2	Minhang District, Shanghai	Huacao Town Lot 30-01, Unit MHP0-1403	Residential	30%	19,822	52,923	2022
3	Qingpu District, Shanghai	Xihong Bridge, Guanglai Road North, Lot 04-33	Residential	49%	32,520	45,639	2022
Sub-total					**401,510**	**273,146**	

	City	Projects of the Company	Project type	Interest attributable to the Company	Approximate site area (square meters)	Planned total GFA (square meters)	Expected date of completion
1	Qingpu District, Shanghai	Zhujiajiao Lot D2	Residential and commercial	49%	349,168	174,584	2020
2	Qingpu District, Shanghai	Shanghai Lot F	Villa	10%	350,533	175,267	Under planning
3	Qingpu District, Shanghai	Shanghai Lot G	Villa	10%	401,274	200,637	Under planning
Sub-total					**1,100,975**[1]	**550,488**[1]	
Total					**1,502,485**[1]	**823,634**[1]	

BUSINESS REVIEW, DISCUSSION AND ANALYSIS

Major Investment Projects

	City	Projects of SI Development	Project type	Interest attributable to SI Development	Total GPA for investment properties (square meters)
1	Wenjiang District, Chengdu	Orchard Forest Commercial Building	Commercial	100%	769
2	Qingdao Economic Development Zone	Dali Plaza	Commercial	76%	21,495
3	Laoshan District, Qingdao	Shanghai Industrial Investment Centre	Office	100%	26,669
4	Fengze District,Quanzhou	Sea Palace (Phase I of Linghai Yuan)	Commercial	100%	3,429
5	Changning District, Shanghai	Super Ocean Finance Center	Office	100%	2,321
6	Changning District, Shanghai	United 88	Office	100%	50,560
			Commercial	100%	38,923
			Parking lot	100%	28,457
7	Hongkou District, Shanghai	Gao Yang Commercial Centre	Office	100%	22,187
8	Hongkou District, Shanghai	Gao Yang Hotel	Office	100%	3,313
9	Huangpu District, Shanghai	Golden Bell Plaza	Office	100%	9,801
			Office	90%	40,186
			Carpark	90%	4,870
10	Huangpu District, Shanghai	Huangpu Estate	Commercial	100%	20,918
11	Huangpu District, Shanghai	No. 108 Haichao Road	Commercial	100%	474
12	Jiading District, Shanghai	Essence of Shanghai	Commercial	100%	37,998
13	Jingan District, Shanghai	Territory Shanghai	Commercial	100%	2,502
			Parking lot	100%	1,495
14	Pudong New District, Shanghai	No. 1111 Shangchuan Road	Industrial	100%	40,208
15	Xuhui District, Shanghai	Shanghai Industrial Investment Building	Office	100%	344
16	Xuhui District, Shanghai	Yonglong Building	Office	100%	10,089
			Office	74%	14,130
			Carpark	74%	8,692
17	Yangpu District, Shanghai	Hi-Shanghai	Office	100%	798
18	Zhabei District, Shanghai	No. 235 Zhongshan Road North (portion)	Commercial	100%	22,027
			Carpark	100%	22,000
19	Xiqing District, Tianjin	Rhine Town	Office	100%	1,434
20	Yuecheng District, Shaoxing	International City	Commercial	100%	26,479
21	Xuhui District, Shanghai	Shanghai Industrial Investment Building	Commercial	100%	5,961
Sub-total					**468,529**

BUSINESS REVIEW, DISCUSSION AND ANALYSIS

	City	Projects of SI Urban Development	Project type	Interest attributable to SI Urban Development	Total GPA for investment properties (square meters)
1	Chaoyang District, Beijing	Youngman Point	Commercial	100%	19,768[2]
2	Jiulongpo District, Chongqing	Top City	Commercial and parking lot	100%	251,847[2]
3	Changning District, Shanghai	ShanghaiMart	Exhibition, commercial and office	51%	284,651
4	Songjiang District, Shanghai	Shanghai Youth City	Commercial	100%	16,349[2]
5	Xuhui District, Shanghai	Urban Development International Tower	Office building	59%	45,239
6	Xuhui District, Shanghai	YOYO Tower	Commercial	59%	13,839
7	Futian District, Shenzhen	China Phoenix Tower	Office building	91%	1,048[2]
8	Shenyang	Shenyang • U Centre	Commercial	80%	30,332
9	Shanghai, Tianjin and Kunshan	Others	Commercial, office building and parking lot	59%	93,196
Sub-total					**756,269**
Total					**1,224,798**

Notes:
1. There are duplicate figures in the GPA of Belle Rive, Shanghai Bay and He Villa/Sea County in Shanghai and Zhujiajiao Lot D2.
2. Such total GFAs are duplicate figures, which have been included in the Major Development Properties table.

BUSINESS REVIEW, DISCUSSION AND ANALYSIS

CONSUMER PRODUCTS

The consumer products business segment recorded a profit of HK$1,104 million in 2019, representing a year-on-year rise of 2.5% over last year and accounting for approximately 30.3% of the Group's Net Business Profit. During the year, Nanyang Tobacco continued to strengthen its structure, improve operational efficiency and step up efforts to diversify its products. To enhance its competitive advantages of being an integrated operation, Nanyang Tobacco has developed a range of heterotypic products and continued to innovate its technologies. During the year, Wing Fat Printing put its focus on the balanced development of its packaging business and moulded-fibre business while striving to explore the medicine packaging business as well as intelligent packaging and manufacturing.

Tobacco

In view of uncertainties and a changing external environment, pressure on the consumer economy and increasingly stringent supervision, Nanyang Tobacco has developed a series of measures to overcome such adversities. Leveraging its competitive advantages and through innovation, and effectively developing its policy of "Strengthening business growth; pursuing for excellence; and ensuring a healthy internal operation and external development", the company successfully achieved its annual business goals. Revenue and profit after tax for the year amounted to HK$3,336 million and HK$975 million respectively, representing a year-on-year increase of 3.8% and 2.1%. Total number of cigarettes sold increased by 3.4%.

Introducing effective brand management and successful product structure upgrade, Nanyang Tobacco achieved a "dual increase" in sales and sales volume. The growth was mainly attributed to new traditional tobacco products and innovative tobacco brands developed over the past two years. During the year, the company capitalized on sustainable innovative brands and expanded into different market segments. It also established different brand development strategies to meet the needs of consumers and markets. Efforts were made to allocate its resources to develop medium and high-end innovative products in a timely manner, setting new benchmarks and developing new brands in the industry while effectively enhanced traditional flagship brands, optimized product structure and expanded overseas markets.

The company's flexible production line project with different specifications began to work effectively. The performance has steadily improved; the operation has gradually matured, and a number of units can operate at full speed. During the year, the company successfully completed the commissioning, repacking and production of multiple batches of super slim size cigarettes, regular size cigarettes and slim size heterotypic cigarettes. For the first time, the production of new capsule cigarette products with multiple flavors was achieved, creating an environment with significant advantages for the efficient production of heterotypic cigarettes and fancy cigarettes.

The canned packaging products, which maintain a leading position in the industry, are also an important part of Nanyang Tobacco's product structure. In addition, Nanyang Brothers has also actively promoted the upgrade and expansion of its production lines. Currently, the canning lines for heterotypic cigarettes are equipped with automatic canning capability, bolstering the company's competitive position in the canned packaging products market. The ATP process optimization project established last year further enhanced the improvement of key process indicators and made sound progress in improving the quality of cut tobacco, reducing losses, and improving efficiency.

In respect of business cooperation, Nanyang Tobacco has taken active steps to facilitate the formation of cooperation projects with a large PRC cigarette enterprise during the year based on the principle of reciprocity and mutual benefit. Under the agreement, the two parties will first jointly establish an overseas production and distribution platform in Hong Kong, before sharing resources in such areas as sales channels, product research and development, production and processing as well as market operation and heterotypic tobacco in overseas markets. This cooperative venture has enabled the two parties to complement each other so as to achieve mutual benefits and arrive at a win-win situation. Currently, the parties are planning to set up factories in Southeast Asia to benefit from the preferential tax policies of ASEAN so as to enhance the competitiveness of their products and effectively penetrate into the local markets.

Going forward, Nanyang Tobacco will continue to be market-driven and will implement a product operation system that caters for new product development to brand marketing. Quality will always take priority in the building up of this functional platform which covers product innovation and development as well as manufacturing and quality control. Plans were made to launch a composite production capacity construction project to meet the needs of new product research and development, and to establish self-supporting functions for special filter rods in heterotypic cigarettes. In order to maintain its leading position in the industry, Nanyang Tobacco will further improve its product quality, consolidate and develop special canned packaging products, and plan to build or optimize existing flexible production lines for heterotypic cigarettes and canned packaging heterotypic cigarettes.

Printing

Wing Fat Printing recorded a net profit of HK$135 million for the year, representing an increase of 6.2% over last year. The increase was mainly attributed to a rise in sales and overall profit growth resulting from product upgrade for major customers of the tobacco packaging business as well as stronger economies of scale arising from active incubation of the exquisite packaging business. Benefitting from lower cost and improvement of efficiency driven by intelligent manufacturing and appreciation in the value of settlement currency, the moulded-fibre package segment has offset impact from significant declines in product pricing of international business with a steadily growing market share. During the year, Wing Fat Printing recorded a revenue of HK$1,644 million, representing a year-on-year increase of 5.9%, mainly due to stronger performance of tobacco and exquisite packaging under the printing packaging business, while moulded-fibre business also continued to maintain a good growth momentum.

In 2019, facing the intricate external market and social environment, Wing Fat Printing was committed in carrying forward the established development strategy of "1+1+1" and business strategy of intelligent packaging + intelligent manufacturing. With concerted efforts of all employees, the company maintained stable business growth during the year and overcame difficulties, achieving sound business performance with stable progress in an orderly manner. During the year, efforts were made to explore the medicine packaging as well as intelligent packaging business with medicine packaging as an interface, and to develop a diversified and balanced portfolio. Extensive studies were made to promote intelligent manufacturing enhancement, to expand market share and to maintain competitive pricing through reduction in cost and improvement in efficiency. As a result, good progress was made and encouraging results were achieved through gradual transformation of its business in recent years. Looking to the future, Wing Fat Printing will continue to pursue its established operational policies and strategies, seek further improvement in the process of development, and constantly enhance the overall profitability of the company as well as its ability to prevent and resolve business risks.

FINANCIAL REVIEW

KEY FIGURES

	2019	2018	Change %
Results			
Revenue (HK$'000)	32,345,473	30,412,883	6.4
Profit attributable to owners of the Company (HK$'000)	3,349,531	3,333,020	0.5
Earnings per share – basic (HK$)	3.081	3.066	0.5
Dividend per share (HK cents)	153	100	
– Interim (paid) (note)	101	48	
– Final (proposed)	52	52	
Dividend payout ratio			
– Cash and Shares in specie (note (a))	49.7%	32.6%	
– Cash	16.9%	32.6%	
Interest cover (note (b))	6.6 times	6.2 times	

	2019	2018	Change %
Financial Position			
Total assets (HK$'000)	174,942,290	167,419,445	4.5
Equity attributable to owners of the Company (HK$'000)	40,239,812	41,275,296	-2.5
Net assets per share (HK$)	37.01	37.96	-2.5
Net debt ratio (note (c))	62.45%	61.57%	
Gearing ratio (note (d))	42.79%	42.57%	
Number of shares in issue (shares)	1,087,211,600	1,087,211,600	

Note (a): (cash dividend per share + fair value per distributed share in specie)/earnings per share
Note (b): (profit before taxation, interest expenses, depreciation and amortization)/interest expenses
Note (c): (interest-bearing loans-cash)/equity attributable to owners of the Company
Note (d): interest-bearing loans/(equity attributable to owners of the Company + non-controlling interests + interest-bearing loans)

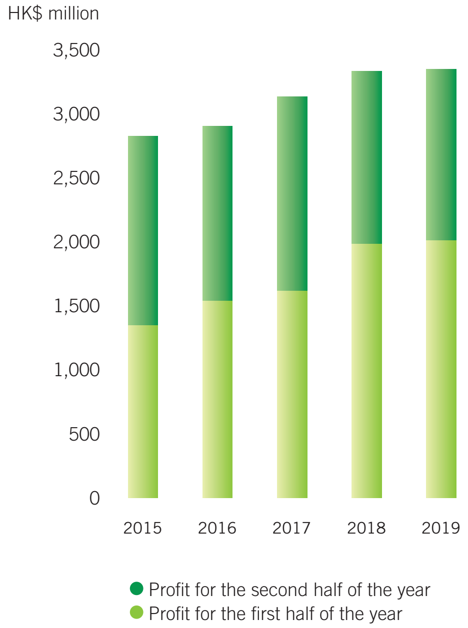
Note: The Board of Directors of the Company has resolved to pay an interim dividend for 2019 in form of distribution in specie to shareholders of the Company on the basis of 1 SIUD Share for every 1 share of the Company held. Based on the closing price of SIUD on the date of despatch of the SIUD Shares on 18 October 2019, the interim dividend was HK$1.01 per share.

FINANCIAL REVIEW

I ANALYSIS OF FINANCIAL RESULTS

1 Profit attributable to owners of the Company

For the year ended 31 December 2019, the Group recorded a profit attributable to owners of the Company of HK$3,349.53 million, an increase of HK$16.51 million or approximately 0.5% as compared to 2018.

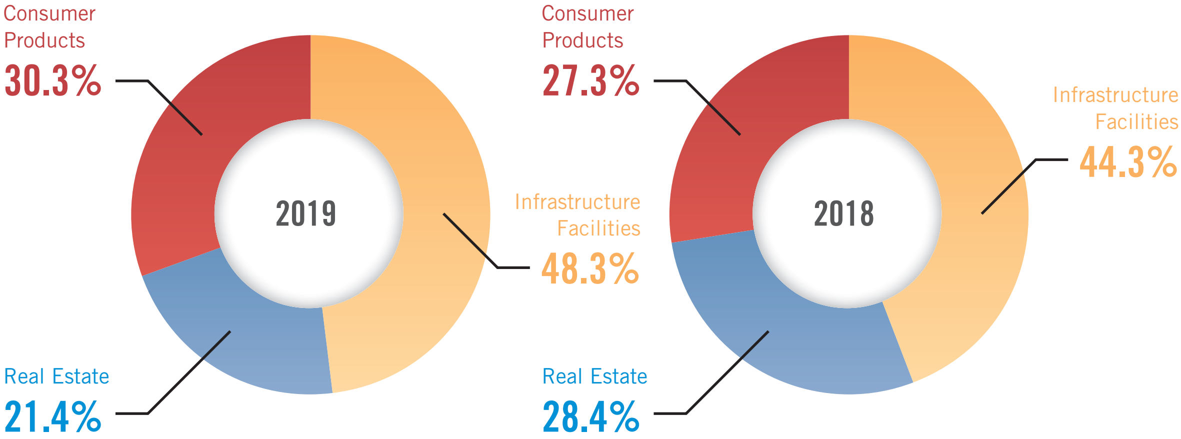


2 Profit Contribution from Each Business

The profit contributed by each business in the Group for the year 2019 and the comparative figures last year was summarized as follows:

	2019 HK$'000	2018 HK$'000	Change %
Infrastructure Facilities	1,755,594	1,748,517	0.4
Real Estate	780,306	1,117,805	-30.2
Consumer Products	1,103,572	1,076,469	2.5
	3,639,472	3,942,791	-7.7

FINANCIAL REVIEW



The infrastructure facilities business recorded a net profit of approximately HK$1,755.59 million for the year, accounting for 48.3% of the net business profit and representing an increase of 0.4% over last year. The toll roads and bridge business was affected by the depreciation of Renminbi and the 5% toll discount on the electronic toll collection lanes since 1 July 2019, resulting in lower toll revenue and profit contributions year-on-year.

Water services and waste-to-energy business recorded an increase in profit of 18.4%. Of which, SIIC Environment recorded an increase of 11.1% in profit year-on-year, mainly due to the increase of sewage treatment volume and water supply volume, as well as an increase in average waste water treatment price. The Group increased its holdings in Canvest Environmental to 17.63% last year, its continued profit growth leading to an increase in its profit contribution to the Group.

The real estate business recorded a profit of approximately HK$780.31 million, accounting for 21.4% of net business profit, and representing a decrease of approximately HK$337.50 million over 2018. The decrease was mainly due to last year a higher property sales revenue were recognised and higher profit contribution from Shanghai Bay project, in which the Company holds 49% interest.

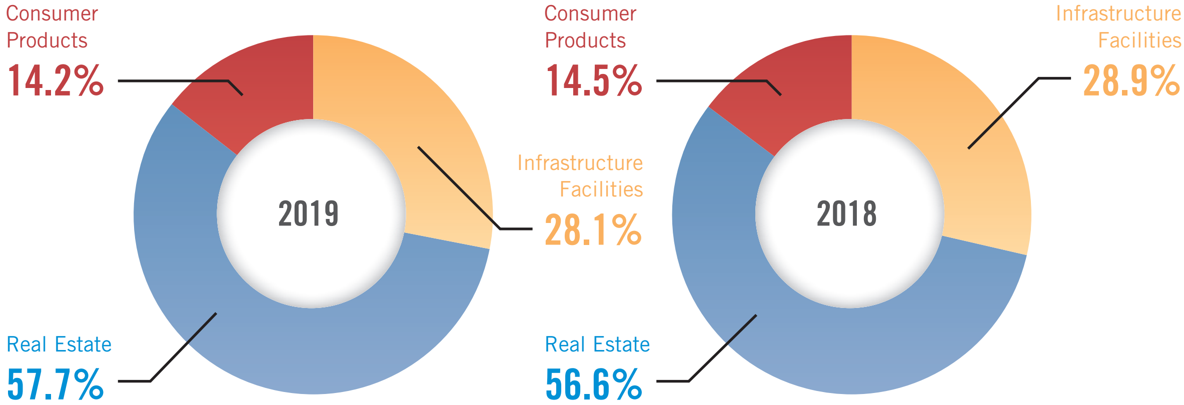
The consumer products business recorded a net profit of HK$1,103.57 million, accounting for 30.3% of net business profit, and representing a year-on-year increase of 2.5%. Although the revenue of Nanyang Tobacco increased by 3.8%, the net profit increased by HK$19.99 million, or 2.1% year-on-year due to increase in material costs and manufacturing expenses. The net profit contribution of Wing Fat Printing for the year was HK$128.17 million, representing a year-on-year increase of 5.9% driving by the increase of gross profit margin.

3 Revenue

The Group's revenue by principal activities for the year 2019 and the comparatives of last year was summarized as follows:

	2019 HK$'000	2018 HK$'000	Change %
Infrastructure Facilities	9,093,938	8,805,425	3.3
Real Estate	18,649,649	17,201,802	8.4
Consumer Products	4,601,886	4,405,656	4.5
	32,345,473	30,412,883	6.4

FINANCIAL REVIEW



In 2019, the revenue amounted to approximately HK$32,345.47 million, representing a year-on-year increase of 6.4%. The increase was mainly due to the increase of the delivery and settlement of properties in the real estate business as compared to last year.

The increase in revenue of the infrastructure facilities business was attributable to the increase of service concession arrangements of SIIC Environment.

Revenue from consumer products business remained stable.

4 Profit before Taxation

(1) Gross profit margin

Compared to 2018, the overall gross profit margin for the year increased by 0.4 percentage points, mainly due to an increase in proportion of operation income with relatively higher profit margin of SIIC Environment in the infrastructure facilities business for the year.

(2) Other income, gains and losses

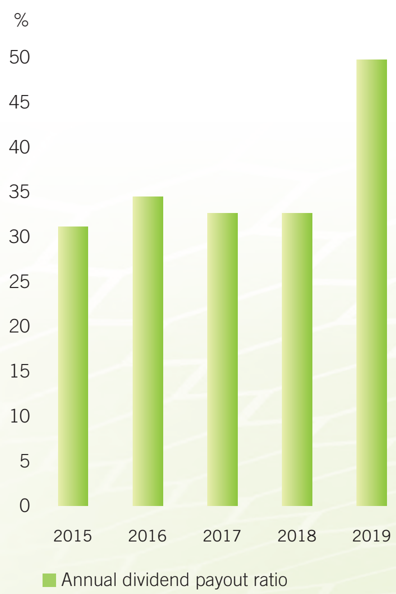
Other income, gains and losses decreased for the year, which was mainly due to the income from gain on land resumption recorded last year.

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

The gain for last year was mainly attributable to the disposal of a subsidiary which holds 26.01% of the equity interest in the Fuzhou real estate project and two water services project subsidiaries.

5 Dividend

The Board of Directors of the Group has proposed to declare a final dividend of HK52 cents per share (2018: HK52 cents per share). Together with an interim dividend in form of distribution in specie to shareholders of the Company on the basis of 1 SIUD Share for every 1 share of the Company held and based on the closing price of SIUD on the date of despatch of the SIUD Shares on 18 October 2019, the interim dividend was HK$1.01 per share, the total dividend amounted to HK153 cents per share for 2019 (2018: HK100 cents per share). Annual dividend payout ratio is 49.7% (2018: 32.6%).



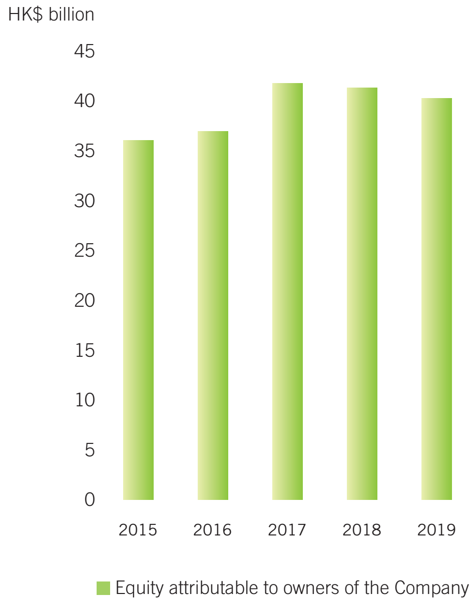
FINANCIAL REVIEW

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 2019, there is no change compared with 1,087,211,600 shares as at the end of 2018.

Equity attributable to owners of the Company reached HK$40,239.81 million as at 31 December 2019 and 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$2.52 billion or US dollar equivalent dual-currency club loan for a term of 5 years in January 2019.

As at 31 December 2019, the total borrowings of the Group including bank borrowings and other borrowings amounted to approximately HK$54,456.57 million (31 December 2018: HK$51,518.20 million), of which 68.5% (31 December 2018: 64.0%) was unsecured credit facilities. The proportions of US dollars, Renminbi and HK dollars of total borrowings were 3%, 83% and 14% (31 December 2018: 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$9,792,486,000 (31 December 2018: HK$11,459,467,000);

(b) leasehold land and buildings with an aggregate carrying value of HK$123,539,000 (31 December 2018: HK$134,605,000);

(c) plant and machineries with an aggregate carrying value of HK$22,590,000 (31 December 2018: HK$27,173,000);

(d) one (31 December 2018: one) toll road operating right with a carrying value of HK$1,884,742,000 (31 December 2018: HK$2,105,856,000);

(e) receivables under service concession arrangements with an aggregate carrying value of HK$14,419,408,000 (31 December 2018: HK$10,196,365,000);

(f) properties under development held for sale with an aggregate carrying value of HK$2,869,155,000 (31 December 2018: HK$2,873,025,000);

(g) properties held for sale with an aggregate carrying value of HK$645,466,000 (31 December 2018: HK$736,551,000);

(h) trade receivables with an aggregate carrying value of HK$172,688,000 (31 December 2018: HK$152,084,000); and

(i) bank deposits with an aggregate carrying value of HK$1,292,335,000 (31 December 2018: HK$628,045,000).

(3) Contingent liabilities

As at 31 December 2019, the guarantees given to banks by the Group in respect of banking facilities utilised by property buyers and associates amounted to approximately HK$7,107.92 million and HK$2,018.77 million (31 December 2018: HK$6,355.01 million and HK$1,648.58 million) respectively.

3 Capital Commitments

As at 31 December 2019, the Group had capital commitments mainly contracted for business developments and investments in fixed assets of HK$15,814.20 million (31 December 2018: HK$12,254.67 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 2019, bank balances and short-term investments held by the Group amounted to HK$29,325.48 million (31 December 2018: HK$26,104.65 million) and HK$810.73 million (31 December 2018: HK$603.90 million) respectively. The proportions of US dollars and other currencies, Renminbi and HK dollars of bank balances were 3%, 78% and 19% (31 December 2018: 3%, 83% and 14%) 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.

III MANAGEMENT POLICIES FOR FINANCIAL RISK

1 Currency Risk

The Group mainly operates in China and the Hong Kong Special Administrative Region and the exposure in exchange rate risks mainly arise from fluctuations in the US dollar, Singapore dollar, HK dollar and Renminbi exchange rates. The management monitors foreign currency exposure and will also consider hedging significant foreign currency exposures and adopting suitable measures where necessary.

2 Interest Rate Risk

The Group's fair value and cash flow interest rate risks mainly relate to fixed and variable rates borrowings. In order to exercise prudent management against interest rates risks, the Group continues to review market trends against its business operations and financial position in order to arrange the most effective interest rate risk management tools.

3 Price Risk

The Group's price risks are mainly concentrated on equity instruments quoted in the HKSE and the Shanghai Stock Exchange. The management strictly monitors this exposure by maintaining a portfolio of investments with different levels of risks. In addition, a special team has been appointed by the management to monitor price risks and hedging against such risk exposures will be made should the need arises.

4 Credit Risk

The Group's principal financial assets are receivables under service concession arrangements, contract assets, pledged bank deposits, short-term bank deposits, bank balances and cash, securities and debt investments and trade and other receivables. The Group's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the consolidated statement of financial position are net of allowances for doubtful receivables and expected credit loss. An allowance for impairment and expected credit loss are made according to the Group's accounting policy or where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows.

With respect to the credit risk of the Group's treasury operations, all bank balances and cash, securities and debt investments of the Group must be placed and entered into with sound and reputable financial institutions. Strict requirements and restrictions in relation to the outstanding amount and credit ratings on securities and debt investments to be held are followed in order to minimize the Group's credit risk exposures.

CORPORATE GOVERNANCE REPORT

The Group is committed to promoting sound corporate governance and makes great efforts in raising its governance standard. Healthy internal control and risk management systems are adopted for effective control of the Company's business operations to ensure a culture of high accountability and transparency which is essential to enhance shareholders' value, and ultimately bringing long-term benefits to shareholders and other stakeholders.

CORPORATE GOVERNANCE STRUCTURE

Different functional committees and administrative units have been established to ensure that the principles of good governance are observed and that corporate governance measures formulated by the Board are properly implemented.

In accordance with requirements for the Corporate Governance Code, the Company consistently oversaw its risk management and internal control systems of the Company and its subsidiaries during the year to ensure the effectiveness and appropriateness of the systems, in addition to internal audits conducted for subsidiaries within the Group. The scope of such reviews covered financial, operational and compliance controls.

COMPLIANCE WITH CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in the Corporate Governance Code for the year ended 31 December 2019. Details of the principles and practices of governance of the Company and all major work and relevant changes during the year are set out in this report.

STRATEGIC OBJECTIVES AND BUSINESS MODEL

In accordance with its work plans, the Group has strategically positioned itself as a Hong Kong based company that counts on the support of mainland China. Through effective allocation of resources outside the mainland as well as integration of capital and business operations, the Group has successfully turned itself into an enterprise that has built its foundation on three core areas of business, including infrastructure and environmental protection, real estate and consumer products. Capitalizing on future development opportunities in China, the Group strives to become an integrated investment red chip window company that will constantly create value for its shareholders. Based on its own resources and the internal and external factors of development, the Company will expand its infrastructure and environmental protection business, and continue to pursue the steady development of its real estate business as well as to enhance the growth of its consumer products business in the future.

BOARD OF DIRECTORS

The Board of Directors represents the highest level of authority in the management structure of the Company. It is mainly responsible for formulating the Group's long term business development strategies and operational direction, monitoring the Group's business and financial performance, formulating and reviewing the Group's corporate governance policies and day-to-day operations, as well as leading and supervising the management to ensure thorough implementation of the Board's decisions and effective performance of their duties.

Composition of the Board

As of the date of this report, the Board of Directors of the Company consists eight members as below:

Name of Director	Executive position in the Board	Years of service in the Group
Executive Director		
Shen Xiao Chu	Chairman	2 year
Zhou Jun	Vice Chairman & Chief Executive Officer	14.5 years
Xu Bo	Deputy CEO	8 years
Xu Zhan		5.5 years
Independent Non-Executive Director		
Woo Chia-Wei	–	24 years
Leung Pak To, Francis	–	24 years
Cheng Hoi Chuen, Vincent	–	7.5 years
Yuen Tin Fan, Francis	–	3.75 years

The members of the Board of the Company comprise professionals from different areas who have served in relevant PRC government authorities, enterprises in mainland China and Hong Kong and financial institutions, all of whom have extensive experience in corporate and financial administration, project management, asset management and international business.

No member of the Board is materially related to one another in terms of financial, business and family aspects. Brief biographical details of the Directors are set out on pages 59 to 60 of this Annual Report. In all corporate communication channels as well as the websites of the Company and the Stock Exchange, the composition of the Board according to the categories and duties of the Directors are disclosed.

Mr. Shen Xiao Chu and Mr. Zhou Jun are Chairman and Chief Executive Officer of the Company respectively. Interpretation of the Responsibilities between the Chairman and the Chief Executive Officer have been adopted for the distinction between the two positions.

Independent Non-Executive Directors

The Company has four Independent Non-Executive Directors. They have the same fiduciary duties as those of the Executive Directors. The number of Independent Non-Executive Directors accounts for more than one-third of the number of members of the Board while no less than one of the Independent Non-Executive Directors has the relevant financial expertise required. All Independent Non-Executive Directors are also members of the respective Audit Committee, Remuneration Committee and Nomination Committee. Confirmation from each Independent Non-Executive Director concerning his independence according to Rule 3.13 of the Listing Rules has been received and they are considered as independent. During the year, the Chairman has met the Independent Non-Executive Directors without the presence of Executive Directors.

CORPORATE GOVERNANCE REPORT

Terms of the Directors

According to the Directors' service agreements entered into between the Company and the existing three Executive Directors respectively, any party may terminate the agreement by giving to the other party prior written notice. In addition, the Company also issued appointment letters for one Executive Director and four Independent Non-Executive Directors, specifying an appointment term of three years, subject to renewal upon expiry.

At the 2019 annual general meeting, Mr. Xu Bo, Mr. Xu Zhan and Mr. Leung Pak To, Francis, retired by rotation and were re-elected in accordance with the Company's articles of association.

At the upcoming 2020 annual general meeting, Mr. Zhou Jun, Prof. Woo Chia-Wei and Mr. Yuen Tin Fan, Francis shall retire by rotation in accordance with the articles of association of the Company. All of them, being eligible, have offered themselves for re-election. As Prof. Woo Chia-Wei has served in the Company for more than nine years as Independent Non-Executive Director, we will put forth an individual resolution for his re-election to be passed by the shareholders, as according to the relevant requirements of the Corporate Governance Code. All of their biographical details are set out in the circular to shareholders dispatched together with this Annual Report, so as to enable shareholders to make an informed decision on their election.

Responsibilities of Directors

The Directors of the Company are dedicated to their duties diligently, and have taken an active participation in the Company's affairs to make valuable contribution to the business development of the Company. The Company has established the Procedures for Directors to Seek Professional Advice, and the Directors (also refers to board committee members) may seek independent professional advice according to such agreed procedures at the expense of the Company, to assist them perform their duties.

Every year, the Company also arranged liabilities insurance for directors and senior officers of the Company and its subsidiaries, providing certain protection for any legal liabilities risks they may have involved in the discharge of their duties as well as to possible legal claims made against the respective companies as a result.

Proceedings at Directors' Meetings

The schedule for convening regular meetings of the Board (also refers to board committees) for the whole year will be set at the end of the preceding year. The Board will convene at least four regular meetings a year. Save for non-regular meetings, notices of meeting and relevant materials will be given 14 days and 3 days before the date of the regular meetings of the Board (also refers to board committees) respectively. The Company Secretary will confirm with the Directors if any matters are required to be included in the agenda for regular meetings before they are sent out.

Meeting minutes are kept with the Company Secretary, copies of which will be sent to each Director for perusal and records. All matters considered and resolved at the meetings, including any concerns raised by the Directors or dissenting views expressed will be recorded in the minutes. Board papers and related materials are open for review at any time by any Director.

During the year, for those matters to be considered by the Board in which a substantial shareholder or a Director had a material conflict of interest, these matters have been dealt with at physical board meetings. If any resolution of the board meeting involves material interests of any Director or any of his associates, such Director will abstain from voting and will not be counted in the quorum present at the meeting.

In 2019, 11 board meetings were held by the Company (6 of which were in the form of written resolutions). Please refer to the Business Review, Discussion and Analysis of this Annual Report for material decisions made by the Board during the year. The attendance of individual Directors and committee members in 2019 is set out below:

	Meetings held in 2019					
	Meetings attended / Meetings held					
	Board	Executive Committee	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting
Number of meetings held in the year	**11**	**7**	**3**	**1**	**1**	**1**
Executive Director						
Shen Xiao Chu	11/11	7/7	–	–	–	1/1
Zhou Jun	11/11	7/7	–	–	–	1/1
Xu Bo	11/11	7/7	–	–	–	1/1
Xu Zhan	11/11	–	–	–	–	1/1
Independent Non-Executive Director						
Woo Chia-Wei	11/11	–	3/3	1/1	1/1	1/1
Leung Pak To, Francis	11/11	–	3/3	1/1	1/1	1/1
Cheng Hoi Chuen, Vincent	11/11	–	3/3	1/1	1/1	1/1
Yuen Tin Fan, Francis	11/11	–	3/3	1/1	1/1	0/1
Committee Members						
Li Han Sheng	–	–	–	1/1	1/1	–
Tang Ming	–	–	–	1/1	1/1	–
Attendance	**100%**	**100%**	**100%**	**100%**	**100%**	**87.5%**

Note: The attendance is accounted for by reference to the number of board meetings held during the tenure of each respective Director.

Securities Transactions by Directors

The Company has established its own Code for Securities Transactions by Directors or Relevant Employees, which was set on terms no less exacting than the required standards set out in the Model Code. Having made enquiries with all Directors and the relevant employees of the Company, each of them has confirmed that they have fully complied with the requirements of the Model Code and the code of the Company during 2019.

CORPORATE GOVERNANCE REPORT

Directors' Training

Based on the Directors' training records, the trainings received by each Director for the year ended 31 December 2019 is summarized as follows:

	Continuing professional development category	
Name of Director	To participate in training covering business, industries, corporate governance, regulatory development and other related topics	To read newspapers, publications and updated information about economics, commerce, directors' duties, etc.
Executive Director		
Shen Xiao Chu	√	√
Zhou Jun	√	√
Xu Bo	√	√
Xu Zhan	√	√
Independent Non-Executive Director		
Woo Chia-Wei	√	√
Leung Pak To, Francis	√	√
Cheng Hoi Chuen, Vincent	√	√
Yuen Tin Fan, Francis	√	√

Functions of Corporate Governance

The Board of the Company is responsible for performing corporate governance duties to develop and review the Group's policies and practices on corporate governance and make recommendations to the Board; to review and monitor the training and continuing professional development of Directors and senior management; to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements; to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and to review the Group's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

During the year, the Company also provided corporate governance guidelines and information from time to time to the Board members and member companies according to the latest laws and regulations, and ensured compliance with the relevant provisions of corporate governance by them. Furthermore, the Company has prepared the annual environmental, social and governance report according to relevant requirements of the Listing Rules.

DELEGATION BY THE BOARD

Board Committees

Currently four committees have been established under the Board, namely the Executive Committee, Audit Committee, Remuneration Committee and Nomination Committee. All committees are responsible to the Board, and shall report to the Board on the decisions or recommendations they made. The terms of reference of the Company's Audit Committee, Remuneration Committee and Nomination Committee have been published on the Company's website and the website of the Stock Exchange.

Executive Committee

Being a decision-making administrative body under the Board, the Executive Committee is primarily responsible for taking charge of the Company's day-to-day operations, ensuring proper execution of the resolutions passed by the Board and at the general meetings, reviewing major business activities and investments, and reporting to the Board.

All members of the Executive Committee are Executive Directors. As of the date of this report, members of the committee included Mr. Shen Xiao Chu, Mr. Zhou Jun and Mr. Xu Bo. Mr. Shen Xiao Chu is the chairman of the committee.

Major Work Done by the Executive Committee
In 2019, the Executive Committee held seven meetings in the form of written resolutions. The matters considered mainly included capital injection and reduction of its subsidiaries, acquisition and disposal of project interest, provision of shareholders' loans and establishment of joint venture company and green fund, etc.

Audit Committee

The Audit Committee is mainly responsible for reviewing accounting policies and practices adopted by the Group. The committee also reviews matters relating to financial reporting as well as risk management and internal control, selects, appoints and dismisses external auditor and monitors the Company's relationship with the auditor. It also reviews the independence and objectivity of the external auditor and the effectiveness of the audit process, the nature and scope of audit services and related audit fees payable to the external auditors, and reports to and makes recommendations to the Board for decision-making. The Company has a system for employees to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the financial reporting, risk management and internal control of the Company.

As of the date of this report, the members of the Audit Committee included Mr. Cheng Hoi Chuen, Vincent, Prof. Woo Chia-Wei, Mr. Leung Pak To, Francis and Mr. Yuen Tin Fan, Francis. Mr. Cheng Hoi Chuen, Vincent is the chairman of the committee. The Company Secretary acts as the committee secretary.

Major Work Done by the Audit Committee
In 2019, the Audit Committee held three meetings. The matters considered at the meetings included review of the Group's results, review of the Company's financial reporting, risk management and internal control systems, review of internal audit, non-audit services, human resources for accounting and financial reporting functions as well as appointment of external auditor for the coming year. During the year, not less than one meeting was held in the absence of Executive Directors for the Audit Committee to meet with the auditor.

Remuneration Committee

The Remuneration Committee is mainly responsible for reviewing the remuneration policy and structure of the Company as a whole and ensuring effective implementation of such policies. The committee also makes recommendations to the Board on the establishment of formal and transparent procedures for setting the remuneration policies and structure with regard to the Directors and senior management. The committee will determine the remuneration of Directors and senior management in accordance with corporate strategies and goals set up by the Board, and none of the Directors will determine his own remuneration.

As of the date of this report, the members of the Remuneration Committee included 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, as well as representatives from the management, namely Mr. Li Han Sheng and Mr. Tang Ming. Prof. Woo Chia-Wei is the chairman of the committee while the Company Secretary acts as the committee secretary.

Major Work Done by the Remuneration Committee
In 2019, the Remuneration Committee held one meeting. The matters considered included distribution and payment of discretionary bonuses to the Directors, proposed adjustments for the remuneration of Directors and senior management, etc.

During the year, according to the Company's performance appraisal mechanism, salaries of the employees were reviewed taking into account the Company's performance, individual performance of the staff and the trend of the industry average to ensure a reasonable and competitive compensation package for its employees.

Determination of Directors' Remuneration
The remuneration of the Directors was determined with reference to the operating results of the Company, industry benchmarks and dedication of time by the Directors and their job responsibilities. Apart from basic salaries, the Directors are entitled to a discretionary bonus subject to the operating results of the Group, prevailing market conditions as well as the performance of the respective Directors.

Nomination Committee

The Nomination Committee is mainly responsible for setting transparent procedures of appointing new directors and director succession plans and making recommendations to the Board for candidates of new directors or for filling casual vacancies of the Board. The Company has formulated its Nomination Policy, which aims to lay down the nomination procedures for new members of the Board to ensure that the Board consists of members who are balanced in skill, experience and diversity in perspectives and satisfy the business requirements of the Company.

In selecting new directors or filling casual vacancies, the Nomination Committee will consider the candidate's professional qualification and skill, integrity and reputation, achievement and experience in the industry in which the Company operates, as well as his time commitment. The committee will nominate candidates it considers appropriate with reference to the standards of the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, racial, professional experience, technical, knowledge and lengths of service, etc.

According to the nomination procedures of the Nomination Policy, a committee meeting will be convened and Board members will be invited to nominate candidates, while candidates recommended by senior management or controlling shareholder of the Company will also be considered. Suitable candidates will then be submitted to the Board for consideration and approval. Directors appointed by the Board will retire and are eligible for re-election at the forthcoming general meeting after their appointment. A circular containing information of the directors to be re-elected will be sent to shareholders for their reference in relation to their voting as required by Rule 13.51(2) of the Listing Rules.

As of the date of this report, the members of the Nomination Committee included 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, as well as representatives from the management, namely Mr. Li Han Sheng and Mr. Tang Ming. Prof. Woo Chia-Wei is the chairman of the committee while the Company Secretary acts as the committee secretary.

Major Work Done by the Nomination Committee

In 2019, the Nomination Committee held one meeting in the form of written resolutions. The matters considered included review of the structure, size and composition of the Board and the evaluation of independence of independent non-executive directors, etc. As the members of the Board come with different professional perspectives, and in terms of the background of our major shareholder and operation model of the Company, the committee is of the view that the Board basically demonstrates a diversified composition and structure.

EXECUTIVE MANAGEMENT

Management Executives

The duties of the Executive Committee as authorized by the Board are delegated to the Management Executives under the committee and will be performed by the respective functional departments. As of the date of this report, members of the Management Executives included Mr. Zhou Jun, Mr. Xu Bo, Mr. Li Han Sheng, Mr. Xu Zhan and Mr. Xu Xiao Bing. The functional departments of the Company included administration, company secretarial, corporate communications, finance, human resources, internal audit, investment operations, legal and the Shanghai regional head office.

Investment Appraisal Committee

The Company has established an Investment Appraisal Committee to evaluate the viability of its investment projects from different perspectives based on their expertise. Professional views are given by various functional departments in accordance with the Company's overall business investment strategies. After studying carefully the key project elements, such as industry background, organizational structure, business development plans, return on investment, financial and legal risk issues, the committee will form independent professional opinion and submit its recommendations and reports to the management executives for consideration. Such appraisals will then be submitted to the Executive Committee for approval according to procedures governing corporate investment decision making processes. The Investment Appraisal Committee mainly comprises representatives from respective functional departments at the Hong Kong headquarters and the Shanghai regional office. Current members of the committee are the Head of the Investment Operations Department, the Company Secretary and Chief Legal and Compliance Officer, the Chief Financial Officer and representative(s) from the Shanghai regional office. During the year, the Investment Appraisal Committee conducted appraisals on 9 projects.

COMPANY SECRETARY

The Company Secretary is mainly responsible for sound information communication among the members of the Board and the compliance of the policies and procedures of the Board and all applicable rules and regulations. The Company Secretary maintains a close relationship with each Director and the management and provides assistance and advice to the members of the Board when necessary. During the year, the Company Secretary provided assistance and opinion to the Chairman, Chief Executive Officer, other members of the Board and the management in respect of issues including policy and procedures of the Board, applicable laws and regulations and corporate governance from time to time, and arranges continuous professional development programmes for the Directors. The selection, appointment and dismissal of the Company Secretary are approved by the Board. Brief biographical details of the Company Secretary are set out on page 61 of this Annual Report and the Company's website.

ACCOUNTABILITY AND AUDITING

Appointment of External Auditor

In considering the re-appointment of external auditor, the Audit Committee has taken into consideration its relationship with the Company and its independence in the provision of non-audit services. An independence report has been submitted to the committee by the external auditor. Pursuant to the above, the Audit Committee has recommended the Board to re-appoint Messrs. Deloitte Touche Tohmatsu as the external auditor for the Company for 2020, subject to approval by shareholders at the annual general meeting to be held on 19 May 2020.

The audit fee of the external auditor for 2019 amounted to HK$19,214,000. The Company has also established the Policies on Provision of Non-audit Services by External Auditor, and non-audit services were reported to the Audit Committee each year. The fees for the non-audit services provided to the Group by the Company's external auditor (including its affiliates) for the year were as follows:

Fees for non-audit services	**2019** **HK$'000**	2018 HK$'000
Financial due diligence of acquisition project and accountant's report fee	**1,100**	393
Tax consultation fee	**411**	420
Others	**1,823**	1,213
Total	**3,334**	2,026

Preparation of Financial Statements

The financial statements and interim report of the Company were prepared in accordance with the disclosure requirements set forth in Appendix 16 to the Listing Rules and Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and in accordance with the Companies Ordinance. The Board is responsible for preparing and reviewing the Group's accounts to ensure that they give a true and fair view on the financial position as well as the profits and cash flows of the Company. The Company has consistently applied appropriate accounting policies during the year, and has made prudent and reasonable judgments and estimates and prepared its accounts on a going concern basis. The external auditor stated in the independent auditor's report its opinion and report to the shareholders on the relevant financial statements, and such report is set out on pages 69 and 73 of this Annual Report.

CORPORATE GOVERNANCE REPORT

In accordance with the Corporate Governance Code, arrangements have been made by the management to provide monthly management updates to the Directors setting out updated information on the performance, financial status and prospects of the Company, to assist the Directors in performing their duties under the Listing Rules.

Risk Management and Internal Control

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving its strategic objectives and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The Board will also, through the Audit Committee, oversee management in the design, implementation and monitoring of the risk management and internal control systems, and management has provided a confirmation to the Board on the effectiveness of these systems during the year. An Internal Audit Department has been established for monitoring the prudent and effective operation of the Group's risk management and internal control systems (including those of all its major member companies) and respective reports will be made to the Audit Committee and the Board on a quarterly basis. The internal audit system is currently conducted in a cycle of three years. Internal audits will be conducted for all direct subsidiaries within the Group for the purpose of risk assessment according to the significance of the respective projects.

For the year ended 31 December 2019, the Company has collected information and carried out investigations in respect of risk management and internal control issues for its subsidiaries. Key risk elements affecting the Group and contingency measures adopted were reported to the Audit Committee. No material deviation in the compliance guidance on risk management and internal controls by the subsidiaries was reported. All subsidiaries have complied with the relevant laws and industry regulations in respect of financial reporting and legal compliance. No material non-compliance of rules or material litigation risk was reported, nor was there any fraud or corruption issue. In addition, the Board and the Audit Committee considered that the resources allocated, staff qualifications and experience in respect of the accounting, internal auditing and financial reporting functions of the Company as well as training programs and budget were adequate and sufficient.

SHAREHOLDERS

As at 31 December 2019, SIIC, the controlling shareholder of the Company, indirectly held 669,764,748 shares of the Company (excluding the interest in the underlying shares and short positions) with a shareholding percentage at approximately 61.60% (excluding the underlying shares). The percentage of public shareholding was approximately 38.40%.

Connections with Shareholders, Other Stakeholders and Investors

The Company has established the Shareholders' Communication Policy to ensure that shareholders can exercise their powers in an informed manner, and to allow shareholders and investors to improve communications with the Company. In addition, the Board attaches great importance to shareholders' opinion. Each annual general meeting has been taken as an opportunity to communicate directly with shareholders and the questions raised by them will be addressed. Shareholders, other stakeholders and investors are also welcome to voice their concerns and valuable opinions by way of e-mails, telephone and in writing (details of which are contained on page 3 under the Section of "Shareholder Enquiries" of this Annual Report). These will be directed to the Company Secretary and forwarded to the Board.

Proceedings at General Meeting

The Company has established proceedings at general meetings which are subject to review and amendments according to regulatory requirements from time to time. During the year, at the general meetings of the Company, the chairman of the meeting exercised the power conferred under the articles of association of the Company that all voting for each proposed resolution was conducted by way of poll, with detailed procedures for voting by poll being provided to shareholders and all questions raised regarding voting being answered as well. Poll results were published by an announcement on the same day of such general meetings after they had been held, while the same were uploaded on the website of the Company and the Stock Exchange for perusal by shareholders.

Rights of Shareholders

Shareholders who wish to convene an extraordinary general meeting and move a motion thereat shall abide by the provisions under the Companies Ordinance and the articles of association of the Company. Details of the relevant requirements and procedures are set out in the relevant sections of "Corporate Governance" in the Company's website.

Convening a General Meeting

Pursuant to section 566 of the Companies Ordinance, shareholders representing at least 5% of the total voting rights of all shareholders are entitled to convene a general meeting. The request which may consist of several documents in like form must state the general nature of the business to be dealt with at the general meeting and may include the text of the resolutions proposed. It must be authenticated by the person making such requisition which must be sent to the Company in printed or electronic form for the attention of the Company Secretary.

Moving a Motion at General Meeting

Pursuant to section 615(2) of the Companies Ordinance, (1) shareholders representing at least 2.5% of the total voting rights of all shareholders; or (2) at least 50 shareholders with voting rights at the general meeting concerned may send their duly signed request to the Company in printed or electronic form for the attention of the Company Secretary for matters to be dealt with at a general meeting of the Company.

Recommendations of Director Candidates

Pursuant to article 105 of the articles of association of the Company, if a shareholder intends to nominate a person other than the retiring Directors for election as a Director at a general meeting, he/she shall deposit a written notice of such nomination to the Company's registered office for the attention of the Company Secretary within a period of seven days commencing on the following day after the dispatch of the notice of such meeting.

Significance Controllers Register

In accordance with the Companies (Amendment) Ordinance 2018, the subsidiaries of the Company incorporated in Hong Kong have set up their respective significant controllers' register. This enhances the transparency of the beneficial ownership of such companies to a certain extent.

Dividend Policy

The Company formulated its Dividend Policy to set out principles for the Board's consideration before making any dividend distribution. According to the Dividend Policy, dividends can only be paid out of profits and the Company may elect to make the distribution in cash, in specie or in scripts. The payout ratio shall be determined at the discretion of the Board, but there is no guarantee for dividend distribution. The decision of dividend distribution (if any) will be made after taking into account the financial, legal, taxation and internal conditions of the Company as well as dividends receivable from subsidiaries and global market condition. Generally speaking, all shares will rank pari passu in terms of dividend entitlement. After considering the plan and proposal of the management, the Board may, at its discretion, propose or decide to distribute interim dividends. Final dividends shall be proposed to the shareholders for approval.

INVESTOR RELATIONS

In line with its overall business development strategy, the Company actively strengthened communication with investors and media through a variety of channels such as roadshow, reversed roadshows, luncheons, briefings and conferences to promote its presence in capital market.

During the year, we organized post-results non-deal roadshows, luncheons and analyst group meetings, and were invited by investment banks and media agencies to participate in different types of seminars and conferences to exchange views with participants. Analysts and investors were invited for a reserse roadshow in HK for visiting the Company's consumer products business. During the visit, guests toured around our newly-built versatile processing lines. Through thorough interactions with our factory managers, they were able to gain a better knowledge and understanding of the Company's business development and strategy.

In addition, the Company won "Listed Company Awards of Excellence – Main Board 2019" issued by an authoritative local financial media in Hong Kong, in recognition of its performance and achievements in the capital market in the past year.

CORPORATE GOVERNANCE REPORT

INFORMATION DISCLOSURE

The Company also established its own Inside Information Disclosure Policy and required reporting compliance by all of its subsidiaries with a view to maintain good corporate governance within the Group and to ensure due disclosure of corporate information as well as to enhance corporate transparency. At present, the Group releases business development information in a timely manner through different channels, including the publication of annual and interim reports and business results, the sending of circulars to shareholders, and disclosing latest developments through news conference and press releases. All the above information is published on the website of the Company.

CONSTITUTIONAL DOCUMENTS

During the year, there were no significant changes to the constitutional documents of the Company. The updated Company's articles of association was uploaded on the website of the Company and the Stock Exchange for perusal.

HUMAN RESOURCES

Staff (including Directors) salaries, allowances and bonuses totaled HK$1,707 million for the year (2018: HK$1,539 million). Details of Directors' remuneration paid for the year ended 31 December 2019 are set out in note 11 to the financial statements. The remuneration payable to the top five of management staff of the Company by band for the year ended 31 December 2019 was as follows:

Remuneration by band (HK$)	2019 Number of individuals
1,000,001 – 2,000,000	1
2,000,001 – 3,000,000	4
	5

Share Options

The Company adopted the SIHL Scheme at the extraordinary general meeting held on 25 May 2012. Up to 31 December 2019, no share options were granted or outstanding under the SIHL Scheme during the year.

The SI Urban Development Scheme adopted by SI Urban Development, a subsidiary of the Company, on 12 December 2002 was expired on 11 December 2012, and SI Urban Development New Scheme was adopted at the annual general meeting held on 16 May 2014. Up to 31 December 2019, 27,750,000 share options remained outstanding and unexercised under the SI Urban Development Scheme. Apart from that, no share options were granted or outstanding under the SI Urban Development New Scheme during the year.

SIIC Environment, a subsidiary of the Company, adopted the SIIC Environment Scheme at the extraordinary general meeting held on 27 April 2012. Up to 31 December 2019, no share options were granted or outstanding under the SIIC Environment Scheme.

Details of the SIHL Scheme, SI Urban Development Scheme, SI Urban Development New Scheme and SIIC Environment Scheme are set out in note 37 to the financial statements.

By Order of the Board

Yee Foo Hei

Company Secretary

31 March 2020

DIRECTORS' AND SENIOR MANAGEMENT PROFILES

DIRECTORS

Executive Directors

Mr. SHEN Xiao Chu *Executive Director, Chairman*
(Appointed on 28 February 2018 ~ Present)

Mr. Shen, aged 58, is currently the chairman of Shanghai Industrial Investment (Holdings) Company Limited. He graduated from Shanghai Second Medical University and Shanghai Jiaotong University respectively and holds a bachelor's degree in medicine, a bachelor's degree in law and an executive master of business administration, and is designated a deputy professor. Mr. Shen was a deputy officer of the Principal Office of Shanghai Second Medical University, deputy director of Shanghai Huangpu District Hygiene Bureau, hospital dean of Huangpu District Central Hospital, deputy mayor of Huangpu District, Shanghai, deputy mayor of Changning District, Shanghai, deputy officer of Shanghai Municipal Development and Reform Commission, officer of Shanghai Municipal Commission of Health and Family Planning, officer of Shanghai Municipal Development and Reform Commission and deputy secretary general of the Shanghai Municipal Government. He has extensive experience in the leadership role in government authorities as well as in people's livelihood, medical and urban construction and management. Mr. Shen is a member of the 15th Shanghai Municipal People's Congress.

Mr. ZHOU Jun *Executive Director, Vice Chairman, Chief Executive Officer*
(Appointed on 15 April 2009 ~ Present)

Mr. Zhou, aged 51, is an executive director and the president of Shanghai Industrial Investment (Holdings) Company Limited ("SIIC"). He is also the non-executive chairman of SIIC Environment Holdings Ltd., the chairman of SIIC Management (Shanghai) Ltd., Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd., Shanghai Luqiao Development Co., Ltd., Shanghai Shen-Yu Development Co., Ltd. and a director of certain other subsidiaries of the Group. Mr. Zhou is a non-executive director and the chairman of Shanghai Pharmaceuticals Holdings Co., Ltd. He graduated from Nanjing University and Fudan University with a bachelor's and a master's degree in economics (international finance), and is designated an economist. Mr. Zhou currently is the chairman of Shanghai Galaxy Investments Co., Ltd. ("Shanghai Galaxy"). He worked for Guotai Securities Co., Ltd. (now Guotai Junan Securities Co.) before joining SIIC in April 1996. The management positions he had held within the SIIC group of companies were Deputy CEO of the Company, deputy general manager of SIIC Real Estate Holdings (Shanghai) Co., Ltd., deputy general manager of Shanghai United Industrial Co., Ltd., director and general manager of Shanghai Galaxy and general manager of the strategic investment department of SIIC. Mr. Zhou is currently a member of the executive committee of the Chinese People's Political Consultative Conference in Shanghai, the chairman of Shanghai Shengtai Investment and Management Limited under Shanghai Charity Foundation, the president of Shanghai Youth Entrepreneurs Association and the president of Shanghai Association of Environmental Protection Industry. He has over 20 years' professional experience in mergers and acquisitions, securities, finance, real estate, project planning and corporate management.

Mr. XU Bo *Executive Director, Deputy CEO*
(Appointed on 28 December 2012 ~ Present)

Mr. Xu, aged 58, is an executive director, vice president and chief financial controller of Shanghai Industrial Investment (Holdings) Company Limited ("SIIC"). He is also the chairman of Nanyang Brothers Tobacco Company, Limited and a director of certain other subsidiaries of the Group. He was the general manager of the finance and planning department of SIIC, an executive deputy officer of the accounting department of Shanghai Lixin University of Commerce, a deputy general manager and chief financial officer of Shanghai Hualian Co., Ltd., an executive director, deputy general manager and chief financial officer of Shanghai Bailian Group Co., Ltd., a vice president of Bailian Group Co., Ltd. and a non-executive director of Lianhua Supermarket Holdings Co., Ltd. He has over 20 years' experience in finance and corporate management.

DIRECTORS' AND SENIOR MANAGEMENT PROFILES

Mr. XU Zhan *Executive Director*
(Appointed on 17 November 2016 ~ Present)

Mr. Xu, aged 49, is an assistant president of Shanghai Industrial Investment (Holdings) Company Limited ("SIIC"). He is also an executive director of SIIC Environment Holdings Ltd. and a director of certain other subsidiaries of the Group. Mr. Xu graduated from Shanghai Jiaotong University and BI Norwegian School of Management with a bachelor's degree in engineering and a master's degree in management studies, and is a fellow member of The Association of Chartered Certified Accountants. He is a director of Shanghai Galaxy Investment Co., Ltd. ("Shanghai Galaxy"). Mr. Xu was the general manager and assistant general manager of Shanghai Galaxy, the chairman of SIIC Aerospace Galaxy Energy (Shanghai) Co., Ltd. and assistant general manager of the finance and planning department of SIIC. Mr. Xu has many years' experience in finance and investment financing.

Independent Non-Executive Directors

Prof. WOO Chia-Wei *Independent Non-Executive Director*
(Appointed on 15 March 1996 ~ Present)

Prof. Woo, aged 82, is Senior Advisor of Shui On Holdings Limited and President Emeritus of the Hong Kong University of Science and Technology. In addition, Prof. Woo is currently an independent non-executive director of First Shanghai Investments Limited, a Hong Kong listed company.

Mr. LEUNG Pak To, Francis *Independent Non-Executive Director*
(Appointed on 15 March 1996 ~ Present)

Mr. Leung, aged 65, has over 30 years of experience in corporate finance involving in capital raisings, mergers and acquisitions, corporate restructuring and reorganisation, investments and other general corporate finance advisory activities in Hong Kong and China. In 1980, he graduated with a master's degree in business administration from University of Toronto, Canada.

Mr. CHENG Hoi Chuen, Vincent *Independent Non-Executive Director*
(Appointed on 13 November 2012 ~ Present)

Mr. Cheng, aged 71, is the former adviser to the group chief executive of HSBC Holdings plc and is also an independent non-executive director of Great Eagle Holdings Limited, Hui Xian Asset Management Limited (manager of the publicly listed Hui Xian Real Estate Investment Trust), CLP Holdings Limited, Wing Tai Properties Limited and CK Hutchison Holdings Limited and AirStar Bank. He is the former chairman of The Hongkong and Shanghai Banking Corporation Limited, HSBC Bank (China) Company Limited and HSBC Bank (Taiwan) Limited. Mr. Cheng was conferred the doctoral degree of social science, honoris causa, by The Chinese University of Hong Kong and the doctoral degree of business administration, honoris causa, by The Open University. Mr. Cheng also holds a bachelor of social science degree in economics from The Chinese University of Hong Kong and a master of philosophy degree in economics from The University of Auckland, New Zealand.

Mr. Yuen Tin Fan, Francis *Independent Non-Executive Director*
(Appointed on 15 July 2016 ~ Present)

Mr. Yuen, aged 67, is currently the independent non-executive deputy chairman of Pacific Century Regional Developments Limited and an independent non-executive director of Yixin Group Limited. Mr. Yuen was formerly the chief executive of The Stock Exchange of Hong Kong Limited (1988-1991), deputy chairman and executive director of the Pacific Century Group, deputy chairman and executive director of PCCW Limited, executive chairman of Pacific Century Insurance Holdings Limited and an independent non-executive director of Agricultural Bank of China Limited. Mr. Yuen holds a Bachelor of Arts degree in economics from the University of Chicago. He is the chairman of the board of trustees of the Hong Kong Centre for Economic Research, chairman of the advisory board of Ortus Capital Management Limited, and a member of the board of University of Chicago and Fudan University in Shanghai

DIRECTORS' AND SENIOR MANAGEMENT PROFILES

SENIOR MANAGEMENT

Mr. LI Han Sheng

Mr. Li, aged 56, was appointed a Deputy CEO of the Company in April 2012. He is also a general manager of human resources department of Shanghai Industrial Investment (Holdings) Company Limited ("SIIC"). He graduated from East China University of Science and Technology, Shanghai Technology University and Murdoch University with a bachelor's degree of science in engineering, a master's degree in computer science and a master's degree in business administration, and is designated a senior engineer. He was an officer of the information centre of Shanghai Wugang Holdings Ltd. engaged in enterprise management and information technology. He joined SIIC in September 1999, and was a director, the assistant general manager of operations management and cooperation department, deputy general manager of the administration department and secretary to chairman. He was also the head of the information technology department of the Company. He has more than 20 years' experience of corporate management and information technology.

Mr. XU Xiao Bing

Mr. Xu, aged 53, was appointed a Deputy CEO of the Company in November 2016. He is an executive director and the chief executive officer of SIIC Environment Holdings Ltd., a director of Nanyang Brothers Tobacco Company, Limited and a director of certain other subsidiaries of the Group. Mr. Xu graduated from Peking University with a master's degree in business administration. He was an investment and financial analyst of Beijing Jingfang Investment Management & Consultant Co., Ltd. under the Beijing Capital Group, the chief representative of Shanghai Representative Office of the Company, the deputy head of the investment planning department, the head of the enterprise management department, the deputy general manager and general manager of SIIC Management (Shanghai) Limited. He has over 20 years' experience in corporate management and investment planning.

PROFESSIONAL STAFF

Mr. YEE Foo Hei, Jackson

Mr. Yee, aged 56, joined the Company in September 2010. He is the Company Secretary and the Chief Legal and Compliance Officer of the Company. He graduated from City Polytechnic of Hong Kong (now City University of Hong Kong) and University of Wolverhampton, UK with a professional diploma in company secretaryship and administration and a LLB degree respectively. Mr. Yee is a fellow member of The Hong Kong Institute of Chartered Secretaries, The Institute of Chartered Secretaries & Administrators and The Association of Chartered Certified Accountants. Mr. Yee has more than 30 years' practical company secretarial experience in international accountancy firm, multi-national conglomerate and large-scale PRC stated-owned enterprise.

Ms. CHAN Yat Ying, Cherie

Ms. Chan, aged 52, joined the Company in November 1996. She is the Chief Financial Officer and an Assistant CEO of the Company and a director of certain other subsidiaries of the Group. Ms. Chan is also a deputy general manager of the finance and planning department of Shanghai Industrial Investment (Holdings) Company Limited and a member of the supervisory committee of Shanghai Industrial Development Co., Ltd. She graduated from University of Hong Kong with a bachelor's degree in social sciences, and also holds a master's degree in financial management awarded by the University of London. Ms. Chan is a member of The Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and The Chinese Institute of Certified Public Accountants. She has extensive working experience in banking and accounting professions.

SENIOR MANAGEMENT OF MEMBER COMPANIES

Mr. ZENG Ming

Mr. Zeng, aged 49, is a director of Shanghai Industrial Investment (Holdings) Company Limited. He is also the chairman of Shanghai Industrial Development Co., Ltd. and Shanghai Industrial Urban Development Group Limited. Mr. Zeng graduated from Shanghai Urban Construction Vocational Institute with a bachelor of Engineering and holds the designation of a senior engineer. He was a deputy head of Shanghai Highway Administration Office, a deputy officer of Shanghai Huchong Yuejiang Passageway Preparatory Office, a deputy general manager of Shanghai Huchong Yuejiang Passageway Investment Co., Ltd., head of finance division and the construction and operation management division of the Shanghai Municipal Engineering Administration Bureau, head of the construction market supervision division of Shanghai Municipal Urban-Rural Development and Transportation Commission, chief of Shanghai Municipal Building Industry Management Office and deputy general manager of China Construction Eighth Engineering Division Corp. Ltd and has over 20 years' experience in corporation management.

DIRECTORS' AND SENIOR MANAGEMENT PROFILES

Mr. TANG Jun
Mr. Tang, aged 52, is a director and president of Shanghai Industrial Development Co., Ltd. He graduated from University of South Australia with a master's degree in business administration and holds the designation of a senior auditor, and is an associate of The Chinese Institute of Certified Public Accountants. Mr. Tang was an Executive Director of the Company, the general manager of the internal audit department and deputy general manager of the finance and planning department of Shanghai Industrial Investment (Holdings) Company Limited and the Deputy Director of the Foreign Funds Utilization Audit Department, Shanghai Municipal Audit Office, and has over 20 years'practical experience in the fields of auditing and finance.

Mr. ZHOU Xiong
Mr. Zhou, aged 53, is an assistant president of Shanghai Industrial Investment (Holdings) Company Limited. He is also the vice chairman and president of Shanghai Industrial Urban Development Group Limited. Mr. Zhou graduated from the Department of Finance of the School of Economics, Xiamen University with a doctorate degree in economics. He also received a master's degree in executive business administration from Peking University. He was previously the issuance manager of the Xiamen operations department of華夏證券有限公司, deputy director of the corporate management department of the People's Daily Bureau, deputy general manager of廈門聯合信託投資有限責任公司and director and president of Zhongtai Trust Co., Ltd.

Mr. YANG Jian Wei
Mr. Yang, aged 48, is a director and the general manager of SIIC Management (Shanghai) Ltd. and a director of certain other subsidiaries of the Group. He graduated from Huazhong University of Science and Technology and Shanghai Jiaotong University with a bachelor's degree in engineering, a master's degree in management engineering and a doctoral degree in management. Mr. Yang worked for China National Nonferrous Materials Co., Ltd. and Hong Yuan Securities Co., Ltd. Mr. Yang joined Shanghai Industrial Investment (Holdings) Company Limited ("SIIC") in June 2004, and was an assistant general manager of Shanghai Galaxy Investment Co., Ltd., assistant general manager of the board of directors' office, secretary to chairman of SIIC and Assistant CEO of the Company. He has nearly 20 years' experience of financial investment, security research, investment banking and project planning.

Mr. DAI Wei Wei
Mr. Dai, aged 50, is a director and the general manager of Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd. and Shanghai Shen-Yu Development Co., Ltd., a director of Shanghai Luqiao Development Co., Ltd. and SIIC Management (Shanghai) Limited. Mr. Dai graduated from Shanghai Tongji University and Fudan University and obtained a bachelor's degree in engineering and a master's degree in business administration respectively. He worked in Shanghai Mass Transit Railway Corporation, Shanghai Municipal Engineering Administration, Shanghai Jiajin Highway Development Co., Ltd. He has over 20 years' experience in construction and management of infrastructure.

Mr. CHEN Wei Yi
Mr. Chen, aged 59, is a director and the general manager of Shanghai Luqiao Development Co., Ltd., a director of Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd., Shanghai Shen-Yu Development Co., Ltd. and the vice chairman of Ningbo Hangzhou Bay Bridge Development Co., Ltd. Mr. Chen graduated from The People's Liberation Army of Institute of Electronic Engineering majored in radar engineering and obtained a bachelor's degree of science in engineering, and is designated a senior engineer. He was the deputy general manager of Shanghai Huang Pu River Tunnel and Bridges Development Co., Ltd. and the general manager of Shanghai CITIC Tunnel Development Co., Ltd. He has extensive experience in operation management and maintenance of bridge, tunnel and highway.

Mr. YANG Qiu Hua
Mr. Yang, aged 47, is a director and the general manager of Nanyang Brothers Tobacco Company, Limited, the chairman of The Wing Fat Printing Company, Limited and a director of certain other subsidiaries of the Group. He graduated from East China University of Science and Technology with a master's degree and holds the designation of senior engineer and economist. Mr. Yang was a vice president of SIIC Investment (Shanghai) Co., Ltd., the vice chairman and general manager of SIIC Investment Company Limited, the chairman of The Tien Chu (Hong Kong) Company Limited and Shanghai International Asset Management (Hong Kong) Company Limited as well as the managing director of Shanghai Sunway Biotech Co., Ltd. He has extensive experience in enterprise management.

Mr. XU Tao
Mr. Xu, aged 59, is a director and the president of The Wing Fat Printing Company, Limited ("Wing Fat") and chairman of other certain subsidiaries of Wing Fat. He graduated from Shanghai Lixin College of Accounting with a college degree. Mr. Xu was the general manager of Hebei Yongxin Paper Co., Ltd., Zhejiang Rongfang Paper Co., Ltd., Wingfat Printing (Sichuan) Co., Ltd., Wingfat (Henan) Molding Technology Development Co., Ltd. and Wingfat (Jiangsu) Molding & Packaging Technology Co., Ltd. He has extensive experience in printing, packaging, moulded-fibre and paper industry.

DIRECTORS' REPORT

The Directors have pleasure in presenting their report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the businesses of infrastructure facilities, real estate and consumer products.

PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Details of the principal subsidiaries, joint ventures and associates as at 31 December 2019 are set out in notes 49, 50 and 51 to the consolidated financial statements respectively.

BUSINESS REVIEW

A fair review of the Group's business including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, is set out in the section of "Business Review, Discussion and Analysis" set out on pages 12 to 41 of this Annual Report.

Disclosures relating to the compliance with relevant laws and regulations which have a significant impact on the Group, as well as its relationships with its major stakeholders are included in the "Corporate Governance Report" on pages 48 to 58 of this Annual Report.

Such discussion forms part of this Directors' Report.

DIVIDENDS

The results of the Group for the year ended 31 December 2019 and the Group's financial position at that date are set out in the Group's consolidated financial statements on pages 74 to 82 of this Annual Report.

For the interim dividend for the year, the Company completed the payment in the form of distribution in specie to the qualified shareholders of the Company on the basis of 1 SIUD Share for every 1 Share held (2018: interim dividend of HK48 cents per Share). The Directors recommend the payment of a final dividend of HK52 cents per Share to the shareholders whose names appear on the register of members of the Company on 29 May 2020.

FINANCIAL SUMMARY

A summary of the financial information of the Group for the year ended 31 December 2019 and the previous four years is set out on page 185 of this Annual Report.

SHARE CAPITAL

Details of the share capital of the Company during the year are set out in note 36 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2019 represented retained profits of HK$17,918,691,000 (2018: HK$17,503,927,000).

DIRECTORS' REPORT

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Shen Xiao Chu *(Chairman)*
Zhou Jun *(Vice Chairman & Chief Executive Officer)*
Xu Bo *(Deputy CEO)*
Xu Zhan

Independent Non-Executive Directors

Woo Chia-Wei
Leung Pak To, Francis
Cheng Hoi Chuen, Vincent
Yuen Tin Fan, Francis

The biographical details of the Directors are set out on pages 59 to 60 of this Annual Report. Details of Directors' emoluments are set out in note 11 to the consolidated financial statements.

In accordance with the Company's articles of association, the Directors of the Company (including the Independent Non-Executive Directors) shall be subject to retirement by rotation at each annual general meeting. Mr. Zhou Jun, Prof. Woo Chia-Wei and Mr. Yuen Tin Fan, Francis shall retire by rotation at the forthcoming annual general meeting. All of them, being eligible, have offered themselves for re-election at the forthcoming annual general meeting.

DIRECTORS OF THE SUBSIDIARIES

The names of all directors who have served on the boards of the subsidiaries of the Company during the year ended 31 December 2019 and up to the date of this report are available on the website of the Company.

DIRECTORS' SERVICE CONTRACTS

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

PERMITTED INDEMNITY PROVISIONS

During the year ended 31 December 2019 and up to the date of this report, the Company has in force permitted indemnity provisions for the benefits of the directors of the Company (including former directors) or of its associated companies.

DISCLOSURE UNDER RULE 13.51B(1) OF THE LISTING RULES

Changes in Directors' information since the date of the interim report 2019 and up to the date of this report are set out below:

Mr. Xu Zhan

- resigned as the chief financial officer of SIIC Environment Holdings Ltd. on 23 March 2020.

Mr. Yuen Tin Fan, Francis

- resigned as an independent non-executive director of Agricultural Bank of China Limited on 30 August 2019.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 December 2019, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(I) Interests in shares and underlying shares of the Company

Name of Director	Capacity	Nature of interests	Number of issued ordinary shares held	Approximate percentage of the issued shares
Zhou Jun	Beneficial owner	Personal	300,000	0.03%

Note: All interests stated above represent long positions.

(II) Interests in shares and underlying shares of association corporations

SI Urban Development

Name of Director	Capacity	Nature of interests	Number of issued ordinary shares held	Approximate percentage of the issued shares
Zhou Jun	Beneficial owner	Personal	300,000	0.01%

Note: All interests stated above represent long positions.

Save as disclosed above, none of the Directors, chief executives nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 31 December 2019.

EQUITY-LINKED AGREEMENTS

Details of the equity-linked agreements entered into during the year or subsisting at the end of the year are set out below:

Share options

Particulars of the share option schemes adopted by the Group are set out in note 37 to the consolidated financial statements.

(I) SIHL Scheme

The SIHL Scheme shall be valid and effective for a period of 10 years commencing the date of adoption of the scheme. During the year, no options were granted or outstanding under the SIHL Scheme.

(II) SI Urban Development Scheme

The SI Urban Development Scheme was valid and effective for a period of 10 years commencing the date of its adoption and expired on 11 December 2012. During the year, the movements in the share options to subscribe for SIUD Shares under the SI Urban Development Scheme were as follows:

	Date of grant	Exercise price per share *HK$*	Number of shares issuable under the share options outstanding at 1.1.2019 and 31.12.2019
Category 1: Directors of SI Urban Development	24.9.2010	2.98	21,000,000
Category 2: Employees of SI Urban Development	24.9.2010	2.98	6,750,000
Total for all categories			27,750,000

Share options are exercisable during the period from 24 September 2010 to 23 September 2020 in three batches, being:

- 24 September 2010 to 23 September 2011 (up to 40% of the share options granted are exercisable)
- 24 September 2011 to 23 September 2012 (up to 70% of the share options granted are exercisable)
- 24 September 2012 to 23 September 2020 (all share options granted are exercisable)

(III) SI Urban Development New Scheme

The SI Urban Development New Scheme shall be valid and effective for a period of 10 years commencing the date of adoption of the scheme. During the year, no options were granted or outstanding under the SI Urban Development New Scheme.

(IV) SIIC Environment Scheme

The SIIC Environment Scheme shall be valid and effective for a period of 10 years commencing the date of adoption of the scheme. During the year, no options were granted or outstanding under the SIIC Environment Scheme.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES OF THE COMPANY

Save as disclosed under the section "Equity-linked Agreements" above, neither the Company or a specified undertaking (within the meaning of the Hong Kong Companies Ordinance) of the Company was a party to any other arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate at any time during or at the end of the year.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

No transactions, arrangements and contracts that are significant in relation to the Group's business, to which the Company or a specified undertaking (within the meaning of the Hong Kong Companies Ordinance) of the Company was a party and in which a person who at any time in the year was a Director of the Company or his connected entities had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2019, the interests and short positions of the substantial shareholders of the Company and other persons, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, were as follows:

Name of shareholder	Capacity	Nature of interests	Number of issued ordinary shares beneficially held	Approximate percentage of the issued share capital
SIIC	Interests held by controlled corporations	Corporate	669,764,748 *(Notes 1 and 2)*	61.60%

Notes:

1. SIIC through its subsidiaries, namely Shanghai Investment Holdings Limited, SIIC Capital (B.V.I.) Limited, Shanghai Industrial Financial (Holdings) Company Limited, SIIC Trading Company Limited and SIIC CM Development Limited held 519,409,748 shares, 80,000,000 shares, 52,908,000 shares, 17,437,000 and 10,000 shares of the Company respectively, and was accordingly deemed to be interested in the respective shares held by the aforementioned companies.

2. All interests stated above represent long positions.

Save as disclosed above, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO as at 31 December 2019.

CONNECTED TRANSACTIONS

Details of the connected transactions and continuing connected transactions for the year are set out in note 46(I) to the consolidated financial statements. Save as disclosed therein, there were no other connected transactions and continuing connected transactions, other than those which are exempt from the reporting, announcement and independent shareholders' approval requirements, which need to be disclosed as connected transactions and continuing connected transactions in accordance with the requirements of Appendix 16 to the Listing Rules.

Pursuant to Rule 14A.56 of the Listing Rules, the Directors engaged the auditor of the Company to report on the continuing connected transactions of the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange. The Independent Non-executive Directors have reviewed the continuing connected transactions and the report of the auditor and have confirmed that the transactions have been entered into by the Company in the ordinary course of its business, on normal commercial terms, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

RELATED PARTY TRANSACTIONS

Details of the related party transactions for the year are set out in note 46(II) to the consolidated financial statements.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

During the year, both the aggregate revenue from sales attributable to the Group's five largest customers and the aggregate purchases attributable to the Group's five largest suppliers were less than 30% of the Group's total sales and purchases respectively.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2019:

- SIIC Environment, a subsidiary of the Company, bought back a total of 2,611,000 and 1,160,000 of its own ordinary shares on the Stock Exchange and the Singapore Stock Exchange for a total consideration of approximately HK$3,372,802.33 and SG$248,872.84 respectively, and all these shares were cancelled.

- SI Urban Development, a subsidiary of the Company, bought back a total of 4,650,000 of its own ordinary shares on the Stock Exchange for a total consideration of approximately HK$4,904,355, and all these shares were cancelled.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK$2,230,000.

RETIREMENT BENEFITS SCHEMES

Details of the Group's retirement benefits schemes are set out in note 45 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this Annual Report, based on publicly available information and within the knowledge of the Directors of the Company, 38.4% of the issued share capital of the Company is held by the public.

The Company has maintained a sufficient public float throughout the year ended 31 December 2019.

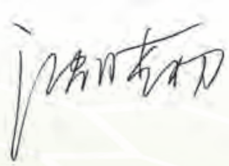
CORPORATE GOVERNANCE

The corporate governance principles and practices adopted by the Company are set out in the Corporate Governance Report on pages 48 to 58 of this Annual Report.

AUDITOR

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board



Shen Xiao Chu
Chairman

Hong Kong, 31 March 2020

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE MEMBERS OF SHANGHAI INDUSTRIAL HOLDINGS LIMITED
上海實業控股有限公司
(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Shanghai Industrial Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 74 to 184, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current reporting period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Key audit matter

Valuation of investment properties

We identified the valuation of investment properties as a key audit matter due to its significance to the consolidated financial statements as a whole and the significant judgment and estimation associated with determining the fair values of investment properties.

As disclosed in note 14 to the consolidated financial statements, the fair values of the Group's investment properties amounted to HK$22,844,587,000 as at 31 December 2019 with a net increase in fair value of investment properties of HK$221,809,000 recognised in the consolidated statement of profit or loss for the year then ended under the line item "other income, gains and losses".

The fair values of the Group's investment properties as at 31 December 2019 have been arrived at on the basis of valuations carried out by an independent qualified professional valuer (the "Valuer"). Details of the valuation techniques and significant unobservable inputs used in the valuations are disclosed in note 14 to the consolidated financial statements. The fair values are dependent on certain key inputs that involve judgment and estimation made by the management of the Group together with the Valuer including, among other factors, reversionary yield derived from market rent and the transaction price of comparable properties in the same location and market price of comparable properties in the similar locations.

How our audit addressed the key audit matter

Our procedures in relation to the valuation of the investment properties included:

- Evaluating the competence, capabilities and objectivity of the Valuer;

- Obtaining an understanding from the Valuer and the management of the Group on the valuation process to understand the performance of property markets, significant assumptions adopted and inputs used in the valuations;

- Evaluating the reasonableness of the valuation methodologies by matching the nature of the properties and the availability of comparable market transactions and information against the valuation methodologies applied; and

- Assessing the appropriateness of key inputs used by the Valuer in the valuation models by referring, on a sample basis, to the comparable market transactions and other relevant information in the property market.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Assessment of the net realisable value ("NRV") of properties held for sale ("PHFS")	
We identified assessing the NRV of the Group's PHFS with impairment indicators (the "Concerned PHFS") as a key audit matter due to the significant judgment and estimation associated. As disclosed in note 28 to the consolidated financial statements, the Group has PHFS of HK$12,355,067,000 as at 31 December 2019, of which an amount of HK$2,464,596,000 is referring to as the Concerned PHFS. The impairment loss in respect of the Concerned PHFS amounting to HK$145,219,000 has been recognised in the consolidated statement of profit or loss for the year. The management of the Group determined whether PHFS are with impairment indicators by reference to the cities and locations where the PHFS are located, the pre-sale status and other relevant market factors. The management of the Group assessed the NRV of the Concerned PHFS as at 31 December 2019 by reference to the valuation reports prepared by independent qualified professional valuers (the "Valuers"). The valuations are dependent on certain key inputs that involve judgment and estimation made by the management of the Group together with the Valuers including, among other factors, transaction price of comparable properties in the similar or same locations and adjustments made according to nature of each property and its specific location and conditions.	Our procedures in relation to the assessment of the NRV of the Concerned PHFS included: • Understanding and evaluating the appropriateness of the process adopted by the management of the Group in identifying properties with impairment indicators from the Group's PHFS portfolio (i.e. the Concerned PHFS); • Assessing the competence, capabilities and objectivity of the Valuers; • Discussing with the Valuers on the valuation process to understand the performance of property markets, significant assumptions adopted and inputs used in the valuation models and the management's critical judgmental areas; • Evaluating the reasonableness of the valuation methodologies by matching the nature of the properties and the availability of comparable market transactions and information against the valuation methodologies applied; and • Assessing the reasonableness of key inputs used by the Valuers in the valuation models by referring, on a sample basis, to the available market information such as transaction prices of comparable properties and the factors supporting the adjustments made.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Chan Tsz Wai.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	NOTES	**2019 HK$'000**	2018 HK$'000
Revenue	5	**32,345,473**	30,412,883
Cost of sales		**(19,813,289)**	(18,764,622)
Gross profit		**12,532,184**	11,648,261
Net investment income	6	**622,310**	530,558
Other income, gains and losses		**713,754**	990,267
Selling and distribution costs		**(1,079,532)**	(1,130,901)
Administrative and other expenses		**(2,478,540)**	(2,254,870)
Finance costs	7	**(1,895,807)**	(1,969,449)
Share of results of joint ventures		**159,904**	196,436
Share of results of associates		**331,928**	244,589
Gain on disposal of subsidiaries/interest in a joint venture	8	**–**	268,292
Profit before taxation		**8,906,201**	8,523,183
Income tax expense	9	**(3,572,645)**	(3,429,512)
Profit for the year	10	**5,333,556**	5,093,671
Profit for the year attributable to			
– Owners of the Company		**3,349,531**	3,333,020
– Non-controlling interests		**1,984,025**	1,760,651
		5,333,556	5,093,671
		HK$	HK$
Earnings per share	13		
– Basic		**3.081**	3.066
– Diluted		**3.081**	3.065

The notes on pages 83 to 184 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
Profit for the year	**5,333,556**	5,093,671
Other comprehensive (expense) income		
Items that may be subsequently reclassified to profit or loss		
Exchange differences arising on translation of foreign operations		
– subsidiaries	**(1,141,887)**	(3,634,072)
– joint ventures	**(48,900)**	(172,698)
– associates	**(86,663)**	(192,783)
Items 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	**3,526**	(18,157)
Fair value loss on revaluation of properties, net of tax	**(13,813)**	–
Other comprehensive expense for the year	**(1,287,737)**	(4,017,710)
Total comprehensive income for the year	**4,045,819**	1,075,961
Total comprehensive income (expense) for the year attributable to		
– Owners of the Company	**2,640,414**	1,187,685
– Non-controlling interests	**1,405,405**	(111,724)
	4,045,819	1,075,961

The notes on pages 83 to 184 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
Non-Current Assets			
Investment properties	14	**22,844,587**	19,372,125
Property, plant and equipment	15	**5,617,784**	5,542,064
Right-of-use assets	17	**407,482**	–
Prepaid lease payments – non-current portion	16	**–**	227,448
Toll road operating rights	18	**7,480,543**	8,413,587
Goodwill	19	**771,093**	800,097
Other intangible assets	20	**7,628,528**	7,734,021
Interests in joint ventures	21	**3,252,546**	3,355,941
Interests in associates	22	**6,416,054**	6,482,054
Investments	23	**696,027**	1,004,038
Receivables under service concession arrangements – non-current portion	24	**19,456,025**	17,874,120
Deposits paid on acquisition of investment properties/ property, plant and equipment/intangible assets/a subsidiary	25	**1,584,289**	846,196
Other non-current receivables	26	**9,239**	18,515
Deferred tax assets	27	**502,829**	399,097
		76,667,026	72,069,303
Current Assets			
Inventories	28	**56,706,001**	57,825,834
Trade and other receivables	29	**9,446,194**	8,363,616
Contract assets	30	**600,758**	925,371
Prepaid lease payments – current portion	16	**–**	5,413
Investments	23	**810,732**	603,904
Receivables under service concession arrangements – current portion	24	**547,535**	426,874
Prepaid taxation		**612,444**	868,526
Pledged bank deposits	31	**1,292,335**	628,045
Short-term bank deposits	31	**128,365**	344,134
Bank balances and cash	31	**27,904,781**	25,132,470
		98,049,145	95,124,187
Assets classified as held for sale	39	**226,119**	225,955
		98,275,264	95,350,142

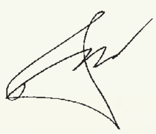
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
Current Liabilities			
Trade and other payables	32	**19,503,774**	17,593,000
Lease liabilities – current portion	35	**100,762**	–
Contract liabilities	33	**14,803,392**	15,288,349
Taxation payable		**4,335,119**	4,145,234
Bank and other borrowings	34	**19,443,750**	12,921,483
		58,186,797	49,948,066
Liabilities associated with assets classified as held for sale	39	**174,715**	179,532
		58,361,512	50,127,598
Net Current Assets		**39,913,752**	45,222,544
Total Assets less Current Liabilities		**116,580,778**	117,291,847
Capital and Reserves			
Share capital	36	**13,649,839**	13,649,839
Reserves		**26,589,973**	27,625,457
Equity attributable to owners of the Company		**40,239,812**	41,275,296
Non-controlling interests		**32,564,748**	28,227,672
Total Equity		**72,804,560**	69,502,968
Non-Current Liabilities			
Provision for major overhauls	24	**84,263**	87,325
Bank and other borrowings	34	**34,983,838**	38,560,014
Deferred tax liabilities	27	**8,446,087**	9,141,540
Lease liabilities – non-current portion	35	**262,030**	–
		43,776,218	47,788,879
Total Equity and Non-Current Liabilities		**116,580,778**	117,291,847

The notes on pages 83 to 184 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 74 to 184 were approved and authorised for issue by the board of directors on 31 March 2020 and are signed on its behalf by:



Zhou Jun
Chief Executive Officer

Xu Bo
Deputy Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company										Attributable to non-controlling interests			
	Share capital HK$'000	Convertible bonds equity reserve HK$'000	Other revaluation reserve HK$'000 (note i)	Other reserve HK$'000 (note ii)	Merger reserve HK$'000 (note iii)	Investment revaluation reserve HK$'000	Translation reserve HK$'000	PRC statutory reserves HK$'000 (note iv)	Retained profits HK$'000	Sub-total HK$'000	Share options reserve of listed subsidiaries HK$'000	Share of net assets of subsidiaries HK$'000	Sub-total HK$'000	Total HK$'000
At 1 January 2018	13,649,839	939	54,855	1,977,211	(5,590,355)	297,786	2,092,561	1,823,013	27,436,717	41,742,566	31,892	29,413,482	29,445,374	71,187,940
Profit for the year	–	–	–	–	–	–	–	–	3,333,020	3,333,020	–	1,760,651	1,760,651	5,093,671
Exchange differences arising on translation of foreign operations														
– subsidiaries	–	–	–	–	–	–	(1,744,476)	–	–	(1,744,476)	–	(1,889,596)	(1,889,596)	(3,634,072)
– joint ventures	–	–	–	–	–	–	(172,698)	–	–	(172,698)	–	–	–	(172,698)
– associates	–	–	–	–	–	–	(192,783)	–	–	(192,783)	–	–	–	(192,783)
Fair value change on equity investments at fair value through other comprehensive income held by subsidiaries, net of tax	–	–	–	–	–	(35,378)	–	–	–	(35,378)	–	17,221	17,221	(18,157)
Total comprehensive (expense) income for the year	–	–	–	–	–	(35,378)	(2,109,957)	–	3,333,020	1,187,685	–	(111,724)	(111,724)	1,075,961
Transfer upon maturity of convertible bonds	–	(939)	–	–	–	–	–	–	939	–	–	–	–	–
Transfers	–	–	–	–	–	–	–	379,243	(379,243)	–	–	–	–	–
Capital contributions by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	297,463	297,463	297,463
Acquisition of subsidiaries (Note 38)	–	–	–	–	–	–	–	–	–	–	–	111,261	111,261	111,261
Acquisition of additional interest in a listed subsidiary	–	–	–	9,866	–	–	–	–	–	9,866	–	(32,906)	(32,906)	(23,040)
Acquisition of additional interests in subsidiaries (note vi)	–	–	–	(298,906)	–	–	–	–	–	(298,906)	–	(913,180)	(913,180)	(1,212,086)
Disposal of a subsidiary (Note 40)	–	–	–	–	–	–	–	–	–	–	–	(784)	(784)	(784)
Deregistration of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(2,856)	(2,856)	(2,856)
Distributions of carved-out assets and liabilities of subsidiaries (note v)	–	–	–	–	(322,192)	–	–	–	–	(322,192)	–	–	–	(322,192)
Dividends paid (Note 12)	–	–	–	–	–	–	–	–	(1,043,723)	(1,043,723)	–	–	–	(1,043,723)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(564,976)	(564,976)	(564,976)
At 31 December 2018	13,649,839	–	54,855	1,688,171	(5,912,547)	262,408	(17,396)	2,202,256	29,347,710	41,275,296	31,892	28,195,780	28,227,672	69,502,968

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company									Attributable to non-controlling interests			
	Share capital HK$'000	Other revaluation reserve HK$'000 (note i)	Other reserve HK$'000 (note ii)	Merger reserve HK$'000 (note iii)	Revaluation reserve HK$'000	Translation reserve HK$'000	PRC statutory reserves HK$'000 (note iv)	Retained profits HK$'000	Sub-total HK$'000	Share options reserve of listed subsidiaries HK$'000	Share of net assets of subsidiaries HK$'000	Sub-total HK$'000	Total HK$'000
At 1 January 2019	13,649,839	54,855	1,688,171	(5,912,547)	262,408	(17,396)	2,202,256	29,347,710	41,275,296	31,892	28,195,780	28,227,672	69,502,968
Profit for the year	–	–	–	–	–	–	–	3,349,531	3,349,531	–	1,984,025	1,984,025	5,333,556
Exchange differences arising on translation of foreign operations													
– subsidiaries	–	–	–	–	–	(569,133)	–	–	(569,133)	–	(572,754)	(572,754)	(1,141,887)
– joint ventures	–	–	–	–	–	(48,900)	–	–	(48,900)	–	–	–	(48,900)
– associates	–	–	–	–	–	(86,663)	–	–	(86,663)	–	–	–	(86,663)
Fair value change on equity investments at fair value through other comprehensive income held by subsidiaries, net of tax	–	–	–	–	2,121	–	–	–	2,121	–	1,405	1,405	3,526
Revaluation of properties upon inception of sublease arrangement	–	–	–	–	(6,542)	–	–	–	(6,542)	–	(7,271)	(7,271)	(13,813)
Total comprehensive (expense) income for the year	–	–	–	–	(4,421)	(704,696)	–	3,349,531	2,640,414	–	1,405,405	1,405,405	4,045,819
Transfers	–	–	–	–	–	–	258,287	(258,287)	–	–	–	–	–
Transfer upon liquidation of a subsidiary	–	–	–	–	–	(3,783)	–	3,783	–	–	–	–	–
Reduction of share capital of a subsidiary	–	–	–	–	–	–	–	–	–	–	(18,911)	(18,911)	(18,911)
Capital contributions by non-controlling interests	–	–	–	–	–	–	–	–	–	–	333,283	333,283	333,283
Acquisition of additional interest in a listed subsidiary	–	–	38,394	–	–	–	–	–	38,394	–	(91,436)	(91,436)	(53,042)
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	–	–	(5,360)	(5,360)	(5,360)
Return of share capital to non-controlling interests upon deregistration of a subsidiary	–	–	–	–	–	–	–	–	–	–	(1,671)	(1,671)	(1,671)
Repurchase of their own shares by listed subsidiaries	–	–	(4,666)	–	–	–	–	–	(4,666)	–	(5,146)	(5,146)	(9,812)
Partial disposal of a subsidiary without loss of control	–	–	–	–	–	–	–	–	–	–	27,226	27,226	27,226
Dividends recognised as distribution (Note 12)	–	–	–	–	–	–	–	(1,663,434)	(1,663,434)	–	–	–	(1,663,434)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(450,590)	(450,590)	(450,590)
Partial disposal of a listed subsidiary without loss of control (note vii)	–	–	(2,046,192)	–	–	–	–	–	(2,046,192)	–	3,144,276	3,144,276	1,098,084
At 31 December 2019	13,649,839	54,855	(324,293)	(5,912,547)	257,987	(725,875)	2,460,543	30,779,303	40,239,812	31,892	32,532,856	32,564,748	72,804,560

The notes on pages 83 to 184 are in integral part of these consolidated financial statements.

Notes:

(i) Other revaluation reserve is comprised of fair value adjustments on acquisition of subsidiaries relating to interests previously held by the Company and its subsidiaries (collectively referred to as the "Group") as associates/joint ventures and fair value adjustments arising upon the transfer of property, plant and equipment to investment properties in prior years.

(ii) The Group accounts for acquisitions of associates, joint ventures or investee companies from its ultimate parent, Shanghai Industrial Investment (Holdings) Company Limited ("SIIC"), as equity transactions and any difference between the consideration paid and the fair value of the interest acquired is recorded in other reserve. In addition, the Group accounts for changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over those subsidiaries as equity transactions and any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received was recorded in other reserve.

(iii) Merger reserve represents the difference between the fair value of the consideration paid to SIIC for the acquisition of subsidiaries/businesses controlled by SIIC and the share capital of the acquired subsidiaries.

(iv) The statutory reserves are reserves required by the relevant laws in the People's Republic of China (the "PRC") applicable to the Group's PRC subsidiaries, joint ventures and associates.

(v) During the year ended 31 December 2018, the Group through Shanghai Industrial Urban Development Group Limited ("SI Urban Development") acquired上海市上投房地產投資有限公司and its subsidiaries ("Shangtou Real Estate Group"). The acquisition was completed in April 2018 and certain assets and liabilities with carrying amounts of HK$332,516,000 and HK$10,324,000, respectively, of Shangtou Real Estate Group were carved-out and distributed to an entity controlled by上海上投資產經營有限公司at nil consideration. This transaction was regarded as distribution to SIIC and the carrying amount of the net assets being carved-out and derecognised is debited to merger reserve.

(vi) During the year ended 31 December 2018, the amount was mainly arisen from a further acquisition of 49% equity interest in泉州市上實投資發展有限公司("Quanzhou Shanghi Investment") with a consideration of RMB978,180,000 (equivalent to HK$1,113,847,000) by a non-wholly owned listed subsidiary of the Group, Shanghai Industrial Development Co., Ltd. ("SI Development"). Upon the completion of the acquisition, Quanzhou Shangshi Investment became a wholly owned subsidiary of SI Development. The Group accounted for this acquisition as an equity transaction and the difference between the consideration paid and the increase of the Group's interest in Quanzhou Shangshi Investment's net assets amounting to approximately HK$301 million was recorded and debited in other reserve.

(vii) During the year ended 31 December 2019, the Group distributed 1,087,211,600 shares in a non-wholly owned listed subsidiary, namely SI Urban Development through Distribution in Specie as defined and disclosed in note 12. The difference of HK$2,046,912,000 between the fair value of the interim dividend and the increase in carrying amount of the non-controlling interests had been recognised directly in equity under other reserve. Immediately after the Distribution in Specie, the Group's equity interest in SI Urban Development decreased from 69.96% to 47.41% and the Group accounted for this transaction as an equity transaction.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**8,906,201**	8,523,183
Adjustments for:		
Amortisation of other intangible assets	**358,457**	357,460
Amortisation of toll road operating rights	**797,114**	836,761
Change in fair value of financial assets at fair value through profit or loss ("FVTPL")	**(50,662)**	93,654
Depreciation of property, plant and equipment	**533,403**	459,311
Depreciation of right-of-use assets	**72,511**	–
Dividend income from equity investments	**(30,685)**	(17,636)
Finance costs	**1,895,807**	1,969,449
Impairment loss on financial assets	**28,847**	55,520
Impairment loss on properties held for sale	**145,219**	80,662
Impairment loss on properties under development held for sale	**145,414**	–
Impairment loss on goodwill	**15,567**	24,021
(Increase) decrease in fair value of investment properties	**(221,809)**	175,216
Interest income	**(540,198)**	(604,559)
Net (gain) loss on disposal/written off of property, plant and equipment	**(5,571)**	394
Provision for major overhauls	**1,005**	416
Release of prepaid lease payments	**–**	7,638
Reversal of impairment loss on financial assets	**(10,061)**	(5,316)
Reversal of impairment loss on other receivables	**(2,997)**	(14,259)
Reversal of impairment loss of inventories, other than properties	**(4,352)**	(10,312)
Share of results of associates	**(331,928)**	(244,589)
Share of results of joint ventures	**(159,904)**	(196,436)
Gain from bargain purchase of interest in subsidiaries	**–**	(24,176)
Gain on disposal of subsidiaries/interest in a joint venture	**–**	(268,292)
Gain on land resumption	**–**	(538,579)
Operating cash flows before movements in working capital	**11,541,378**	10,659,531
Increase in inventories	**(2,173,682)**	(4,234,609)
Decrease (increase) in financial assets at FVTPL	**134,744**	(253,926)
(Increase) decrease in trade and other receivables	**(1,414,513)**	2,416,112
Increase in receivables under service concession arrangements	**(1,989,736)**	(2,770,166)
Decrease in contract assets	**302,906**	432,916
Decrease in contract liabilities	**(211,030)**	(2,159,126)
Increase in trade and other payables	**2,443,072**	96,902
Increase (decrease) in provision for major overhauls	**569**	(5,940)
Cash generated from operations	**8,633,708**	4,181,694
PRC Enterprise Income Tax ("EIT") paid	**(2,154,245)**	(1,968,847)
PRC Land Appreciation Tax ("LAT") paid	**(1,545,772)**	(1,625,672)
Hong Kong Profits Tax paid	**(49,074)**	(227,764)
NET CASH FROM OPERATING ACTIVITIES	**4,884,617**	359,411

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

		2019 HK$'000	2018 HK$'000
INVESTING ACTIVITIES			
Payment for acquisition of land parcels	25	**(600,254)**	(694,669)
Prepayment for acquisition of service concession arrangements	25	**(512,531)**	–
Purchase of property, plant and equipment		**(491,860)**	(609,166)
(Decrease) increase in restricted/pledged bank deposits/short-term bank deposits		**(448,521)**	316,449
(Advance to) repayment from a related party		**(369,766)**	820,116
Deposit paid for acquisition of a subsidiary	25	**(211,913)**	–
Capital injection of associates		**(122,492)**	–
Capital injection of a joint venture		**(111,326)**	–
Settlement of consideration payables	38	**(62,218)**	–
Subsequent expenditures on investment properties		**(53,341)**	(223,944)
Deposits paid on acquisition of property, plant and equipment/intangible assets	25	**(33,118)**	(107,095)
Acquisition of associates		**(32,004)**	(405,458)
Purchase of operating concessions		**(14,064)**	(630,953)
Purchase of investments		**(3,403)**	(257,178)
Interest received		**536,192**	590,035
Proceeds from capital reduction from joint ventures		**250,585**	–
Dividends received from associates		**208,957**	156,873
Proceeds from disposal of subsidiaries	40	**180,122**	–
Proceeds from capital reduction from an associate		**128,402**	–
Proceeds from disposal of property, plant and equipment		**89,578**	67,124
Dividends received from joint ventures		**75,140**	129,952
Dividends received from equity investments		**30,685**	17,636
Proceeds from refund of capital/disposal of investments		**14,066**	33,260
Capital injection to joint ventures		**–**	(836,897)
Acquisition of Shangtou Real Estate		**–**	(628,942)
Acquisition of subsidiaries	38	**–**	(47,030)
Proceeds from land resumption		**–**	640,977
Deposits received from the disposal of a subsidiary		**–**	235,171
Proceeds of disposal of interests in subsidiaries	40	**–**	218,850
Proceeds from disposal of interests in associates		**–**	2,198
NET CASH USED IN INVESTING ACTIVITIES		**(1,553,084)**	(1,212,691)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
FINANCING ACTIVITIES		
Bank and other borrowings raised	**21,859,536**	15,054,246
Capital contributions by non-controlling interests	**333,283**	297,463
Repayment of bank and other borrowings	**(17,707,530)**	(14,343,998)
Interest paid	**(2,924,920)**	(2,745,919)
Dividends paid	**(565,350)**	(1,043,723)
Dividends paid to non-controlling interests	**(450,590)**	(564,976)
Repayments of lease liabilities	**(89,248)**	–
Acquisition of additional interest in a listed subsidiary	**(53,042)**	(23,040)
Distribution to a non-controlling shareholder after reduction of share capital of a subsidiary	**(18,911)**	–
Repurchase of their own shares by listed subsidiaries	**(9,812)**	–
Interest paid on lease liabilities	**(8,579)**	–
Acquisition of additional interests in subsidiaries	**(5,360)**	(1,212,086)
Repayment to related parties	**(3,968)**	(355,566)
Return of share capital to non-controlling interests upon deregistration of a subsidiary	**(1,671)**	(2,856)
Repurchase of convertible bonds	**–**	(33,538)
Advances from fellow subsidiaries	**–**	120
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**353,838**	(4,973,873)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**3,685,371**	(5,827,153)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**25,132,470**	32,137,738
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(913,060)**	(1,178,115)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash	**27,904,781**	25,132,470

The notes on pages 83 to 184 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL

Shanghai Industrial Holdings Limited (the "Company") is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate parent is SIIC, a private limited company also incorporated in Hong Kong. The addresses of the registered office and principal place of business of the Company are disclosed in the section of "Corporate Information" of the annual report.

The Company is an investment holding company. The principal activities of its principal subsidiaries, joint ventures and associates are set out in Notes 49, 50 and 51, respectively.

The consolidated financial statements are presented in Hong Kong dollar ("HK$"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("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 Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

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 positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 "Leases" ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

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

HKFRS 16 "Leases" (continued)

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

Applies HKFRS 16.C8(b)(ii) transition (lease-by-lease basis)

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii. applied a single discount rate to a portfolio of leases with similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rates for certain leases of retail stores, warehouses and office buildings in the PRC was determined on a portfolio basis; and

iii. Used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied in the PRC range from 4.75% to 5.07% per annum.

	At 1 January 2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018	424,204
Add: Lease liabilities resulting from lease modifications of an existing lease	4,047
Extension options reasonably certain to be exercised	7,133
Less: Recognition exemption – short-term leases	(20,021)
Recognition exemption – low value assets	(481)
Discounting impact using relevant incremental borrowing rates at date of initial application of HKFRS 16	(111,132)
Lease liabilities as at 1 January 2019	303,750
Analysed as:	
Current portion	62,710
Non-current portion	241,040
	303,750

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

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

HKFRS 16 "Leases" (continued)

As a lessee (continued)

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Notes	Right-of-use assets HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		303,750
Reclassified from prepaid lease payments	(a)	232,861
Reclassified from deferred revenue recognised in trade and other payables	(b)	(196,436)
		340,175
By class:		
Leasehold land		232,861
Office premises		89,813
Apartment units		17,501
		340,175

Notes:

(a) Upfront payments for leasehold land in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to HK$5,413,000 and HK$227,448,000, respectively, were reclassified to right-of-use assets.

(b) The deferred gains that related to sales and operating leaseback arrangements were included in deferred revenue (which was recognised in trade and other payables) as at 31 December 2018. Upon application of HKFRS 16, the off-market terms deferred gains amounting to HK$196,436,000 were reclassified to right-of-use assets.

As a lessor

In accordance with the transitional provisions in HKFRS 16, except for subleases in which the Group acts as an intermediate lessor, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

(a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the consolidated statement of financial position at 1 January 2019. However, effective on 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

(b) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. In the opinion of the directors of the Company, the discounting on such refundable rental deposits received had no material impact on the consolidated financial statements, thus no adjustment was made as at 1 January 2019.

(c) Effective on 1 January 2019, the Group has applied HKFRS 15 to allocate consideration in each lease contract to lease and non-lease components. The change in allocation basis has had no material impact on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

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

HKFRS 16 "Leases" (continued)

Sales and leaseback transactions

The Group acts as a seller-lessee

In accordance with the transition provisions of HKFRS 16, sales and leaseback transactions entered into before the date of initial application were not reassessed. The seller-lessee shall account for the leaseback in the same way as it accounts for any other operating lease that exists at the date of initial application; and adjust the leaseback right-of-use assets for any deferred gains or losses that relate to off-market terms recognised in the consolidated statement of financial position immediately before the date of initial application. Upon application of HKFRS 16, the Group applies the requirements of HKFRS 15 to assess whether sales and leaseback transaction constitutes a sale.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 HK$'000	Adjustments HK$'000	Carrying amounts under HKFRS 16 at 1 January 2019 HK$'000
Non-current Assets			
Right-of-use assets	–	340,175	340,175
Prepaid lease payments			
– non-current portion	227,448	(227,448)	–
Current Assets			
Prepaid lease payments			
– current portion	5,413	(5,413)	–
Current Liabilities			
Trade and other payables	17,593,000	(196,436)	17,396,564
Lease liabilities – current portion	–	62,710	62,710
Non-current Liabilities			
Lease liabilities – non-current portion	–	241,040	241,040

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (continued)

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[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 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021.
2 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.
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 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, "the Amendments to References to the Conceptual Framework in HKFRS Standards", will be effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (continued)

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with 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, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial application the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group losses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

Acquisitions of businesses, other than business combination under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits", respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Applying merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations"

Business combination involving entities under common control relates to acquisitions of subsidiaries/businesses controlled by SIIC.

The consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is shorter.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with HKFRS 5. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any assets, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell, except for financial assets within the scope of HKFRS 9 continue to be measured in accordance with the accounting policies as set out in respective sections.

Service concession arrangements

Consideration given by the grantor

A financial asset (receivable under service concession arrangement) is recognised to the extent that (a) the Group has an unconditional right to receive cash or another financial asset from or at the direction of the grantor for the construction services rendered and/or the consideration paid and payable by the Group for the right to charge users of the public service; and (b) the grantor has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law. The Group has an unconditional right to receive cash if the grantor contractually guarantees to pay the Group (a) specified or determinable amounts or (b) the shortfall, if any, between amounts received from users of the public service and specified or determinable amounts, even if the payment is contingent on the Group ensuring that the infrastructure meets specified quality of efficiency requirements. The financial asset (receivable under service concession arrangement) is accounted for in accordance with the policy set out for "Financial instruments" below.

An intangible asset (operating concession) is recognised to the extent that the Group receives a right to charge users of the public service, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. The intangible asset (operating concession) is accounted for in accordance with the policy set out for "Intangible assets" below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Service concession arrangements (continued)

Consideration given by the grantor (continued)

If the Group is paid partly by a financial asset and partly by an intangible asset, in which case, each component of the consideration is accounted for separately and the consideration received or receivable for both components shall be recognised initially at the fair value of the consideration received or receivable.

Operating services

Revenue and costs relating to operating services are accounted for in accordance with the policy for "Revenue recognition" below.

Contractual obligations to restore the infrastructure to a specified level of serviceability

The Group has contractual obligations which it must fulfil as a condition of its licence, that is (a) to maintain the waste water treatment, water supply and waste incineration plants it operates to a specified level of serviceability and/or (b) to restore the plants to a specified condition before they are handed over to the grantor at the end of the service concession arrangement. These contractual obligations to maintain or restore the waste water treatment, water supply and waste incineration plants are recognised and measured in accordance with the policy set out for "Provisions" below.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for an presented on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date, the Group recognises revenue in the amount to which the Group has the right to invoice.

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (sales commissions in relation to the sales of properties) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

Applies practical expedient and includes non-lease components in right-of-use assets/lease liabilities

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of warehouses, office premises an department units that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property and inventory are presented within “investment properties”, “properties under development for sale” and “properties held for sale” respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and
- amounts expected to be paid under residual value guarantees;

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (prior to 1 January 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Lease incentives relating to operating leases are considered as integral part of lease payments, the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Rental income which is derived from the Group's ordinary course of business is presented as revenue.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The Group as a lessor (upon application of HKFRS 16 in accordance with transitions in note 2)

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessor (upon application of HKFRS 16 in accordance with transitions in note 2) (continued)

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Sale and leaseback transactions (upon application of HKFRS 16 since 1 January 2019)

The Group applies the requirements of HKFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group.

The Group as a seller-lessee

For a transfer that satisfies the requirements as a sale, the Group as a seller-lessee measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset and recognises any gain or loss that relates to the rights transferred to the buyer-lessor only.

Sale and leaseback transactions (prior to 1 January 2019)

The Group applies the requirements of HKFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group.

The Group as a seller-lessee

For a leaseback that satisfies the requirements of an operating lease, and the lease payments and the sale price are at fair value, there has in effect been a normal sale transaction and any profit or loss is recognised immediately.

If the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, a loss equal to the amount of the difference between the carrying amount and fair value shall be recognised immediately, except that, if the loss is compensated for by future lease payments at below market price, it is deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used.

If the sale price is above fair value, the excess over fair value is deferred and amortised over the period for which the asset is expected to be used.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes).

Effective from 1 January 2019, investment properties also include leased properties which are being recognised as right-of-use assets upon application of HKFRS 16 and subleased by the Group under operating leases.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values, adjusted to exclude any prepaid or accrued operating lease income. All of the Group's property interests held under operating leases to earn rentals and/or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model.

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Transfer from investment properties to inventories at fair value
The Group transfers a property from investment properties to inventories at fair value when there is a change of use of property for the purpose of selling.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes (i.e. construction in progress) are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management of the Group and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Ownership interests in leasehold land and building
When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" (upon application of HKFRS 16) or "prepaid lease payments " (before application of HKFRS 16) in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Buildings under development for future owner-occupied purpose
When buildings are in the course of development for production or for administrative purposes, the depreciation of right-of-use assets provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests in associates/joint ventures.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Hong Kong dollar) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefits costs

Payments to defined contribution retirement benefit plans/state-managed retirement benefit schemes/the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred taxes for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities. For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Temporary difference arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modification that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

When the Group has a right to charge for usage of concession infrastructure (as a consideration for providing construction service in a service concession arrangement), it recognises an intangible asset at fair value upon initial recognition. The intangible asset is carried at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Research expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Toll road operating rights

Toll road operating rights are stated at costs less accumulated amortisation and any accumulated impairment losses. Amortisation is provided to write off the costs of toll road operating rights on a units-of-usage basis, calculated based on the proportion of actual traffic volume for a particular period to the projected total traffic volume over the periods for which the Group is granted the rights to operate the toll roads.

Operating concessions

Operating concessions represent the rights to operate waste water treatment, water supply and waste incineration plants and are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on the straight-line basis over the respective periods of the operating concessions granted to the Group of 7 to 50 years.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment loss (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss in the period when the asset is derecognised.

Impairment on property, plant and equipment, right-of-use assets, and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Before the Group recognises an impairment loss for assets capitalised as contract costs under HKFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment on property, plant and equipment, right-of-use assets, and intangible assets other than goodwill (continued)

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (for cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit or group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Properties under development held for sale and properties held for sale

Properties under development held for sale which are intended to be sold upon completion of development and properties for sale are classified as current assets. Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets upon the application of HKFRS 16, properties under development held for sale and properties for sale are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales.

Properties under development held for sale are transferred to properties for sale upon completion.

Transfer from inventories to investment properties carried at fair value

The Group transfers a property from inventories to investment properties when there is a change in use to hold the property to earn rentals and/or for capital appreciation rather than for sale in the ordinary course of business, which is evidenced by the commencement of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss.

Others

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest/dividend income which are derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

In addition, the Group may irrevocably designate a financial asset that is required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) *Amortised cost and interest income*

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) *Equity instruments designated as at FVTOCI*

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income ("OCI") and accumulated in the revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits/will continue to be held in the revaluation reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "net investment income" in profit or loss.

(iii) *Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as at FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "net investment income".

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessments under expected credit loss ("ECL") model on financial assets (including trade and other receivables, receivables under service concession arrangements, pledged bank deposits, short-term bank deposits and bank balances and cash) and other items (including lease receivables, contract assets and financial guarantee contracts) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings. The expected credit losses on trade receivables are estimated using a provision matrix based on shared characteristics including historical credit loss experience, industry specific factors to the debtors, general economic conditions and the available and supportive forward-looking information, including time value of money where appropriate.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) *Significant increase in credit risk*

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor; or

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, except as specified below, unless the Group has reasonable and supportable information that demonstrates otherwise.

For water-related businesses, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due for corporate/individual debtors and more than three years for government debtors based on their industry experience.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(i) Significant increase in credit risk (continued)

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group considers changes in the risk of that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due, except as specified below, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

For water-related businesses, the Group considers that default has occurred when a financial asset is more than one year past due for corporate/individual debtors and more than five years for government debtors based on their industry knowledge.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(iv) *Write-off policy*

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) *Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (prior to 1 January 2019).

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

Except for financial guarantee contracts, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, lease receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities, including trade and other payables, amounts due to subsidiaries and bank and other borrowings, are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values. They are subsequently measured at the higher of:

(i) the amount of the loss allowance determined in accordance with HKFRS 9; and

(ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision, including those arising from the contractual obligation specified in the service concession arrangement to maintain or restore the infrastructure before it is handed over to the grantor, is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions for maintenance of infrastructure under service concession arrangements

The Group has contractual obligations that it must fulfill as a condition of its licence to maintain the infrastructure to a specified level of serviceability during the service concession arrangements. These contractual obligations to maintain infrastructure, except for any upgrade element, is recognised and measured at the best estimate of the expenditure that would be required to settle the present obligation at the end of each reporting period in the consolidated statement of financial position.

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

For grant of share options that are conditional upon satisfying specified vesting conditions, the fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest based on assessment of all relevant non-marketing vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For grant of share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity-settled share-based payment transactions (continued)

Share options granted to employees (continued)

When the share options are exercised, the amount previously recognised in share options reserve will be transferred to share capital. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

In case of share options granted by a subsidiary, the share options reserve of the subsidiary is classified as and grouped under non-controlling interests by the Group on consolidation. At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium of that subsidiary. The Group will account for the dilution as an equity transaction if the exercise of share options does not constitute a loss of the Group's control over that subsidiary. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits of the Group and non-controlling interests' share of net assets of that subsidiary according to the proportion of interests held by the Group and non-controlling shareholders on consolidation.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The followings are the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Control over non-wholly owned subsidiaries

Note 49 describes that the Group held less than a majority of ownership interest and voting rights in certain non-wholly owned listed subsidiaries as at 31 December 2019.

The directors of the Company assessed whether or not the Group has control over SIIC Environment Holdings Ltd ("SIIC Environment") and SI Urban Development and SI Development throughout the year ended 31 December 2019, based on whether the Group has the practical ability to direct the relevant activities of these non-wholly owned subsidiaries unilaterally by considering the Group's absolute size of holding in these non-wholly owned subsidiaries, the relative size and dispersion of holdings of other shareholders and the practical right to appoint the majority members of the board of directors of these non-wholly owned subsidiaries. After their assessments, the directors of the Company concluded that the Group has the current ability to direct the relevant activities of these non-wholly owned subsidiaries and affect the amount of the Group's return. Therefore, the Group has control over these non-wholly owned subsidiaries throughout the whole year ended 31 December 2019.

Deferred taxation on investment properties

For the purpose of measuring deferred taxation arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that certain of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred taxation on certain investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted for such properties. For the properties on which the 'sale' presumption is not rebutted, the Group has further recognised deferred taxes on changes in fair value of investment properties in relation to PRC LAT, which is the additional tax to be charged if a property in the PRC is recovered through sale.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair values of investment properties

Investment properties in the consolidated statement of financial position at 31 December 2019 are carried at their fair values of approximately HK$22,845 million (2018: HK$19,372 million), details of which are disclosed in Note 14. The fair values of the investment properties are determined by reference to valuations conducted on these properties by independent property valuers using property valuation techniques which involve certain assumptions of prevailing market conditions. Favourable or unfavorable changes to these assumptions may result in changes in the fair values of the Group's investment properties and corresponding adjustments to the changes in fair values reported in the consolidated statement of profit or loss and the carrying amounts of these properties included in the consolidated statement of financial position.

Estimated impairment of goodwill

Determining whether goodwill is impaired required an estimation of the recoverable amount of the cash-generating unit to which goodwill has been allocated, which is the higher of the value in use and fair value less costs of disposal. The value in use calculation required the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or changes in facts and circumstances which results in downward revision of future cash, a material impairment loss/future impairment loss may arise. As at 31 December 2019, the carrying amount of goodwill was approximately HK$771 million (2018: HK$800 million). During the year ended 31 December 2019, an impairment loss of approximately HK$16 million (2018: 24 million) was recognised to goodwill in consumer products segment. Details of the impairment test are set out in Note 19.

Allowance for properties under development and properties held for sale

Management regularly reviews the recoverability of the Group's properties under development and properties held for sale with reference to the current market environment whenever events or changes in circumstances indicate that the carrying amounts of the assets exceed their recoverable amounts. Appropriate allowance for properties under development and properties held for sale is made if the estimated recoverable amount is lower than its carrying amount. As at 31 December 2019, the aggregate carrying amount of properties under development and properties held for sale was approximately HK$55,157 million (2018: HK$56,132 million).

During the current year, the management of the Group identified certain properties held for sale with impairment indicators (the "Concerned PHFS") by reference to the cities and locations where the PHFS are located, the pre-sale status and other relevant market factors. The management of the Group assessed the net realisable values of the Concerned PHFS as at 31 December 2019, with reference to the valuation reports prepared by professional valuers (the "Valuers"). The valuations are dependent on certain key inputs that involve judgment and estimation made by the management of the Group together with the Valuers including, among other factors, transaction price of comparable properties in the similar or same locations and adjustments made according to nature of each property and its specific location and conditions. As disclosed in Note 28, the Group has PHFS of approximately HK$12,355 million as at 31 December 2019, of which an amount of approximately HK$2,465 million is referring to as the Concerned PHFS. The impairment loss in respect of the Concerned PHFS amounting to approximately HK$145 million has been recognised in the consolidated statement of profit or loss for the year.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

PRC LAT

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value for both years, being the proceeds of sales of properties less deductible expenditures including costs of land use rights, borrowing costs and all property development expenditures.

The Group is subject to LAT in the PRC which has been included in income tax expense of the Group. However, the Group has not finalised its LAT returns with the tax authorities for certain of its property development projects. Accordingly, significant judgment is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax expense and deferred income tax provisions in the period in which such determination is made. As at 31 December 2019, the carrying amount of LAT provision (included in taxation payable) was approximately HK$2,410 million (2018: HK$2,024 million).

Provision of ECL for trade receivables and contract assets

The Group uses provision matrix to calculate ECL for the trade receivables and contract assets. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables and contract assets with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and contract assets are disclosed in Notes 54(b), 29 and 30.

Estimation of contract revenue and costs

The Group recognised contract revenue from construction works by progress towards complete satisfaction of a performance obligation based on input method. The management estimates the efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation by reviewing and revising the estimates to the costs of the performance obligation. The actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimations and this will affect the revenue and profit recognised.

Fair value measurements and valuation processes

Some of the Group's assets are measured at fair value for financial reporting purposes. Management of the Group is responsible for determination of the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. Management of the Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model on a regular basis, or when needs arise, and will report the significant results and findings to the board of directors of the Company. The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 14 and 54(c) provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair values of various assets and liabilities.

5. REVENUE

(i) Disaggregation of revenue

	For the year ended 31 December 2019			
	Infrastructure facilities HK$'000	Real estate HK$'000	Consumer products HK$'000	Total HK$'000
Types of goods or service				
Sales of goods and services				
Sales of properties	–	14,488,915	–	14,488,915
Sales of goods	–	–	4,601,886	4,601,886
Income from infrastructure facilities, other than financial income from service concession arrangements				
– toll road operation	2,333,386	–	–	2,333,386
– water-related services				
– operating, maintenance and other income	2,909,526	–	–	2,909,526
– construction income from construction contracts	2,778,736	–	–	2,778,736
Ancillary facilities, property services and management income	–	2,587,445	–	2,587,445
Income from hotel operations	–	290,232	–	290,232
Revenue from goods and services	8,021,648	17,366,592	4,601,886	29,990,126
Financial income from service concession arrangements	1,072,290	–	–	1,072,290
Rental income	–	1,283,057	–	1,283,057
Total	9,093,938	18,649,649	4,601,886	32,345,473
Timing of revenue recognition of revenue from goods and services				
A point in time	2,722,035	14,488,915	4,601,886	21,812,836
Overtime	5,299,613	2,877,677	–	8,177,290
	8,021,648	17,366,592	4,601,886	29,990,126

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For the year ended 31 December 2019

5. REVENUE (continued)

(i) Disaggregation of revenue (continued)

	For the year ended 31 December 2018			
	Infrastructure facilities HK$'000	Real estate HK$'000	Consumer products HK$'000	Total HK$'000
Types of goods or service				
Sales of goods and services				
Sales of properties	–	12,316,226	–	12,316,226
Sales of goods	–	–	4,405,656	4,405,656
Income from infrastructure facilities, other than financial income from service concession arrangements				
– toll road operation	2,487,001	–	–	2,487,001
– water-related services				
– operating, maintenance and other income	2,629,520	–	–	2,629,520
– construction income from construction contracts	2,670,889	–	–	2,670,889
Ancillary facilities, property services and management income	–	3,361,987	–	3,361,987
Income from hotel operations	–	295,653	–	295,653
Revenue from goods and services	7,787,410	15,973,866	4,405,656	28,166,932
Financial income from service concession arrangements	1,018,015	–	–	1,018,015
Rental income	–	1,227,936	–	1,227,936
Total	8,805,425	17,201,802	4,405,656	30,412,883
Timing of revenue recognition of revenue from goods and services				
A point in time	2,372,312	12,316,226	4,405,656	19,094,194
Overtime	5,415,098	3,657,640	–	9,072,738
	7,787,410	15,973,866	4,405,656	28,166,932

(ii) Performance obligations for contracts with customers

Infrastructure facilities

The Group's revenue from infrastructure facilities segment represents i) toll road fee income and ii) income from water-related businesses, comprising construction income, operating and maintenance income from service concession arrangements and other service income.

Toll road fee income and other service income are recognised over time using the output method by reference to the progress towards complete satisfaction of the relevant performance obligation, as the customer simultaneously receives and consumes the benefit provided by the Group's performance.

5. REVENUE (continued)

(ii) Performance obligations for contracts with customers (continued)

Infrastructure facilities (continued)

Revenue from operating and maintenance income from water-related businesses under service concession arrangements is recognised at a point in time when the Group has transmitted to the customers and the customers accepted the water supplied or when the wastewater treatment service is rendered.

Construction service income are recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for these construction services based on the stage of completion of the contract using input method.

Real Estate

The Group's revenue under real estate segment represents income from sales of properties, ancillary facilities, property service and management and hotel operations.

Revenue from sales of properties is recognised at a point in time. Under the transfer-of-control approach in HKFRS 15, revenue from sales of properties is recognised when the respective properties have been completed and delivered to the customers, which is a point in time when customers have the ability to direct the use of the properties and obtain substantially all of the remaining benefits of the properties. Deposits received from customers prior to meeting the aforementioned revenue recognition criteria are regarded as the contract liabilities.

Revenue from provision of ancillary facilities and property management service is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation as the customers simultaneously receive and consume the benefits provided by the Group when the Group renders the service.

Revenue from hotel operations is recognised over time. The Group's performance obligations in relation to the hotel operations mainly represent granting customers a right to access hotel's facilities, products and services. The customers simultaneously receive and consume the benefits provided by the Group in running the hotels.

Revenue from rental income is recognised overtime on a straight-line basis over the lease term.

Consumer Products

The Group's revenue from consumer products segment represents income from the manufacture and sales of cigarettes, packaging materials and printed products and is recognised at a point in time.

Under the transfer-of-control approach in HKFRS 15, revenue from sales of consumer products is recognised when the products are delivered and titled are passed to customers, which is the point of time when the control of products is transferred to the customer and the customer has the ability to direct the use of the products and obtain substantially all of the remaining benefits of the products.

(iii) Transaction price allocated to the remaining performance obligations for contracts with customers:

The Group has elected to apply the practical expedient under HKFRS 15 for not to disclose the information of remaining performance obligations which are part of a contract that has an original expected duration of one year or less; or from satisfaction of which the Group recognises revenue in the amount, which the Group has the right to invoice, that corresponds directly with the value to the customers of the Group's performance completed to date. The transaction price allocated to the remaining performance obligations where the aforementioned practical expedients are not applicable as at 31 December 2019 was HK$14,791,004,000 (2018: HK$15,282,544,000), which relates to contracts of sales of properties. This amount represents the revenue expected to be recognised by the Group in the future when it satisfies the remaining performance obligations and around 47% (2018: 50%) is expected to be recognised as revenue within one year.

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For the year ended 31 December 2019

5. REVENUE (continued)

(iv) Leases

	2019 HK$'000	2018 HK$'000
Total revenue arising from operating leases:		
Lease payments that are fixed	**1,283,057**	1,227,936

6. NET INVESTMENT INCOME

	2019 HK$'000	2018 HK$'000
Interest on bank deposits	**420,507**	433,654
Interest on financial assets at FVTPL	**15,939**	39,166
Other interest income	**103,752**	131,739
Total interest income	**540,198**	604,559
Change in fair value of financial assets at FVTPL	**50,662**	(93,654)
Dividend income from equity investments	**30,685**	17,636
Rental income from property, plant and equipment	**765**	2,017
	622,310	530,558

Net investment income earned from financial assets, analysed by category of asset, is as follows:

	2019 HK$'000	2018 HK$'000
Financial assets at FVTPL	**97,286**	(36,852)
Financial assets at amortised cost (including bank balances and cash)	**524,259**	565,393
	621,545	528,541
Investment income earned on non-financial assets	**765**	2,017
	622,310	530,558

Included above is net income from listed investments of HK$76,364,000 (2018: net loss of HK$60,240,000) and from unlisted investments of HK$20,922,000 (2018: HK$23,388,000).

7. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interests on bank and other borrowings	**2,964,937**	2,746,008
Interests on lease liabilities	**8,579**	–
Interests on convertible bonds	**–**	89
	2,973,516	2,746,097
Less: amounts capitalised in properties under development held for sale	**(1,077,709)**	(776,648)
	1,895,807	1,969,449

Borrowing costs capitalised during the year arose on the general borrowings pool and are calculated by applying capitalisation rates ranging from 3.48% to 6.09% (2018: 3.48% to 5.85%), per annum to expenditure on qualifying assets.

8. GAIN ON DISPOSAL OF SUBSIDIARIES/INTEREST IN A JOINT VENTURE

	2019 HK$'000	2018 HK$'000
Gain on deemed disposal of interest in a joint venture	**–**	8,409
Gain on disposal of subsidiaries (Note 40)	**–**	259,883
	–	268,292

9. INCOME TAX EXPENSE

	2019 HK$'000	2018 HK$'000
Current tax		
– Hong Kong	**206,493**	204,049
– PRC LAT	**1,982,675**	1,544,261
– PRC EIT (including PRC withholding tax of HK$83,683,000 (2018: HK$74,727,000))	**2,235,576**	1,991,812
	4,424,744	3,740,122
(Over)underprovision in prior years		
– Hong Kong	**(135)**	193
– PRC LAT (note)	**(52,790)**	(7,440)
– PRC EIT (note)	**(111,901)**	(17,494)
	(164,826)	(24,741)
Deferred taxation for the year (Note 27)	**(687,273)**	(285,869)
	3,572,645	3,429,512

Note: The Group recognised an overprovisions of PRC LAT and PRC EIT during the years ended 31 December 2019 and 2018, upon completion of tax clearance procedures by certain PRC subsidiaries with the respective tax authorities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

9. INCOME TAX EXPENSE (continued)

The income tax expense for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss as follows:

	2019 HK$'000	2018 HK$'000
Profit before taxation	**8,906,201**	8,523,183
Tax at PRC statutory tax rate of 25% (2018: 25%)	**2,226,550**	2,130,796
Tax effect of share of results of joint ventures and associates	**(122,958)**	(110,256)
Tax effect of expenses not deductible for tax purpose	**346,485**	238,988
Tax effect of income not taxable for tax purpose	**(50,358)**	(89,330)
Overprovision of Hong Kong Profits Tax and PRC EIT in prior years	**(112,036)**	(17,301)
Tax effect of tax losses not recognised as deferred tax assets	**207,917**	228,197
Utilisation of tax losses previously not recognised as deferred tax assets	**(16,761)**	(36,637)
Derecognition of deferred tax liabilities due to change in tax rate of LAT for certain properties sold	**(410,983)**	–
Effect of PRC subsidiaries subject to a lower tax rate	**(63,457)**	(32,190)
Effect of different tax rates of subsidiaries	**(22,384)**	(61,418)
Provision for PRC LAT for the year	**1,985,537**	1,518,427
Overprovision of PRC LAT in prior years	**(52,790)**	(7,440)
Tax effect of PRC LAT deductible for PRC EIT	**(482,969)**	(384,555)
Tax charge on dividend withholding tax	**97,793**	77,287
Others	**43,059**	(25,056)
Income tax expense for the year	**3,572,645**	3,429,512

Notes:

(i) 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.

(ii) The Group's subsidiaries in the PRC are subject to PRC EIT at a rate of 25% for both years, except that (i) two (2018: 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.

(iii) PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including cost of land use rights, borrowing costs and all qualified property development expenditures.

10. PROFIT FOR THE YEAR

	2019 HK$'000	2018 HK$'000
Profit for the year has been arrived at after charging:		
Employee benefits expense, including directors' emoluments:		
Basic salaries, allowances and bonus	**1,706,911**	1,539,221
Retirement benefits scheme contributions	**288,408**	241,144
	1,995,319	1,780,365
Amortisation of toll road operating rights (included in cost of sales)	**797,114**	836,761
Amortisation of other intangible assets (included in cost of sales)	**358,457**	357,460
Depreciation of property, plant and equipment	**533,403**	459,311
Depreciation of right-of-use assets	**72,511**	–
Release of prepaid lease payments	**–**	7,638
Total depreciation and amortisation	**1,761,485**	1,661,170
Auditors' remuneration	**19,214**	18,831
Cost of inventories recognised as an expense		
– properties	**9,319,222**	9,695,363
– inventories other than properties	**2,713,072**	2,608,814
Impairment loss on financial assets under expected credit loss model	**28,847**	55,520
Impairment loss on properties under development held for sale	**145,414**	–
Impairment loss on properties held for sale	**145,219**	80,662
Impairment loss on goodwill	**15,567**	24,021
Net foreign exchange loss (included in other income, gains and losses)	**38,596**	52,841
Net decrease in fair value of investment properties	**–**	175,216
Net loss on disposal/written off of property, plant and equipment	**–**	394
Provision for major overhauls (included in cost of sales)	**1,005**	416
Research expenditure	**4,370**	6,213
Share of PRC EIT of joint ventures (included in share of results of joint ventures)	**77,739**	89,015
Share of PRC EIT of associates (included in share of results of associates)	**98,699**	86,235
and after crediting:		
Gain on land resumption	**–**	538,579
Interest income	**540,198**	604,559
Net increase in fair value of investment properties	**221,809**	–
Reversal of impairment loss on trade receivables	**10,061**	5,316
Reversal of impairment loss on other receivables	**2,997**	14,259
Reversal of impairment loss of inventories, other than properties	**4,352**	10,312
Net gain on disposal of property, plant and equipment	**5,571**	–

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For the year ended 31 December 2019

11. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each of the eight (2018: nine) former and existing directors of the Company were as follows:

	Executive directors					Independent non-executive directors				
	Shen Xiao Chu HK$'000 (note i)	Zhou Jun HK$'000	Xu Bo HK$'000	Xu Zhan HK$'000	Wang Wei HK$'000 (note i)	Woo Chia-Wei HK$'000	Leung Pak To, Francis HK$'000	Cheng Hoi Chuen, Vincent HK$'000	Yuen Tin Fan, Francis HK$'000	Total HK$'000
Year ended 31 December 2019										
Executive directors:										
Directors' fee and committee remuneration	**–**	**574**	**–**	**518**	**–**	**–**	**–**	**–**	**–**	**1,092**
Basic salaries and allowances	**3,258**	**2,364**	**1,887**	**–**	**–**	**–**	**–**	**–**	**–**	**7,509**
Bonuses	**2,100**	**1,995**	**840**	**–**	**–**	**–**	**–**	**–**	**–**	**4,935**
Retirement benefits scheme contributions	**112**	**100**	**92**	**–**	**–**	**–**	**–**	**–**	**–**	**304**
Independent non-executive directors:										
Directors' fees and committee remuneration	**–**	**–**	**–**	**–**	**–**	**480**	**470**	**480**	**470**	**1,900**
Total directors' emoluments	**5,470**	**5,033**	**2,819**	**518**	**–**	**480**	**470**	**480**	**470**	**15,740**
Year ended 31 December 2018										
Executive directors:										
Directors' fee and committee remuneration	–	580	–	521	–	–	–	–	–	1,101
Basic salaries and allowances	2,725	2,364	1,887	–	533	–	–	–	–	7,509
Bonuses	1,756	1,995	840	–	344	–	–	–	–	4,935
Retirement benefits scheme contributions	90	96	88	–	18	–	–	–	–	292
Independent non-executive directors:										
Directors' fees and committee remuneration	–	–	–	–	–	450	440	449	440	1,779
Total directors' emoluments	4,571	5,035	2,815	521	895	450	440	449	440	15,616

Notes:

(i) Mr. Shen Xiao Chu was appointed as an executive director of the Company on 28 February 2018. Mr. Wang Wei resigned as the Chairman and an executive director of the Company on 28 February 2018.

(ii) The executive directors of the Company are also the key management personnel of the Company. Their emoluments including those for services rendered by them as the key management personnel are also included in the above directors' emoluments tables for presentation.

(iii) The executive director's emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group.

(iv) The independent non-executive directors' emoluments shown above were paid for their services as directors of the Company.

(v) Bonuses were determined with reference to the Group's operating results, individual performance and comparable market statistics.

(vi) During the years ended 31 December 2019 and 2018, no emoluments were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as a compensation for loss of office. None of the directors has waived any emoluments during both years.

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11. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS (continued)

For the year ended 31 December 2019, out of the five individuals with the highest emoluments in the Group, three (2018: three) are directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining two (2018: two) individual are as follows:

	2019 HK$'000	2018 HK$'000
Salaries and other allowances	4,631	4,542
Retirement benefits	105	102
	4,736	4,644

The emoluments of the above two (2018: two) individuals are within the following band:

	2019	2018
HK$2,000,001 to HK$2,500,000	2	2

During the years ended 31 December 2019 and 2018, no emoluments have been paid by the Group to the two employees with the highest emoluments as an inducement to join or upon joining the Group or as compensation for loss of office.

12. DIVIDENDS

	2019 HK$'000	2018 HK$'000
Dividends recognised as distribution during the year:		
2019 interim dividend paid in form of distribution of shares in a listed subsidiary of the Group (Note) (2018: 2018 interim dividend of HK48 cents) per share	1,098,084	521,861
2018 final dividend of HK52 cents (2018: 2017 final dividend of HK48 cents) per share	565,350	521,862
	1,663,434	1,043,723

Note: An interim dividend in form of distribution in specie of 1,087,211,600 shares in SI Urban Development ("SIUD Share") on the basis of 1 SIUD Share for every 1 share of the Company ("Distribution in Specie") were paid on 18 October 2019. The aggregate fair value of the SIUD Shares distributed under the Distribution in Specie was HK$1,098,084,000, which represented a distribution of HK101 cents per share (closing price on the date of dispatch) of the Company.

The final dividend of HK52 cents per share in respect of the year ended 31 December 2019 (2018: HK52 cents), amounting to approximately HK$565.4 million (2018: 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.

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13. 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:

	2019 HK$'000	2018 HK$'000
Earnings:		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**3,349,531**	3,333,020
Effect of dilutive potential ordinary shares – interest on convertible bonds, net of tax	**N/A**	156
Earnings for the purpose of diluted earnings per share	**3,349,531**	3,333,176

	2019	2018
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,087,211,600**	1,087,211,600
Effect of dilutive potential ordinary shares – convertible bonds	**N/A**	118,214
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,087,211,600**	1,087,329,814

The computation of diluted earnings per share does not assume:

(i) 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 both years; and

(ii) the exercise of options issued by Canvest Environmental Protection Group Company Limited ("Canvest Environmental"), a listed associate of the Group, because the exercise price of those options was higher than the average market price for the corresponding period.

14. INVESTMENT PROPERTIES

The Group leases out various commercial and residential properties including offices, shopping malls, stores, mart, exhibition hall, car parking spaces and apartments under operating leases with rentals payable monthly. The leases typically run for an initial period of one to twenty years and the lessees have the option to extend the lease beyond initial agreed period but it is subject to mutual agreement between the Group and the lessees. The extension option is subject to market review clauses in the event the lessee exercises the option.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

	HK$'000
FAIR VALUE	
At 1 January 2018	22,629,653
Exchange adjustments	(1,101,449)
Subsequent expenditures	223,944
Transfer from inventories (note iii)	99,730
Carved-out (note v)	(14,253)
Transfer to inventories (note iv)	(2,290,284)
Net decrease in fair value recognised in profit or loss (note i)	(175,216)
At 31 December 2018	19,372,125
Exchange adjustments	(351,199)
Subsequent expenditures	53,341
Additions under sublease arrangement of leased properties	7,383
Acquisition (note vi)	517,845
Transfer from inventories (note iii)	3,023,283
Net increase in fair value recognised in profit or loss (note i)	221,809
At 31 December 2019	22,844,587

Notes:

		2019 HK$'000	2018 HK$'000
(i)	Unrealised gain (loss) on property revaluation included in profit or loss for the year (included in other income, gains and losses)	**221,809**	(175,216)

(ii) The Group's investment properties are situated on land held under:

	2019 HK$'000	2018 HK$'000
Leasehold land in the PRC	**22,844,587**	19,372,125

(iii) During the year ended 31 December 2019, properties held for sale included in inventories with an aggregate carrying amount of HK$3,023,283,000 (2018: HK$99,730,000) were transferred to investment properties as the management had changed the use of the properties, evidenced by commencement (2018: commencement) of various operating leases entered into with tenants. The properties were fair-valued by C&W (as defined in Note 14 (viii)) at the date of transfer by reference to net rental income allowing for reversionary income potential.

(iv) In July 2018, the operating leases in relation to a residential villa located in Shanghai in PRC, the PRC, are terminated and the Group commences development and renovation works on the villa for the purpose of selling. The villa with a fair value of HK$2,290,284,000 was then transferred from investment properties to properties held for sale included in inventories.

(v) In April 2018, certain of the investment properties with an aggregate carrying amount of HK$14,253,000 are carved-out and distributed 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").

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14. INVESTMENT PROPERTIES

Notes: (continued)

(vi) During the year ended 31 December 2019, the Group acquired a parcel of land in Shanghai Xuhui District, where residential properties will be developed for earning rentals, at a consideration of RMB456,480,000 (equivalent to HK$517,845,000) which was prepaid by the Group in prior year.

(vii) The property rental income earned by the Group from its investment properties which are either held for rental income under operating leases and/or for capital appreciation purpose, amounted to HK$1,283,057,000 (2018: HK$1,227,936,000) with insignificant direct operating expenses.

(viii) The fair values of the Group's investment properties as at 31 December 2019 and 2018 have been arrived at on the basis of valuations carried out on the respective dates by Cushman & Wakefield Limited ("C&W"). C&W is a member of the Institute of Valuers and a firm of independent qualified professional valuer not connected to the Group. C&W possesses appropriate qualifications and experience in the valuation of properties in the relevant locations. All of the Group's investment properties were valued by C&W with reference to market evidence of transaction prices for similar properties in similar locations and conditions or on the basis of investment approach, where appropriate. In arriving at the valuation on the basis of investment approach, the fair value is determined by capitalising the net rental income derived from the existing tenancies with due provision or allowance for the reversionary potential of the properties.

(ix) In estimating the fair value of the properties, the highest and best use of the properties is their current use. The fair values of certain investment properties have been adjusted to exclude prepaid or accrued operating lease income to avoid double counting.

(x) Following are the key inputs used in valuing the investment properties as at 31 December 2019 and 2018:

Category	Fair value hierarchy	Fair value 2019 HK$'000	Fair value 2018 HK$'000	Valuation techniques	Significant unobservable inputs	Range 2019	Range 2018	Sensitivity
Offices properties and related car parking spaces	Level 3	**6,356,143**	6,017,570	Investment approach	For offices: Reversionary yield derived from market rent and the transaction price of comparable properties in the same location.	**4.75% to 6.75%**	4.75% to 6.75%	The higher the reversionary yield, the lower the fair value.
				Direct comparison approach	For car parking spaces: Market price per unit	**Market price: RMB200,000 to RMB211,000**	Market price: RMB200,000 to RMB220,000	The higher the price per unit, the higher the fair value.
Residential properties – service apartments and related car parking spaces	Level 3	**1,001,122**	34,730	Investment approach	For a detached villa and a service apartment: Reversionary yield derived from market rent and transaction price of comparable properties in the same location.	**3.5% to 4.75%**	3.5%	The higher the reversionary yield, the lower the fair value.
				Direct comparison approach	For service apartments: Market price per square metre	**Market price: RMB11,052 to RMB11,382 per square metre**	N/A	The higher the price per square metre, the higher the fair value.
					For a parcel of land yet commenced construction for service apartment and service apartment: Market Price per square metre	**Market price: RMB20,182 to RMB27,250 per square metre**	N/A	The higher the price per square metre, the higher the fair value.
Industrial properties	Level 3	**138,636**	141,131	Investment approach	Reversionary yield derived from market rent and transaction price of comparable properties in the same location.	**5.75%**	5.75%	The higher the reversionary yield, the lower the fair value.
Commercial properties – shopping malls, stores, mart, exhibition hall and related car parking spaces	Level 3	**15,348,686**	13,178,694	Investment approach	For commercial properties: Reversionary yield derived from market rent and the transaction price of comparable properties in the same location.	**3.5% to 7.75%**	3.5% to 5.5%	The higher the reversionary yield, the lower the fair value.
				Direct comparison approach	For car parking spaces: Market price per unit	**Market price: RMB110,000 to RMB320,000**	Market price: RMB110,000 to RMB330,000	The higher the price per unit, the higher the fair value.
		22,844,587	19,372,125					

There were no transfers into or out of Level 3 during both years.

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15. PROPERTY, PLANT AND EQUIPMENT

	Hotel property HK$'000	Leasehold land and buildings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Construction in progress HK$'000	Total HK$'000
COST							
At 1 January 2018	1,677,184	2,308,122	1,075,052	193,072	2,676,894	307,021	8,237,345
Exchange adjustments	(109,895)	(78,296)	(29,422)	(7,928)	(43,576)	(6,804)	(275,921)
Acquisition of subsidiaries (Note 38)	–	13,661	817	2,701	79,805	3,686	100,670
Additions	669,789	77,447	78,963	10,536	225,480	43,538	1,105,753
Reclassification	159,735	–	(5,527)	–	24,516	(178,724)	–
Disposals/written off	(941)	(33,019)	(26,404)	(27,305)	(39,831)	(576)	(128,076)
Disposals of subsidiaries	–	–	(1,113)	(524)	(207)	–	(1,844)
At 31 December 2018	2,395,872	2,287,915	1,092,366	170,552	2,923,081	168,141	9,037,927
Exchange adjustments	(5,737)	(23,353)	(9,378)	(2,893)	(16,570)	(4,536)	(62,467)
Additions	1,365	200,380	187,838	17,282	139,858	173,386	720,109
Reclassification	73,234	–	(525)	–	14,957	(87,666)	–
Disposals/written off	(562)	(62,957)	(38,058)	(18,617)	(29,279)	(576)	(150,049)
At 31 December 2019	2,464,172	2,401,985	1,232,243	166,324	3,032,047	248,749	9,545,520
DEPRECIATION, AMORTISATION AND IMPAIRMENT							
At 1 January 2018	369,703	646,531	565,092	125,627	1,503,187	–	3,210,140
Exchange adjustments	(26,262)	(34,483)	(35,961)	(7,279)	(7,972)	–	(111,957)
Provided for the year	85,698	88,735	72,675	19,322	192,881	–	459,311
Eliminated on disposals/written off	(881)	(1,196)	(21,391)	(24,385)	(12,705)	–	(60,558)
Eliminated on disposals of subsidiaries	–	–	(757)	(274)	(42)	–	(1,073)
At 31 December 2018	428,258	699,587	579,658	113,011	1,675,349	–	3,495,863
Exchange adjustments	(10,287)	(8,870)	(5,459)	(2,132)	(8,740)	–	(35,488)
Provided for the year	104,671	106,826	87,006	18,622	216,278	–	533,403
Eliminated on disposals/written off	(562)	(12,362)	(17,678)	(17,141)	(18,299)	–	(66,042)
At 31 December 2019	522,080	785,181	643,527	112,360	1,864,588	–	3,927,736
CARRYING VALUES							
At 31 December 2019	1,942,092	1,616,804	588,716	53,964	1,167,459	248,749	5,617,784
At 31 December 2018	1,967,614	1,588,328	512,708	57,541	1,247,732	168,141	5,542,064

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For the year ended 31 December 2019

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Notes:

(i) The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis at the following rates per annum or over the following periods:

Hotel property	Over the period of the lease term
Leasehold land and buildings	The shorter of 4%-5% or over the period of the lease term
Furniture, fixtures and equipment	5%-33$^1/_3$% or over the period of the lease in case of fixtures in rented premises, if shorter
Motor vehicles	10%-30%
Plant and machinery	5%-20%

(ii) The carrying values of property interests comprise properties erected on land held under:

	2019 HK$'000	2018 HK$'000
Leasehold land in the PRC	**2,952,139**	2,927,777
Leases in Hong Kong	**606,757**	628,165
	3,558,896	3,555,942

16. PREPAID LEASE PAYMENTS

	2018 HK$'000
The Group's prepaid lease payments comprise land use rights in the PRC	232,861
Analysed for reporting purposes as:	
Current portion	5,413
Non-current portion	227,448
	232,861

Upon application of HKFRS 16 at 1 January 2019, the prepaid lease payments show under right-of-use assets in Note 17.

17. RIGHT-OF-USE ASSETS

	Leasehold land HK$'000	Leased properties (Note) HK$'000	Total HK$'000
As at 1 January 2019			
Carrying amount	**232,861**	**107,314**	**340,175**
As at 31 December 2019			
Carrying amount	**223,161**	**184,321**	**407,482**
For the year ended 31 December 2019			
Depreciation charge	**7,454**	**65,057**	**72,511**
Exchange difference	**3,560**	**53**	**3,613**
	11,014	**65,110**	**76,124**
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16			**54,178**
Expense relating to leases of low-value assets, excluding short-term leases of low value assets			**190**
Total cash outflow for leases (note (ii))			**97,827**
Additions to right-of-use assets			**164,627**

Note:

(i) The Group leases various office premises and apartment units for its operations. Majority of the lease contracts are entered into for lease terms of 2 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease terms and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

(ii) Total cash outflow for lease included the repayment of lease liabilities and interest paid.

The Group regularly entered into short-term leases for leased properties. As at December 31, 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense during the year.

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For the year ended 31 December 2019

18. TOLL ROAD OPERATING RIGHTS

	HK$'000
COST	
At 1 January 2018	15,964,195
Exchange adjustments	(830,749)
At 31 December 2018	15,133,446
Exchange adjustments	(267,459)
At 31 December 2019	14,865,987
AMORTISATION	
At 1 January 2018	6,245,790
Exchange adjustments	(362,692)
Charged for the year	836,761
At 31 December 2018	6,719,859
Exchange adjustments	(131,529)
Charged for the year	797,114
At 31 December 2019	7,385,444
CARRYING VALUES	
At 31 December 2019	7,480,543
At 31 December 2018	8,413,587

Notes:

(i) The toll road operating rights represent:

(a) the right to receive toll fees from vehicles using the Shanghai section of the Jing-Hu Expressway and to operate service facilities in designated areas along the Shanghai section for a period of 25 years ending in 2028;

(b) the right to receive toll fees from vehicles using the Shanghai section of the Hu-Kun Expressway and to operate service facilities in designated areas along the Shanghai section for a period of 30 years ending in 2030; and

(c) the right to receive toll fees from vehicles using the Shanghai section of Hu-Yu Expressway and to operate service facilities in designated areas along the Shanghai section for a period of 20 years ending in 2027.

(ii) The Group's rights to operate the toll roads are amortised on a units-of-usage basis, calculated based on the proportion of actual traffic volume for a particular period to the projected total traffic volume over the period for which the Group is granted the rights to operate the toll roads.

19. GOODWILL

	HK$'000
COST	
At 1 January 2018	886,247
Exchange adjustments	(23,894)
At 31 December 2018	862,353
Exchange adjustments	(13,437)
At 31 December 2019	848,916
IMPAIRMENT	
At 1 January 2018	38,235
Impairment loss recognised	24,021
At 31 December 2018	62,256
Impairment loss recognised	15,567
At 31 December 2019	77,823
CARRYING VALUES	
At 31 December 2019	771,093
At 31 December 2018	800,097

For the purpose of impairment testing, goodwill arising on business combinations as set out above was allocated, at acquisition, to three (2018: three) cash-generating units ("CGUs"), comprising one (2018: one) subsidiary in the infrastructure facilities segment, one (2018: one) subsidiary in the real estate segment and two (2018: two) subsidiaries in the consumer products segment, that are expected to benefit from that business combination as follows:

	2019 HK$'000	2018 HK$'000
Infrastructure facilities	**500,773**	509,783
Real estate	**246,077**	250,504
Consumer products	**24,243**	39,810
	771,093	800,097

The recoverable amounts of the above CGUs have been determined based on a value in use calculation.

For infrastructure facilities CGU, the value in use is determined by discounting the future cash flows to be generated from the continuing use of waste water treatment plant and waste incineration power generation plant over the service concession periods ranging from 20 to 30 years, using a discount rate of 8% (2018: 8%). Since the recoverable amount of the cash generating unit is higher than its carrying amount, the management of the Group considers that the goodwill is not impaired.

For real estate CGU, the value in use calculation uses cash flow projections based on a financial budget approved by management covering a 5-year period with 12% (2018: 12%) discount rate. The cash flows beyond the 5-year period are extrapolated at zero growth rate. This growth rate is based on the relevant industry growth forecasts and is the directors' best estimate on the average growth rate of this specific industry. Other key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Since the recoverable amount of the cash generating unit is higher than its carrying amount, the management of the Group considers that the goodwill is not impaired.

19. GOODWILL (continued)

For consumer products CGU, the value in use calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period using a discount rate of 14% (2018: 14%). The cash flows beyond the 5-year period are extrapolated at zero growth rate (2018: zero). This growth rate is based on the relevant industry growth forecasts and is the directors' best estimate on the average growth rate of this specific industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development.

During the year ended 31 December 2019, the management of the Group determined that an impairment loss of HK$15,567,000 (2018: HK$24,021,000) should be recognised in relation to goodwill due to the decrease in expected operating results in the consumer products segment.

Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of any of the CGUs to exceed the aggregate recoverable amount of the relevant CGUs.

20. OTHER INTANGIBLE ASSETS

	Operating concessions HK$'000 (note i)	Premium on leasehold land/prepaid lease payments HK$'000 (note ii)	Trademark HK$'000 (note iii)	Total HK$'000
COST				
At 1 January 2018	8,657,429	1,672	61,261	8,720,362
Exchange adjustments	(478,838)	(87)	(3,281)	(482,206)
Acquisition of subsidiaries (Note 38)	93,963	–	–	93,963
Additions	630,953	–	–	630,953
Disposal of subsidiaries (Note 40)	(153,352)	–	–	(153,352)
At 31 December 2018	8,750,155	1,585	57,980	8,809,720
Exchange adjustments	(163,701)	(28)	(933)	(164,662)
Additions	393,811	–	–	393,811
At 31 December 2019	8,980,265	1,557	57,047	9,038,869
AMORTISATION AND IMPAIRMENT				
At 1 January 2018	824,754	346	–	825,100
Exchange adjustments	(56,567)	(21)	–	(56,588)
Charged for the year	357,375	85	–	357,460
Eliminated on disposal of subsidiaries (Note 40)	(50,273)	–	–	(50,273)
At 31 December 2018	1,075,289	410	–	1,075,699
Exchange adjustments	(23,806)	(9)	–	(23,815)
Charged for the year	358,375	82	–	358,457
At 31 December 2019	1,409,858	483	–	1,410,341
CARRYING VALUES				
At 31 December 2019	7,570,407	1,074	57,047	7,628,528
At 31 December 2018	7,674,866	1,175	57,980	7,734,021

20. OTHER INTANGIBLE ASSETS (continued)

Notes:

(i) Operating concessions represent the rights to operate waste water treatment, water supply and waste incineration plants and are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on a straight-line basis over the respective periods of the operating concessions granted to the Group of 7 to 50 years. Details of these operating concessions are set out in Note 24.

(ii) Premium on leasehold land (2018: prepaid lease payments) represents the premium on acquisition of prepaid lease payments for land which is to be amortised over the period of the lease of the related prepaid lease payments on a straight-line basis.

(iii) The trademark has a legal life of 10 years from September 2011 to September 2021 and is renewable upon expiry. The directors of the Company are of the opinion that the Group will renew the trademark continuously and has the ability to do so at minimal cost. Various studies including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by management of the Group, which supports that the trademark has no foreseeable limit to the period over which the trademarked products are expected to generate net cash inflow for the Group.

As a result, the trademark is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trademark will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

For the purpose of impairment testing, trademark with indefinite useful life set out above has been allocated to the individual CGU, comprising one subsidiary in the real estate segment. For the years ended 31 December 2019 and 2018, management of the Group has determined that there is no impairment of the CGU containing trademark by reference to the recoverable amount of the CGU, which has been determined based on a value in use calculation.

21. INTERESTS IN JOINT VENTURES

	2019 **HK$'000**	2018 HK$'000
Cost of unlisted investments in joint ventures	**2,234,605**	2,373,864
Share of post-acquisition profits and other comprehensive income, net of dividends received/declared	**1,017,941**	982,077
	3,252,546	3,355,941

Notes:

(i) Summarised financial information in respect of the Group's material interest in a joint venture, namely 中環保水務投資有限公司 (General Water of China Co., Ltd.) ("General Water"), is set out below. The summarised financial information below represents amount shown in the joint ventures' financial statements prepared in accordance with HKFRSs.

The joint venture is accounted for using the equity method in these consolidated financial statements.

	General Water	
	2019 **HK$'000**	2018 HK$'000
Current assets	**2,844,023**	2,895,191
Non-current assets*	**5,956,107**	5,704,683
Current liabilities	**(2,460,483)**	(2,250,961)
Non-current liabilities	**(1,307,717)**	(1,385,614)
Non-controlling interests	**(1,225,574)**	(1,226,688)

	General Water	
	2019 **HK$'000**	2018 HK$'000
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**1,544,870**	1,646,657
Current financial liabilities (excluding trade and other payables and provisions)	**(782,998)**	(660,442)
Non-current financial liabilities (excluding trade and other payables and provisions)	**(1,051,761)**	(1,121,525)

* The balances of General Water mainly comprise operating concessions.

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21. INTERESTS IN JOINT VENTURES (continued)

Notes: (continued)

(i) (continued)

	General Water	
	2019 HK$'000	2018 HK$'000
Revenue	**2,445,948**	2,547,500
Profit for the year	**213,036**	230,989
Other comprehensive expense for the year	**(66,824)**	(207,607)
Total comprehensive income for the year	**146,212**	23,382
Dividends received from joint venture during the year	**34,409**	58,886
The above profit for the year include the following:		
Depreciation and amortisation	**(317,154)**	(328,092)
Interest income	**28,489**	33,685
Interest expense	**(89,085)**	(96,306)
Income tax expense	**(125,120)**	(150,772)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	General Water	
	2019 HK$'000	2018 HK$'000
Equity attributable to owners of the joint venture	**3,806,356**	3,736,611
Proportion of the Group's ownership interest	**45%**	45%
Carrying amount of the Group's interest in the joint venture	**1,712,860**	1,681,475

Aggregate information of joint ventures that are not individually material:

	2019 HK$'000	2018 HK$'000
The Group's share of profit	**64,038**	52,681
The Group's share of other comprehensive expense	**(18,829)**	(18,553)
The Group's share of total comprehensive income	**45,209**	34,128
Dividends received during the year	**40,731**	52,607
Aggregate carrying amount of the Group's interests in these joint ventures	**1,539,686**	1,674,466

(ii) The Group has discontinued recognition of its share of profit (loss) of a joint venture. The amounts of unrecognised share of the joint venture, both for the year and cumulatively, are as follows:

	2019 HK$'000	2018 HK$'000
Unrecognised share of profit of a joint venture for the year	**234**	45
Accumulated unrecognised share of losses of a joint venture	**(5,000)**	(5,234)

(iii) Details of the Group's principal joint ventures at the end of the reporting period are set out in Note 50.

22. INTERESTS IN ASSOCIATES

	2019 HK$'000	2018 HK$'000
Cost of investments in associates	**6,482,890**	6,585,198
Share of post-acquisition losses and other comprehensive expense, net of dividends received/declared	**(66,836)**	(103,144)
	6,416,054	6,482,054
Fair value of listed investment in an associate – Canvest Environmental	**1,579,029**	1,772,642

Notes:

(i) Included in the cost of investments is goodwill of HK$907,589,000 (2018: HK$910,937,000) arising on acquisitions.

(ii) As at 31 December 2019, despite the shortfall of the market value of the relevant interest of Canvest Environmental amounted to HK$164,968,000 compared to the carrying amount of the relevant interest, the management of the Group has determined that there is no impairment on the carrying amount of the Group's interest in Canvest Environmental by reference to the recoverable amount of relevant interest, which has been determined based on a value in use calculation with reference to the future dividend yields and disposal value of the relevant interest.

(iii) Summarised financial information in respect of the Group's material associates, namely 上海莘天置業有限公司 ("Shanghai Shentian"), 寧波市杭州灣大橋發展有限公司 ("Hangzhou Bay Bridge"), Canvest Environmental and Shanghai Galaxy Investment Co., Ltd. ("Shanghai Galaxy"), is set out below. The summarised financial information below represents amounts shown in the associates' financial statements prepared in accordance with HKFRSs.

All associates are accounted for using the equity method in these consolidated financial statements.

	Shanghai Shentian		Hangzhou Bay Bridge		Canvest Environmental		Shanghai Galaxy	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
Current assets*	**8,320,899**	7,741,986	**284,355**	723,134	**2,167,264**	2,020,629	**2,101,572**	2,263,393
Non-current assets**	**1,290**	1,369	**10,872,963**	11,695,825	**11,299,503**	8,897,623	**6,589,275**	6,851,606
Current liabilities	**(4,661,898)**	(3,106,257)	**(1,661,439)**	(1,877,688)	**(2,055,403)**	(1,338,336)	**(2,559,002)**	(2,470,002)
Non-current liabilities	**(472,371)**	(1,391,824)	**(3,275,321)**	(3,111,895)	**(5,390,027)**	(4,285,359)	**(3,179,550)**	(3,703,491)
Non-controlling interests	**–**	–	**–**	–	**(199,440)**	(1,110)	**(301,581)**	(295,737)

* The balances of Shanghai Shentian mainly comprise land costs relating to properties under development held for sale. The development plan was approved by the respective government departments in the PRC and the construction commenced in the year 2014. The pre-sale activities for certain phases were carried out continuously since the year 2018 and the constructions were completed by phases since the year 2019. The management of the Group expects the properties held by this associate will be transferred to the buyers by batches in the year 2020.

** The balances of Hangzhou Bay Bridge and Canvest Environmental mainly comprise operating concessions. The balances of Shanghai Galaxy mainly comprise property, plant and equipment.

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22. INTERESTS IN ASSOCIATES (continued)

Notes: (continued)

(iii) (continued)

	Shanghai Shentian		Hangzhou Bay Bridge		Canvest Environmental		Shanghai Galaxy	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000 (note)
Revenue	**–**	–	**1,896,765**	1,942,190	**3,952,216**	3,325,894	**722,762**	323,148
Profit for the year	**–**	–	**641,358**	621,361	**892,051**	754,355	**98,204**	38,982
Other comprehensive expense for the year	**(57,354)**	(178,149)	**(124,137)**	(404,300)	**(125,391)**	(217,975)	**(56,653)**	(8,462)
Total comprehensive (expense) income for the year	**(57,354)**	(178,149)	**517,221**	217,061	**766,660**	536,380	**41,551**	30,520
Dividends received from the associate during the year	**–**	–	**(141,193)**	(124,428)	**(25,385)**	(13,820)	**(16,472)**	–

Note: The amounts represented the results for the six months ended 31 December 2018 upon Shanghai Galaxy becoming an associate of the Group.

(iv) Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	Shanghai Shentian		Hangzhou Bay Bridge		Canvest Environmental		Shanghai Galaxy	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000** (note)	2018 HK$'000 (note)	**2019 HK$'000**	2018 HK$'000
Equity attributable to owners of the associate	**3,187,920**	3,245,274	**6,220,558**	7,429,376	**5,821,897**	5,293,447	**2,650,714**	2,645,769
Proportion of the Group's ownership interest	**35%**	35%	**23.06%**	23.06%	**17.63%**	17.53%	**45%**	45%
Goodwill	**–**	–	**–**	–	**717,597**	717,597	**–**	–
Carrying amount of the Group's interest in the associate	**1,115,772**	1,135,846	**1,434,461**	1,713,095	**1,743,997**	1,645,538	**1,192,821**	1,190,596

Note: The Group is able to exercise significant influence over Canvest Environmental as the Group is the second largest shareholder and has appointed a director to the board of Canvest Environmental. Canvest Environmental is accounted for as an associate using the equity method accordingly.

Aggregate information of associates that are not individually material:

	2019 HK$'000	2018 HK$'000
The Group's share of profit	**16,149**	2,047
The Group's share of other comprehensive expense	**(12,471)**	(33,398)
The Group's share of total comprehensive income (expense)	**3,678**	(31,351)
Dividends received during the year	**25,908**	18,625
Aggregate carrying amount of the Group's interests in the associates	**929,003**	796,979

(v) Details of the Group's principal associates at the end of the reporting period are set out in Note 51.

23. INVESTMENTS

	2019 HK$'000	2018 HK$'000
Equity instruments at FVTPL		
Listed equity securities	**477,590**	440,827
Unlisted equity securities	**31,375**	31,386
	508,965	472,213
Financial assets at FVTPL		
Structured deposits	**–**	15,252
Corporate bonds	**258,965**	368,729
Funds	**74,178**	70,099
	333,143	454,080
Equity instruments at FVTOCI		
Listed equity securities (note i)	**116,736**	109,219
Unlisted equity securities (note ii)	**547,915**	572,430
	664,651	681,649
Total investments	**1,506,759**	1,607,942
Analysed for reporting purposes as:		
Current portion	**810,732**	603,904
Non-current portion	**696,027**	1,004,038
	1,506,759	1,607,942

Notes:

(i) The above listed equity securities as at 31 December 2019 represent ordinary shares of entities listed in the PRC and/or HK. These investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss is not be consistent with the Group's strategy of holding these investments for long-term strategic purposes and realising their performance potential in the long run.

(ii) The above unlisted equity securities as at 31 December 2019 represent the Group's equity interest in private entities established in the PRC. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they consider that the equity instruments are held for long-term strategic purposes and will realise their performance in the long run.

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24. SERVICE CONCESSION ARRANGEMENTS

In addition to the Group's toll road operating rights as disclosed in Note 18, the Group also has the following service concession arrangements.

(I) Nature of arrangements

The Group engages in the businesses of waste water treatment, water supply, waste incineration and sludge treatment in the PRC and has entered into a number of service concession arrangements with certain governmental authorities or their agencies in the PRC on a Build-Operate-Transfer ("BOT"), a Transfer-Operate-Transfer ("TOT"), Build-Operate-Own ("BOO") or Transfer-Operate-Own ("TOO") basis in respect of its businesses. These service concession arrangements generally involve the Group as an operator to (i) construct waste water treatment, water supply, waste incineration and sludge treatment plants for those arrangements on a BOT and BOO basis; (ii) pay a specific amount for those arrangements on a TOT and TOO basis; (iii) operate and maintain the waste water treatment, water supply, waste incineration and sludge treatment plants at a specified level of serviceability on behalf of the relevant governmental authorities for periods ranging from 20 to 50 years (the "service concession periods"), and the Group will be paid for its services over the relevant periods of the service concession arrangements at prices stipulated through pricing mechanism. The plants will be transferred to the respective grantors at the end of the service concession periods for BOT and TOT.

The Group is generally entitled to operate all the property, plant and equipment of the waste water treatment, water supply, waste incineration and sludge treatment plants, however, the relevant governmental authorities as grantors control and regulate the scope of services that the Group provides to the waste water treatment, water supply, waste incineration and sludge treatment plants and retain the beneficial entitlement to any residual interest in the waste water treatment, water supply, waste incineration and sludge treatment plants at the end of the service concession periods. Each of these service concession arrangements is governed by a contract and, where applicable, supplementary agreements entered into between the Group and the relevant governmental authorities or their agencies in the PRC that set out, inter alia, performance standards, mechanisms for adjusting prices for the services rendered by the Group, specific obligations levied on the Group to restore the waste water treatment, water supply, waste incineration and sludge treatment plants to a specified level of serviceability at the end of the service concession periods, and arrangements for arbitrating disputes.

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24. SERVICE CONCESSION ARRANGEMENTS (continued)

(I) Nature of arrangements (continued)

At 31 December 2019, the Group had 123 (2018: 115) service concession arrangements on waste water treatment, seven (2018: eight) service concession arrangements on water treatment and distribution, four (2018: three) service concession arrangements on waste incineration and nine (2018: nine) service concession arrangements on sludge treatment. A summary of the major terms of the principal service concession arrangements is set out below:

Name of subsidiary as operator	Project name	Location in the PRC	Name of grantor	Type of service concession arrangement	Daily design capacity (tons/day)	Service concession period
Longjiang Environmental Protection Group Co., Ltd. ("Longjiang Group")	Harbin Wenchang Upgrade BOT	Harbin, Heilongjiang Province	哈爾濱市水務局	BOT (Financial assets)	650,000	29 years from 2011 to 2039
Wuhan Hanxi Wastewater Treatment Co., Ltd.	Wuhan Hanxi Wastewater Treatment 1st Stage and 2nd Stage (Expansion)	Wuhan, Hubei Province	武漢市人民政府	BOT (Financial assets)	600,000	30 years from 2005 to 2034
Yiyang City Tap Water Co., Ltd.	Yiyang City Water Supply	Yiyang, Hunan Province	益陽市住房和城鄉建設局	TOT and BOT (Intangible assets)	520,000	28 years from 2016 to 2044
Mudanjiang Longjiang Environmental Protection Water Supply Co., Ltd.	Mudanjiang Water Supply TOT	Mudanjiang, Heilongjiang Province	牡丹江市城市投資集團有限公司	TOT (Intangible assets)	360,000	30 years from 2010 to 2039
Jiamusi Longjiang Environmental Protection Water Supply Co., Ltd.	Jiamusi Water Supply TOT	Jiamusi, Heilongjiang Province	佳木斯市新時代城市基礎設施建設投資(集團)有限公司	TOT (Intangible assets)	360,000	30 years from 2012 to 2041
Longjiang Group	Harbin Taipin Wastewater Treatment BOT	Harbin, Heilongjiang Province	哈爾濱供排水集團有限責任公司	BOT (Financial assets)	325,000	25 years from 2005 to 2029
Longjiang Group	Harbin Wenchang Wastewater Treatment TOT	Harbin, Heilongjiang Province	哈爾濱市水務局	TOT (Financial assets)	325,000	30 years from 2010 to 2039
Weifang City Tap Water Co., Ltd.	Weifang City Tap Water Supply	Weifang, Shandong Province	濰坊市人民政府	TOT and BOT (Intangible assets)	320,000	25 years from 2007 to 2032
Yuyao City Xiaocaoe Urban Wastewater Treatment Co., Ltd.	Yuyao City (Xiaocaoe) Wastewater Treatment BOT	Yuyao, Zhejiang Province	余姚市人民政府	BOT (Financial assets)	225,000	22 years from 2014 to 2035

As explained in the accounting policy for "Service concession arrangements" set out in Note 3, a service concession arrangement is accounted for as an intangible asset (operating concession) or a financial asset (receivables under service concession arrangements) or a combination of both, as appropriate. The intangible asset component is detailed in Note 20, and the financial asset component is as follows:

	2019 HK$'000	2018 HK$'000
Receivables under service concession arrangements	**20,003,560**	18,300,994
Less: current portion classified as current assets	**(547,535)**	(426,874)
Non-current portion	**19,456,025**	17,874,120

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24. SERVICE CONCESSION ARRANGEMENTS (continued)

(I) Nature of arrangements (continued)

During the year, the Group recognised interest income of HK$1,072,290,000 (2018: HK$1,018,015,000) and construction income of HK$2,778,736,000 (2018: HK$2,670,889,000) as revenue under the line item “income from infrastructure facilities” from service concession arrangements. The effective interest rate applied ranges from 4.41% to 8.00% (2018: 4.90% to 8.00%) per annum and the overall gross profit margin for construction contracts is at 12.1% (2018: 12.3%).

(II) Provision for major overhauls

Pursuant to the service concession agreements, the Group has contractual obligations to maintain the waste water treatment, water supply, waste incineration and sludge treatment plants to a specified level of serviceability and/or to restore the plants to a specified condition before they are handed over to the grantors at the end of the service concession periods. These contractual obligations to maintain or restore the waste water treatment, water supply, waste incineration and sludge treatment plants, except for any upgrade element, are recognised and measured in accordance with HKAS 37, i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the end of the reporting period. The future expenditure on these maintenance and restoration costs is collectively referred to as “major overhauls”. The estimation basis is reviewed on an ongoing basis, and revised where appropriate.

The movements in the provision for the major overhauls of waste water treatment, water supply, waste incineration and sludge treatment plants during the current and prior years are as follows:

	HK$'000
At 1 January 2018	85,333
Exchange adjustments	(7,516)
Additions	416
Acquisition of subsidiaries (Note 38)	11,277
Disposal of subsidiaries (Note 40)	(2,185)
At 31 December 2018	87,325
Exchange adjustments	(4,067)
Additions	1,005
At 31 December 2019	84,263

25. DEPOSITS PAID ON ACQUISITION OF INVESTMENT PROPERTIES/PROPERTY, PLANT AND EQUIPMENT/INTANGIBLE ASSETS/A SUBSIDIARY

During the year ended 31 December 2018, SI Urban Development entered into two land use rights transfer contracts with Shanghai Minhang Land Bureau and Shanghai Xuhui Land Bureau respectively to acquire two parcels of land in Shanghai of the PRC for the development of residential properties held for earning rentals at a total consideration of RMB1,105,580,000 (equivalent to HK$1,258,916,000). As at 31 December 2018, SI Urban Development paid a sum of RMB586,300,000 (equivalent to approximately HK$667,616,000), of which RMB129,820,000 related to the parcel of land located in Minhang District in Shanghai and RMB456,480,000 related to the parcel of land located in Xuhui District in Shanghai, as prepayments for these acquisitions.

During the year ended 31 December 2019, the SIIC Environment entered into certain BOT and TOT service concession arrangements as at 31 December 2019, total consideration paid as a prepayment for service concession arrangements amounted to RMB458,203,000 (equivalent to HK$512,531,000).

During the year ended 31 December 2019, the Group obtained the land use right for the parcel of land located in Xuhui District. In addition, the Group also paid the remaining consideration for the parcel of land located in Minhang District (the “Land Acquisition”), which amount to RMB519,280,000. As at 31 December 2019, consideration in relation to the Land Acquisition amounted to RMB649,100,000 (equivalent to HK$726,063,000) was fully paid as a prepayment.

25. DEPOSITS PAID ON ACQUISITION OF INVESTMENT PROPERTIES/PROPERTY, PLANT AND EQUIPMENT/INTANGIBLE ASSETS/A SUBSIDIARY (continued)

During the year ended 31 December 2019, a subsidiary of the Group entered into a purchase agreement of an entity with a total consideration of RMB210,500,000 (equivalent to HK$235,459,000). As at 31 December 2019, consideration paid as deposit amounted to RMB189,450,000 (equivalent to HK$211,913,000) (2018: nil).

The remaining amounts represent deposits paid by the Group in connection with the acquisition of property, plant and equipment and intangible assets for the Group's new production facilities and projects under infrastructure facilities segment.

The related capital commitments are disclosed in Note 42.

26. OTHER NON-CURRENT RECEIVABLES

The amount represents loans advanced to a subsidiary of a former tenant of one of the Group's investment properties (the "Borrower") through an entrusted loan agreement administrated by a trust company.

According to the supplementary loan agreement entered into between the Group and the Borrower, the loans carry fixed interest rate at 5% per annum and are repayable on 31 December 2021(2018: 31 December 2020 and 31 December 2021) by instalments.

27. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000	Amortisation of toll road operating rights HK$'000	Revaluation of investment properties HK$'000	LAT on revaluation of investment properties HK$'000	Tax losses HK$'000	Fair value adjustments on business combinations HK$'000	Undistributed earnings of PRC entities HK$'000	Fair value adjustments on properties under development/ properties held for sale HK$'000	LAT on properties under development/ properties held for sale HK$'000	Other deferred tax liabilities HK$'000	Other deferred tax assets HK$'000	Total HK$'000
At 1 January 2018 (restated)	175,956	230,265	3,663,069	1,566,684	(66,487)	3,168,173	443,172	186,109	75,981	169,839	(176,023)	9,436,738
Exchange adjustments	(1,272)	(10,861)	(178,952)	(88,498)	4,956	(114,548)	(3,772)	(35,668)	(3,333)	(10,228)	(17,022)	(459,198)
Additions through acquisition of other subsidiaries (Note 38)	-	-	-	-	-	2,406	-	-	-	62,286	-	64,692
(Credited) charged to profit or loss	(9,267)	(28,818)	(82,051)	(9,896)	(42,320)	(225,010)	2,560	(76,761)	(15,938)	183,438	18,194	(285,869)
Credited to other comprehensive income	-	-	-	-	-	-	-	-	-	(14,361)	-	(14,361)
Carved-out	-	-	-	-	-	-	-	-	-	441	-	441
At 31 December 2018	165,417	190,586	3,402,066	1,468,290	(103,851)	2,831,021	441,960	73,680	56,710	391,415	(174,851)	8,742,443
Exchange adjustments	(431)	(3,010)	(36,081)	(26,300)	1,503	(28,362)	(852)	(24,123)	(753)	5,327	(726)	(113,808)
(Credited) charged to profit or loss	(436)	(25,601)	55,452	20,654	20,099	(90,898)	(40,596)	(742,124)	(17,792)	122,013	11,956	(687,273)
Credited to other comprehensive income	-	-	-	-	-	-	-	-	-	1,896	-	1,896
At 31 December 2019	**164,550**	**161,975**	**3,421,437**	**1,462,644**	**(82,249)**	**2,711,761**	**400,512**	**(692,567)**	**38,165**	**520,651**	**(163,621)**	**7,943,258**

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27. DEFERRED TAXATION (continued)

Notes:

(i) For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2019 **HK$'000**	2018 HK$'000
Deferred tax liabilities	**8,446,087**	9,141,540
Deferred tax assets	**(502,829)**	(399,097)
	7,943,258	8,742,443

(ii) At the end of the reporting period, the Group had unused tax losses of approximately HK$8,917 million (2018: HK$8,238.4 million) available for offset against future assessable profits. A deferred tax asset amounting to approximately HK$82.2 million (2018: HK$103.9 million) in respect of tax losses amounting to approximately HK$329 million (2018: HK$415 million) has been recognised. No deferred tax asset was recognised in respect of the remaining tax losses of approximately HK$8,588 million (2018: HK$7,823 million) due to the unpredictability of future profit streams. The Hong Kong tax losses of approximately HK$17.5 million (2018: HK$16.5 million) may be carried forward indefinitely and the remaining PRC tax losses of approximately HK$8,899 million (2018: HK$8,221.9 million) will expire in various dates in the next five years.

(iii) Under the Law of the PRC on EIT, withholding tax is imposed on dividends declared in respect of profits earned by PRC entities from 1 January 2008 onwards. At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed profits of subsidiaries for which deferred tax liabilities have not been recognised was approximately HK$2,924 million (2018: HK$2,594 million). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

(iv) Other deferred tax liabilities mainly include deferred tax on fair value change of financial assets classified as held for trading. Other deferred tax assets include deferred tax on (a) impairment loss on bad and doubtful debts, (b) pre-operating expenses and (c) accrued expenses.

28. INVENTORIES

	2019 **HK$'000**	2018 HK$'000
Properties under development held for sale	**42,802,007**	40,002,014
Properties held for sale	**12,355,067**	16,130,007
Raw materials	**1,257,680**	1,347,758
Work in progress	**52,046**	38,100
Finished goods	**224,408**	277,345
Merchandise held for resale	**14,793**	30,610
	56,706,001	57,825,834

At 31 December 2019, included in the above balances were properties under development held for sale of HK$42,802,007,000 (2018: HK$40,002,014,000) which are not expected to be realised within one year.

Included in the properties held for sale as at 31 December 2019 were an amount of HK$4,146,770,000 (2018: HK$8,683,425,000) which represents properties located in first-tier cities, such as Beijing and Shanghai, the PRC and an amount of HK$8,208,297,000 (2018: HK$7,446,582,000) which represents properties located in other cities in the PRC.

Out of above properties located in other cities in PRC, an amount of HK$5,816,235,000 (2018: HK$4,095,620,000) had no pre-sale during the year and an amount of HK$2,464,596,000 was identified as the Concerned PHFS by the management of the Group as detailed below.

28. INVENTORIES (continued)

As mentioned earlier in note 4, the management of the Group identified the Concerned PHFS by reference to the cities and locations where the PHFS are located, the pre-sale status and other relevant market factors. The management of the Group assessed the net realisable values of the Concerned PHFS as at 31 December 2019, with reference to the valuations conducted by the Valuers. The net realisable values of the Group's Concerned PHFS were arrived at by the Valuers with reference to transaction price of comparable properties in the similar or same locations with adjustments made according to nature of each property and its specific location and condition.

The Valuers represent C&W, Shanghai Lixin Appraisal Co., Ltd. and Shanghai Cai Rui Assets Evaluation Co., Ltd., which have appropriate qualification and recent experience in the valuation of similar properties in the relevant locations. The Concerned PHFS were valued individually, on market value basis, which conforms to HKIS Valuation Standards 2012 Edition published by Hong Kong Institute of Surveyors, Basic Rules for Asset Appraisal published by Ministry of Finance and Standards for the Appraisal of Assets and Professional Standards published by China Appraisal Society, respectively.

During the year ended 31 December 2019, in view of continuous slow turnover of certain properties held for sale located in cities other than first-tier cities in the PRC, the management of the Group, after considering the results of valuations conducted by C&W, has determined that the net realisable value of these properties are less than their carrying amounts and an impairment loss of HK$145,219,000 (2018: HK$80,662,000) has been recognised in the profit or loss.

29. TRADE AND OTHER RECEIVABLES

	2019 **HK$'000**	2018 HK$'000
Trade receivables		
– Goods and services	**3,150,024**	2,884,593
– Lease receivables	**17,816**	25,037
	3,167,840	2,909,630
Less: allowance for credit loss	**(130,154)**	(113,413)
	3,037,686	2,796,217
Other receivables (note iv)	**6,408,508**	5,567,399
Total trade and other receivables	**9,446,194**	8,363,616

As at 1 January 2018, trade receivable from contracts with customers amounted to HK$3,838,783,000.

Notes:

(i) Before accepting any new customer, the Group assesses the potential customer's credit quality by investigating their historical credit records and defines credit limits by customer. Credit sales are made to customers with good credit history and credit limits granted to customers are under regular review. Majority of the trade receivables that are neither past due nor impaired has no default payment history.

(ii) 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, unless it is specially approved. 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.

	2019 **HK$'000**	2018 HK$'000
Within 30 days	**947,290**	858,526
Within 31-60 days	**417,446**	357,313
Within 61-90 days	**385,387**	384,973
Within 91-180 days	**418,638**	361,000
Within 181-365 days	**344,534**	281,079
Over 365 days	**524,391**	553,326
	3,037,686	2,796,217

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29. TRADE AND OTHER RECEIVABLES (continued)

Notes: (continued)

(iii) As at 31 December 2019, included in the Group's trade receivables balance are debtors with an aggregate carrying amount of HK$1,242,374,000 (2018: HK$1,173,322,000) which is past due as at reporting date. The management of the Group considers no deterioration in credit qualities of the debtors and the settlement records from those debtors are satisfactory, the management of the Group concludes that these debtors are not considered a default and the impact of ECL for this past due trade receivables is insignificant.

(iv) As at 31 December 2019, included in other receivables were (i) unsecured amounts of HK$1,485,674,000 (2018: HK$1,404,820,000) due from certain associates of which an amount of HK$1,273,146,000 (2018: HK$1,188,469,000) carries fixed interest at prevailing market interest rates, (ii) an amount of HK$112,045,000 (2018: HK$114,061,000) due from a fellow subsidiary which is unsecured and interest-free and (iii) amounts of HK$413,694,000 (2018: nil) due from certain joint ventures, which are unsecured and interest-free.

(v) Details of impairment assessment of trade and other receivables are set out in Note 54(b).

30. CONTRACT ASSETS

	2019 HK$'000	2018 HK$'000
Amounts due from contract customers	**600,758**	925,371

As at 1 January 2018, contract assets amounted to HK$1,291,540,000.

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditional on the Group's future performance. The contract assets are transferred to trade receivables when the rights become unconditional.

The Group's construction contracts include payment schedules which require stage payments over the construction period once certain specified milestones are reached. The Group has recognised a contract asset for any works performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

31. PLEDGED BANK DEPOSITS/SHORT-TERM BANK DEPOSITS/BANK BALANCES AND CASH

(i) Bank deposits with maturity of less than one year of HK$1,292,335,000 (2018: HK$628,045,000) have been pledged to secure the Group's general banking facilities and are therefore classified as current assets. The pledged bank deposits carry interest at fixed interest rates, ranging from 0.3% to 3.0% (2018: 0.27% to 2.8%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

(ii) Short-term bank deposits with maturity of more than three months carry interest at market rates, ranging from 1.55% to 2.325% (2018: 0.9% to 2.12%) per annum.

(iii) Bank balances (including bank deposits with maturity of less than three months) carry interest at market rates, ranging from 0.0% to 4.85% (2018: 0.0% to 4.6%) per annum.

(iv) The amounts of the Group's pledged bank deposits, short-term bank deposits and bank balances and cash that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2019 HK$'000	2018 HK$'000
Renminbi	**396,508**	199,764
United States dollar	**851,755**	672,455
Hong Kong dollar	**93,521**	63,488

32. TRADE AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables (note i)	**5,525,041**	4,837,599
Bills payables	**2,101,183**	1,379,607
Consideration payables for acquisition of subsidiaries	**–**	126,110
Other payables (note ii)	**11,877,550**	11,249,684
Total trade and other payables	**19,503,774**	17,593,000

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

	2019 HK$'000	2018 HK$'000
Within 30 days	**1,463,519**	1,429,557
Within 31-60 days	**449,638**	275,450
Within 61-90 days	**434,901**	408,864
Within 91-180 days	**525,328**	349,819
Within 181-365 days	**1,520,820**	1,010,568
Over 365 days	**1,130,835**	1,363,341
	5,525,041	4,837,599

(ii) Included in other payables as at 31 December 2019 were (a) amounts of HK$444,319,000 (2018: HK$452,242,000), due to State-owned Assets Supervision and Administration Commission of Shanghai Xuhui District (the "Xuhui SASAC") and entities controlled by the Xuhui SASAC (see note 46(I)(a)(iv)), (b) amounts of HK$1,363,000 (2018: HK$1,388,000) due to certain fellow subsidiaries, which are unsecured and have no fixed terms of repayment and (c) accrued expenditure on properties under development of HK$2,595,930,000 (2018: HK$2,464,448,000).

33. CONTRACT LIABILITIES

	Notes	2019 HK$'000	2018 HK$'000
Amounts due to contract customers	(i)	**12,388**	5,805
Customers deposits from sales of properties	(ii)	**14,791,004**	15,282,544
		14,803,392	15,288,349

At as 1 January 2018, contract liabilities amounted to HK$16,599,504,000.

Notes:

(i) Construction contracts

When the Group receives deposits before the construction activity commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit.

(ii) Sales of properties

Customers deposits from sales of properties are liabilities in relation to sale and purchase agreements entered into with property buyers and their proceeds received on sales of property units that have not been recognised as revenue in accordance with the Group's revenue recognition policy. The Group normally receives 30% to 100% of the contract value as pre-sale proceeds from property buyers when they sign the sale and purchase agreement. The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in prior periods. The revenue recognised included in the contract liabilities at the beginning of the year amounted to HK$13,735,087,000 (2018: HK$12,282,236,000).

For properties under development for sale, the Group typically provides guarantees to banks in connection with the property buyers' mortgage loans to finance their purchase of the properties for an amount up to 70% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the property buyer's deposits and sell the property to recover any amounts paid by the Group to the bank. Unless there is significant drop in the market price, which is remote, the Group would not be in a significant loss position in selling those properties out.

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34. BANK AND OTHER BORROWINGS

	2019 HK$'000	2018 HK$'000
Bank loans	**45,407,933**	42,938,474
Other loans	**9,019,655**	8,543,023
	54,427,588	51,481,497
Analysed as:		
Secured	**17,148,492**	18,982,998
Unsecured	**37,279,096**	32,498,499
	54,427,588	51,481,497
Carrying amount repayable:		
Within one year	**19,443,750**	12,921,483
More than one year but not more than two years	**9,071,622**	10,104,915
More than two years but not more than five years	**19,242,568**	21,679,736
Over five years	**6,669,648**	6,775,363
	54,427,588	51,481,497
Less: amounts due within one year shown under current liabilities	**(19,443,750)**	(12,921,483)
	34,983,838	38,560,014
Floating rate		
– expiring within one year	**13,537,026**	9,194,157
– expiring beyond one year	**29,885,870**	32,191,417
Fixed rate		
– expiring within one year	**5,906,724**	3,727,326
– expiring beyond one year	**5,097,968**	6,368,597
	54,427,588	51,481,497

Notes:

(i) The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2019	2018
Effective interest rate:		
Fixed-rate borrowings	**0.80%-7.50%**	0.80%-7.50%
Variable-rate borrowings	**0.80%-8.78%**	0.80%-6.50%

(ii) Included in the Group's bank borrowings is an amount of HK$9,379 million (2018: HK$8,370 million) drawn under syndicated loan facilities of HK$9,379 million (2018: HK$8,370 million) obtained by the Group. Transaction costs of approximately HK$12.6 million (2018: HK$21 million) which were directly attributable to such bank borrowings were deducted from the fair values of the bank borrowings on initial recognition. At 31 December 2019, the carrying value of such bank borrowings was approximately HK$9,379 million (2018: HK$8,370 million).

(iii) Included in other loans are advanced bonds (the "Bonds") with an aggregate amount of HK$8,144,696,000 (2018: HK$7,049,043,000) issued by non-wholly owned subsidiaries of the Group (the "Issuers") in the PRC, which are listed on Shanghai Stock Exchange. The Bonds with an aggregate principal amount of RMB7,500,000,000, are unsecured and have maturities of five to seven years falling due between 2021 and 2022. The bondholders have the rights to request the Issuers to redeem the bonds at their third to fifth anniversary. The Bonds carry interest at fixed rates of 3.90% to 4.60% per annum or a variable rate of Shanghai Interbank Offered Rate plus 1.00% per annum (2018: a fixed rate of 3.23% to 5.69% per annum or a variable rate of Shanghai Interbank Offered Rate plus 1.00% per annum). The range of effective interest rates applied to the Bonds is 4.09% to 5.92% per annum (2018: 4.63% to 5.94% per annum).

(iv) Certain bank facilities granted to the Group include requirements that (a) SIIC retains management control over the Company and holds not less than 35% of the Company's voting capital and (b) SIIC remains under the control of the Shanghai Municipal People's Government.

35. LEASE LIABILITIES

	2019 HK$'000
Lease liabilities payable:	
Within one year	100,762
Within a period of more than one year but not more than two years	93,492
Within a period of more than two years but not more than five years	140,991
Within a period of more than five years	27,547
	362,792
Less: Amounts due for settlement with 12 months shown under current liabilities	(100,762)
Amounts due for settlement after 12 months shown under non-current liabilities	262,030

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	HKD HK$'000	RMB HK$'000
As at 31 December 2019	12,630	246,776

36. SHARE CAPITAL

	Number of ordinary shares	Amount HK$'000
Ordinary shares, issued and fully paid:		
At 1 January 2018, 31 December 2018 and 31 December 2019	1,087,211,600	13,633,449

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37. SHARE-BASED PAYMENT TRANSACTIONS

Details of the equity-settled share option schemes adopted by the Company and other members of the Group are as follows:

(I) SIHL Scheme

The principal terms of the SIHL Scheme are set out below.

The Company, in accordance with Chapter 17 of the Listing Rules, adopted a share option scheme (the "SIHL Scheme"), as approved by the shareholders of the Company at the extraordinary general meeting held on 25 May 2012. The SIHL Scheme shall be valid and effective for a period of 10 years commencing the date of its adoption, after which period no further share options will be granted. The SIHL Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the eligible participants and for such other purposes as the board of director (the "Board") may approve from time to time.

According to the SIHL Scheme, the Board of the Company may grant options to any director or employee of each member of the Group (including a company in which (i) the Company is directly or indirectly interested in less than 20% of the issued share capital or equity interest or voting rights of such company but is the largest shareholder or the holder of the largest voting rights of such company; or (ii) in the opinion of the Board of the Company, the Company is able to exercise significant influence to such company); and any executive or employee of any business consultant, professional and other advisers in each member of the Group who have rendered service or will render service to the Group, to subscribe for shares in the Company for a consideration of HK$1 for each lot of share options granted. Share options granted should be accepted within 30 days from the date of grant.

The Board of the Company may at its absolute discretion, determine and notify each grantee the period during which a share option may be exercised, such period should expire not later than 10 years from the date of grant of the share options. Subject to the provisions of the SIHL Scheme, the Board of the Company may at its discretion when offering the grant of a share option impose any conditions, restrictions or limitations in relation thereto as it may think fit.

The subscription price for shares in the Company shall be a price solely determined by the Board of the Company and notified to an eligible participant, and shall be at least the highest of: (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company.

The total number of shares which may be issued upon exercise of all options to be granted under the SIHL Scheme and any other share option schemes of the Company shall not in aggregate to exceed 10% of the total number of shares of the Company in issue as at the date of approval of the SIHL Scheme. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the SIHL Scheme and any other share option schemes of the Company shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted to each participant under the SIHL Scheme and any other option schemes (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue unless approved by the shareholders of the Company.

During both years, no options were granted or outstanding under the SIHL Scheme.

37. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(II) SI Urban Development Scheme

(a) ***The principal terms of the SI Urban Development Scheme are set out below.***

A listed subsidiary of the Company, SI Urban Development, operates a share option scheme (the "SI Urban Development Scheme") which was first adopted on 12 December 2002 in a special general meeting of SI Urban Development. Under the SI Urban Development Scheme, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the SI Urban Development Scheme and options granted and yet to be exercised under any other schemes shall not exceed 30% of the issued share capital of SI Urban Development from time to time. The maximum number of shares issued and to be issued upon exercise of the options granted to each participant in any 12-month period must not exceed 1% of the issued share capital of SI Urban Development at any time.

The offer of a grant of options may be accepted within 21 days from the date of the offer with signed acceptance letter comprising consideration of HK$1 received by SI Urban Development. The exercise period of the share options granted is determinable by the directors of SI Urban Development, but no later than 10 years from the date of the offer. The subscription price for the shares in respect of which options are granted is determinable by the directors of SI Urban Development, but in any case must be the highest of (i) the closing price of SI Urban Development's shares as stated in the Stock Exchange's daily quotations sheet on the date of the grant; (ii) the average closing price of SI Urban Development's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of SI Urban Development's shares.

(b) During both year, no options were granted under SI Urban Development. As at 31 December 2019 and 2018, the number of shares of SI Urban Development in respect of which options were granted and which remained outstanding was 27,750,000, representing 0.58% of the shares of SI Urban Development in issue at that date.

The following table discloses movements of share options granted during the year:

Grantees	Month of grant	Exercised price per share HK$	Outstanding at 1.1.2018, 31.12.2018 and 31.12.2019
Other directors of SI Urban Development	September 2010	2.98	21,000,000
Employees of SI Urban Development	September 2010	2.98	6,750,000
			27,750,000
Exercisable at the end of the year			27,750,000

Share options granted in September 2010 are exercisable during the period from 24 September 2010 to 23 September 2020 in three batches, being:

- 24 September 2010 to 23 September 2011 (up to 40% of the share options granted are exercisable)
- 24 September 2011 to 23 September 2012 (up to 70% of the share options granted are exercisable)
- 24 September 2012 to 23 September 2020 (all share options granted are exercisable)

(c) All the share options under the Scheme were vested and the related expenses were recognised in profit or loss in previous years.

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37. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(III) SI Urban Development New Scheme

The principal terms of the SI Urban Development New Scheme are set out below.

SI Urban Development, operates a share option scheme (the "SI Urban Development New Scheme") which was first adopted on 16 May 2013 in an annual general meeting of SI Urban Development. Under the SI Urban Development New Scheme, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the SI Urban Development New Scheme and options granted and yet to be exercised under any other schemes shall not exceed 30% of the issued share capital of SI Urban Development from time to time. The maximum number of shares issued and to be issued upon exercise of the options granted to each participant in any 12-month period must not exceed 1% of the issued share capital of SI Urban Development at any time.

The offer of a grant of options may be accepted within 21 days from the date of the offer with signed acceptance letter comprising consideration of HK$1 received by SI Urban Development. The exercise period of the share options granted is determinable by the directors of SI Urban Development, but no later than 10 years from the date of the offer. The subscription price for the shares in respect of which options are granted is determinable by the directors of SI Urban Development, but in any case must be the highest of (i) the closing price of SI Urban Development's shares as stated in the Stock Exchange's daily quotations sheet on the date of the grant; (ii) the average closing price of SI Urban Development's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of SI Urban Development's shares.

During both years, no options were granted or outstanding under the SI Urban Development New Scheme.

(IV) SIIC Environment Scheme

The principal terms of the SIIC Environment Scheme are set out below.

SIIC Environment operates a share option scheme (the "SIIC Environment Scheme"), which was adopted on 27 April 2012 in an extraordinary general meeting of SIIC Environment. The SIIC Environment Scheme shall be valid and effective for a period of 5 years commencing the date of its adoption, after which period no further share options will be granted. The aggregate nominal amount of shares which may be issued and issuable in respect of all options granted under the SIIC Environment Scheme, shall not exceed 15% of the issued share capital of SIIC Environment (excluding treasury shares) from time to time.

Under the SIIC Environment Scheme, the aggregate number of shares in relation to the grant of options that are available to the controlling shareholders or their associates shall not exceed 25% of the total number of shares which may be granted under the SIIC Environment Scheme. The number of shares available to any one controlling shareholder or his/her associate(s) shall not exceed 10% of the total number of shares which may be granted under the SIIC Environment Scheme.

Under the SIIC Environment Scheme, SIIC Environment can grant options at a price which is equal to the average of the last dealt prices for the share, as determined by reference of the daily official list or any other publication published by the SGX-ST for the three consecutive trading days immediately preceding the date of grant ("Price"). Options will not be granted at a discount to the Price.

The offer of the grant of an option is to be accepted by the grantee within 30 days from the date of offer of that option and, in any event, not later than 5:00 p.m. on the 30th day from such date of offer by completing, signing and returning the acceptance form accompanied by payment of S$1.00 as consideration. The exercise period of the share options granted is determinable by the remuneration committee of SIIC Environment. Options granted with exercise price set at Price are only to be exercisable, in whole or in part, after the 1st anniversary of the date of offer. Options granted to non-executive directors and employees of the associated companies can be exercised before the 5th anniversary of the relevant date of offer.

During both years, no options were granted or outstanding under the SIIC Environment Scheme.

38. ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2018

Except for the acquisition of Shangtou Real Estate from SIIC, the Group also acquired the following subsidiaries.

(i) Acquisition of 大連紫光水務有限公司 (Dalian Ziguang Water Treatment Co., Ltd.) ("Dalian Ziguang") and 大連紫光淩水污水處理有限公司 (Dalian Ziguang Lingshui Waste Water Treatment Co., Ltd.) ("Dalian Ziguang Lingshui")

In February 2018, SIIC Environment, a listed subsidiary of the Group, through its 75.5% owned subsidiary, SIIC Environment Holdings (Weifang) Co., Ltd., completed the acquisition of 100% equity interest in Dalian Ziguang for a cash consideration of RMB137,764,000 (equivalent to HK$169,535,000) and 100% equity interest in Dalian Ziguang Lingshui for a cash consideration of RMB123,375,000 (equivalent to HK$151,827,000).

Dalian Ziguang and Dalian Ziguang Lingshui are principally engaged in the operations of waste water treatment plants with an aggregate designed production capacity of 170,000 tons per day, and are based in Dalian City, Liaoning Province, the PRC.

(ii) Acquisition of 濰坊市坊子區上實環境供水總公司 (Weifang City Fangzi District SIIC Environment Water Co., Ltd. (formerly known as 濰坊市坊子區供水總公司 (Weifang City Fangzi District Water Company)) ("Fangzi Water")

In February 2018, SIIC Environment through its 51.3% owned subsidiary, Weifang City Tap Water Co., Ltd., completed the acquisition of 51% equity interest in Fangzi Water for a total subscription consideration of RMB79,080,000 (equivalent to HK$94,732,000).

Fangzi Water is engaged in the operation of one water supply project with total designed production capacity of 40,000 tons per day, and is based in Weifang City, Shandong Province, the PRC.

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38. ACQUISITION OF SUBSIDIARIES (continued)

For the year ended 31 December 2018 (continued)

	Dalian Ziguang HK$'000	Dalian Ziguang Lingshui HK$'000	Fangzi Water HK$'000	Others HK$'000	Total HK$'000
Consideration transferred					
Cash paid	85,036	112,417	–	5,836	203,289
Deposit paid at 31 December 2017	48,462	12,995	–	–	61,457
Interests in joint ventures	–	–	–	71,476	71,476
Deferred consideration	36,037	26,415	–	–	62,452
	169,535	151,827	–	77,312	398,674
Fair value of assets acquired and liabilities recognised at the date of acquisition are as follows					
Property, plant and equipment	–	–	97,743	2,927	100,670
Investments	–	–	–	8,510	8,510
Inventories	–	–	1,711	–	1,711
Receivables under service concession arrangements	177,221	204,230	–	–	381,451
Other intangible assets	36,336	52,567	5,060	–	93,963
Trade and other receivables	88,569	62,316	16,883	77	167,845
Bank balances and cash	1,147	1,424	1,344	152,344	156,259
Trade and other payables	(57,638)	(61,812)	(29,239)	(68,787)	(217,476)
Taxation payable	(12,988)	(11,083)	–	–	(24,071)
Bank and other borrowings	(15,569)	(43,213)	–	–	(58,782)
Deferred tax liabilities	(30,460)	(34,232)	–	–	(64,692)
Provision for major overhauls	(8,096)	(3,181)	–	–	(11,277)
	178,522	167,016	93,502	95,071	534,111
Goodwill arising on acquisition					
Consideration transferred	169,535	151,827	–	77,312	398,674
Add: non-controlling interests	–	–	93,502	17,759	111,261
Less: Net assets acquired	(178,522)	(167,016)	(93,502)	(95,071)	(534,111)
	(8,987)	(15,189)	–	–	(24,176)
Net cash outflow (inflow) arising on acquisition					
Cash consideration paid	85,036	112,417	–	5,836	203,289
Less: bank balances and cash acquired	(1,147)	(1,424)	(1,344)	(152,344)	(156,259)
	83,889	110,993	(1,344)	(146,508)	47,030

38. ACQUISITION OF SUBSIDIARIES (continued)

For the year ended 31 December 2018 (continued)

The contribution to the Group's revenue or financial performance of the above acquired subsidiaries for the year ended 31 December 2018 as follows:

(a) Included in the profit for the year ended 31 December 2018 were revenue of HK$108,841,000 and net profit of HK$7,675,000, attributable to the additional business generated by Dalian Ziguang.

Had the acquisition been completed on 1 January 2018, total group revenue for the year ended 31 December 2018 would have been approximately HK$30,458 million, and profit after tax would have been approximately HK$5,131 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2018, nor is it intended to be a projection of future results.

(b) Included in the profit for the year ended 31 December 2018 were revenue of HK$46,982,000 and net profit of HK$7,730,000, attributable to the additional business generated by Dalian Ziguang Lingshui.

Had the acquisition been completed on 1 January 2018, total group revenue for the year ended 31 December 2018 would have been approximately HK$30,455 million, and profit after tax would have been approximately HK$5,127 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor is it intended to be a projection of future results.

(c) Included in the profit for the year ended 31 December 2018 were revenue of HK$35,545,000 and loss of HK$992,000, attributable to the additional business generated by Fangzi Water.

Had the acquisition been completed on 1 January 2018, total group revenue for the year ended 31 December 2018 would have been approximately HK$30,417 million, and profit after tax would have been approximately HK$5,093 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2018, nor is it intended to be a projection of future results.

39. ASSETS CLASSIFIED AS HELD FOR SALE

On 31 December 2018, the directors of SIIC Environment resolved to dispose of one of its subsidiaries. Negotiations with several interested parties were subsequently taken place. The assets and liabilities attributable to the subsidiary, which are expected to be sold within twelve months, have been classified as a disposal group held for sale in accordance with HKFRS 5, and are presented separately in the consolidated statement of financial position as at 31 December 2018.

The proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and, accordingly, no impairment loss has been recognised on the classification of these operations as held for sale.

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For the year ended 31 December 2019

39. ASSETS CLASSIFIED AS HELD FOR SALE (continued)

The major classes of assets and liabilities comprising the disposal group classified as held for sale are as follows:

	2019 **HK$'000**	2018 HK$'000
Trade and other receivables	**17,327**	12,356
Receivables under service concession arrangements	**208,433**	213,273
Other receivables	**36**	229
Inventories	**323**	97
Total assets classified as held for sale	**226,119**	225,955
Trade and other payables, and total liabilities associated with assets classified as held for sale	**(174,715)**	(179,532)

40. DISPOSAL OF SUBSIDIARIES

There was no significant disposal of subsidiary during the year ended 31 December 2019. The subsidiaries disposal of during the year ended 31 December 2018 are set out below:

(i) On 17 April 2018, the Group, through SI Urban Development, entered into a share transfer agreement with an independent third party to dispose of the Group's entire equity interest in Fine Mark Investment Limited ("Fine Mark") at a cash consideration of RMB176,750,000 (equivalent to HK$220,858,000), which comprise RMB120,750,000 (equivalent to HK$150,883,000) for the disposal of equity interest in Fine Mark and RMB56,000,000 (equivalent to HK$69,975,000) for repayment of assigned debts due to the Group.

The principal asset of Fine Mark represents interest in a joint venture. The joint venture, through its subsidiary, owns a property development project in Fuzhou, the PRC.

(ii) In July 2018, the Group, through SIIC Environment disposed of its entire 100% equity interest in Tianmen Kaidi Water Services Co. Ltd. ("Tianmen Kaidi") and 70% equity interest in Tianmen Kaidi Xinnong Water Services Co. Ltd. ("Tianmen Kaidi Xinnong") for considerations of RMB152,333,000 (equivalent to HK$174,015,000) and RMB5,939,000 (equivalent to HK$6,784,000), respectively, to its grantor of the concession service agreement.

Tianmen Kaidi and Tianmen Kaidi Xinnong are principally engaged in supply of tap water in the PRC.

40. DISPOSAL OF SUBSIDIARIES (continued)

(ii) (continued)

Further details of the consideration, and assets and liabilities disposed of in respect of the disposed subsidiaries are set out below:

	Fine Mark HK$'000	Tianmen Kaidi HK$'000	Tianmen Kaidi Xinnong HK$'000	Total HK$'000
Analysis of assets and liabilities over which control was lost				
Property, plant and equipment	–	771	–	771
Other intangible assets	–	96,213	6,866	103,079
Interest in a joint venture	65,718	–	–	65,718
Inventories	–	2,818	–	2,818
Contract assets	–	462	–	462
Trade and other receivables	–	31,226	–	31,226
Bank balances and cash	–	1,936	72	2,008
Trade and other payables	–	(35,970)	(4,205)	(40,175)
Tax payables	–	(3,275)	–	(3,275)
Contract liabilities	–	(5,396)	–	(5,396)
Bank and other borrowings	–	(4,236)	–	(4,236)
Other non-current liabilities	–	(10,320)	(122)	(10,442)
Non-controlling interests	–	–	(784)	(784)
	65,718	74,229	1,827	141,774
Gain on disposal				
Cash received	220,858	–	–	220,858
Deferred consideration (note)	–	174,015	6,784	180,799
Less: Net assets disposed of	(65,718)	(74,229)	(1,827)	(141,774)
	155,140	99,786	4,957	259,883
Net cash inflow (outflow) arising on disposal				
Cash consideration received	220,858	–	–	220,858
Less: Bank balances and cash disposed of	–	(1,936)	(72)	(2,008)
	220,858	(1,936)	(72)	218,850

Note: Deferred consideration arising from disposal of Tianmen Kaidi and Tianmen Kaidi Xinnong has been recognised in other receivables as at 31 December 2018. The deferred consideration has been settled during the current year.

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41. OPERATING LEASES

(I) The Group as lessee

	2018 HK$'000
Minimum lease payments paid under operating lease during the year	123,791

As at 31 December 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 HK$'000
Within one year	98,483
In the second to fifth year inclusive	225,597
After five years	100,124
	424,204

Notes:

(i) Operating lease payments represent rentals payable by the Group for certain office and factory properties. Leases are negotiated for an average term of 3 years and rentals are fixed for a lease term of 1 to 5 years.

(ii) Included in the above are operating lease commitments for land and buildings payable by the Group to the ultimate holding company and certain fellow subsidiaries as follows:

	2018 HK$'000
Within one year	12,935

(II) The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments in respect of investment properties:

	2019 **HK$'000**
Within one year	**1,012,228**
In the second year	**610,219**
In the third year	**507,967**
In the fourth year	**422,098**
In the fifth year	**326,800**
After five years	**849,401**
	3,728,713

	2018 HK$'000
Within one year	1,050,719
In the second to fifth year inclusive	1,793,367
After five years	952,350
	3,796,436

Note: Included in the above are operating lease commitments for investment properties of approximately HK$44.4 million (2018:HK$42.4 million) receivable by the Group from certain fellow subsidiaries within one year.

42. CAPITAL COMMITMENTS

	2019 HK$'000	2018 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of		
– acquisition of property, plant and equipment and intangible assets	**88,489**	38,537
– additions in construction in progress	**1,137,001**	871,494
– additions in properties under development held for sale	**12,741,072**	11,274,853
– investment in an associate	**53,691**	54,657
– investment in joint ventures	**1,779,083**	–
– others	**14,862**	15,129
	15,814,198	12,254,670

43. CONTINGENT LIABILITIES

	2019 HK$'000	2018 HK$'000
Guarantees given to banks in respect of banking facilities utilised by		
– property buyers	**7,107,918**	6,355,009
– associate/joint ventures	**2,018,774**	1,648,581
	9,126,692	8,003,590

Guarantees given to banks in respect of banking facilities utilised by property buyers

The Group entered into agreements with certain banks with respect to mortgage loans provided to buyers of the Group's property units and made deposits as security to and gave guarantees on mortgage loans provided to the buyers by these banks under the agreements. The management of the Group considers that the possibility of default by the relevant buyers is remote and, in case of default in payments, the net realisable value of the related properties can recover the repayment of the outstanding mortgage principals together with the accrued interest and penalty. Accordingly, no ECL under HKFRS 9 has been made in the consolidated financial statements for these guarantees.

Guarantees given to banks in respect of banking facilities utilised by associate/joint ventures

The Group entered into agreements with a bank to provide corporate guarantees with respect to bank loans granted to associate/joint ventures. In determining whether financial liabilities should be recognised in respect of the Group's financial guarantee contracts, the management of the Group exercised judgement in evaluation of the probability of resources outflow that would be required and the assessment of whether a reliable estimate could be made of the amount of the obligation. The management of the Group considered that the possibility of default by these parties was remote given their strong financial background and the good quality of assets. Accordingly, no ECL under HKFRS 9 has been made in the consolidated financial statements for these guarantees.

In the opinion of the management of the Group, the fair values of the aforementioned financial guarantee contracts of the Group are insignificant at initial recognition.

As at 31 December 2019, the Company granted financial guarantees to the extent of approximately HK$11,420 million (2018: HK$10,179 million) to banks in respect of banking facilities granted to its subsidiaries, out of which approximately HK$9,408 million (2018: HK$8,407 million) were utilised.

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44. PLEDGE OF ASSETS

The following assets were pledged by the Group to banks to secure banking facilities granted by these banks to the Group:

(i) investment properties with an aggregate carrying value of HK$9,792,486,000 (2018: HK$11,459,467,000);

(ii) leasehold land and buildings with an aggregate carrying value of HK$123,539,000 (2018: HK$134,605,000);

(iii) plant and machineries with an aggregate carrying value of HK$22,590,000 (2018: HK$27,173,000);

(iv) one (2018: one) toll road operating right with a carrying value of HK$1,884,742,000 (2018: HK$2,105,856,000);

(v) receivables under service concession arrangements with an aggregate carrying value of HK$14,419,408,000 (2018: HK$10,196,365,000);

(vi) properties under development held for sale with an aggregate carrying value of HK$2,869,155,000 (2018: HK$2,873,025,000);

(vii) properties held for sale with an aggregate carrying value of HK$645,466,000 (2018: HK$736,551,000);

(viii) trade receivables with an aggregate carrying value of HK$172,688,000 (2018: HK$152,084,000); and

(ix) bank deposits with an aggregate carrying value of HK$1,292,335,000 (2018: HK$628,045,000).

45. RETIREMENT BENEFITS SCHEMES

The Company and its subsidiaries in Hong Kong operate a defined contribution retirement benefits scheme for their qualifying employees pursuant to the Occupational Retirement Schemes Ordinance. To comply with the Mandatory Provident Fund Schemes Ordinance, a Mandatory Provident Fund Scheme was also established. The assets of both schemes are held separately in funds which are under the control of independent trustees. The retirement benefits schemes contributions charged to the consolidated statement of profit or loss represent contributions payable by the Company and its subsidiaries in Hong Kong to the funds at rates specified in the rules of the schemes. When there are employees who leave the defined contribution retirement benefits scheme prior to becoming fully vested in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Company and its subsidiaries in Hong Kong.

The employees employed by the PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

At the end of the reporting period, no forfeited contributions were available to reduce the contribution payable in future years.

The total expense recognised in profit or loss of HK$288,408,000 (2018: HK$241,144,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes.

46. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES

(I) Connected persons

(a) During the year, the Group had significant transactions and balances with related parties, some of which are also deemed to be connected persons pursuant to the Listing Rules. The significant transactions with the connected parties during the year, and significant balances with them at the end of the reporting period, are as follows:

Connected persons	Nature of transactions and balances	2019 HK$'000	2018 HK$'000
Transactions			
Ultimate holding company	Expenses relating to short-term leases and leases of low-value assets (note i)	**1,929**	–
	Operating lease expense (note i)	**–**	1,777
Fellow subsidiaries	Expenses relating to short-term leases and leases of low-value assets (note i)	**49,641**	–
	Operating lease expense (note i)	**–**	49,585
Associate	Loan provided by the Group	**717,377**	762,924
	Interest income received by the Group (notes ii and iii)	**34,800**	33,842
Balance			
Non-controlling shareholders of subsidiaries:			
The Xuhui SASAC and entities controlled by the Xuhui SASAC	Non-trade payables by the Group (note iv)	**444,319**	452,242

Notes:

(i) The rentals were charged in accordance with the relevant tenancy agreements and the prevailing rent was equivalent or approximate to the open market rentals as certified by an independent firm of professional property valuers when the tenancy agreements were entered into.

Details of operating lease commitments with connected parties are set out in Note 41.

46. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(I) Connected persons (continued)

(a) (continued)

Notes: (continued)

(ii) In September 2014, 上海滬寧高速公路(上海段)發展有限公司 (Hu-Ning Expressway (Shanghai Section) Company Limited) ("Hu-Ning Expressway"), a wholly owned subsidiary of the Company, entered into a shareholder's loan agreement with Shanghai Galaxy, an associate of the Group. Pursuant to which, Hu-Ning Expressway agreed to lend, and Shanghai Galaxy agreed to borrow, a shareholder's loan in an amount of RMB200,000,000 (equivalent to HK$238,834,000). In April 2016, both parties entered into the second shareholder's loan agreement, in terms of which Hu-Ning Expressway agreed to lend, and Shanghai Galaxy agreed to borrow, an additional shareholder's loan in an amount of RMB150,000,000 (equivalent to HK$179,126,000).

In January 2016, Hu-Ning Expressway agreed to make a shareholder's loan facility in an aggregate principal amount of up to RMB500,000,000 for the three years from 21 January 2016 to Shanghai Galaxy. The relevant loan amount would be determined on a case-by-case basis, with the maximum amount representing the unutilised portion of the facility. The duration of each term loan would be negotiated on a case-by-case basis and each term loan would expire by the end of the three-year period from 21 January 2016. The interest should be the benchmark interest rate of RMB denominated loans for the same period as announced by the People's Bank of China and be repaid on a semi-annual basis.

In December 2017, both parties entered into the third shareholder's loan agreement, in terms of which Hu-Ning Expressway has agreed to lend, and Shanghai Galaxy has agreed to borrow, an additional shareholder's loan in the amount of RMB30,000,000 (equivalent to HK$36,036,000). The amount has been fully repaid during the year ended 31 December 2018.

In June 2018, both parties entered into the forth shareholder's loan agreement, in terms of which Hu-Ning Expressway agreed to lend, and Shanghai Galaxy agreed to borrow an additional shareholder's loan in the amount of RMB120,000,000 (equivalent to HK$136,643,000).

As at 31 December 2018, the loan provided to Shanghai Galaxy amounted to RMB470 million (equivalent to approximately HK$535 million) is included in other receivables set out in Note 29, and loan interest income from Shanghai Galaxy amounted to RMB20 million (equivalent to approximately HK$24 million)) is included in net investment income set out in Note 6.

In January 2019, Huning Expressway has agreed to extend the above shareholder's loan on substantially the same terms, with the renewed expiry date on 20 January 2022.

(iii) In September 2016, 上海申渝公路建設發展有限公司 ("Shen-Yu Highway"), a wholly-owned subsidiary of the Group, a bank and Shanghai Galaxy entered into an entrusted loan contract, pursuant to which Shen-Yu Highway entrusted the bank to grant a loan in the principal amount of RMB200,000,000 to Shanghai Galaxy (the "Previous Entrusted Loan Arrangement of Shen-Yu Highway").

In October 2017, Shen-Yu Highway, the Bank and Shanghai Galaxy entered into the second entrusted loan contract, pursuant to which Shen-Yu Highway agreed to extend the Previous Entrusted Loan Arrangement of Shen-Yu Highway on substantially the same terms.

In June 2018, Shen-Yu Highway, the Bank and Shanghai Galaxy entered into the third entrusted loan contract, pursuant to which Shen-Yu Highway agreed to extend the Previous Entrusted Loan Arrangement of Shen-Yu Highway on substantially the same terms.

In June 2019, Shen-Yu Highway, the Bank and Shanghai Galaxy entered into the forth entrusted loan contract, pursuant to which Shen-Yu Highway agreed to extend the Previous Entrusted Loan Arrangement of Shen-Yu Highway on substantially the same terms with the principal amount of the loan revised to RMB160,000,000.

The entrusted loan was for a term of 12-month period from June 2019 to June 2020 (2018: 12-month period from June 2018 to June 2019). The interest rate of such loan was 5% (2018: 4.64%) per annum.

As at 31 December 2019, the loan provided to Shanghai Galaxy amounted to RMB160 million (equivalent to approximately HK$179 million) (2018: RMB200 million (equivalent to approximately HK$227 million)) is included in other receivables set out in Note 29.

(iv) The amounts due to the Xuhui SASAC and entities controlled by the Xuhui SASAC included in Note 32(ii) are unsecured. An amount of HK$223,713,000 (2018: HK$227,738,000) included in the balances as at 31 December 2019 represents loan advanced from an entity controlled by the Xuhui SASAC through an entrusted loan agreement administrated by a bank, which carries fixed interest ranging 7.5% per annum to 9% per annum (2018: 9% per annum) and is repayable in June 2021. The remaining balances are unsecured, non-interest bearing and repayable on demand.

46. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(I) Connected persons (continued)

(b) On 31 January 2018, Shanghai Urban Development (Holdings) Co., Ltd. ("Shanghai Urban Development Holdings"), an indirect non wholly-owned subsidiary of the Company, entered into an asset and equity transfer contract with Shangtou Asset pursuant to which Shanghai Urban Development Holdings agreed to acquire a 35% equity interest in 上海地產北部投資發展有限公司 ("NR Investment") for RMB88,338,100. The Group accounted for the equity interest in NR Investment as investment in an associate using equity method.

(c) Pursuant to an asset transfer agreement and a supplemental agreement on 28 February 2018, 上實城開(上海)城市建設開發有限公司 ("SIUD Shanghai"), an indirect non-wholly owned subsidiary of the Company agreed to acquire the entire equity interest in Shangtou Real Estate (excluding certain investment properties and inventories of Shangtou Real Estate) with total purchase price of RMB530,827,000 (equivalent to HK$657,086,000).

The Group accounts for all its business combinations involving entities under common control using the principles of merger accounting in accordance with AG5.

(d) On 8 June 2018, Shen-Yu Highway and a bank entered into an entrusted loan entrustment contract, pursuant to which Shen-Yu Highway agreed to entrust a sum of RMB100,000,000 with the bank which should provide loan(s) to designated borrower(s) upon instructions from Shen-Yu Highway. On the same date, the bank and SIIC Financial Services entered into an entrusted loan contract (the "Entrusted Loan Contract of Shen-Yu Highway") in respect of the provision of the loan in the principal amount of RMB100,000,000 to be made pursuant to the Entrusted Loan Contracts of Shen-Yu Highway, through a bank, to SIIC Financial Services.

On 5 June 2019, Shen-Yu Highway, the bank and SIIC Financial Services entered into the second entrusted loan contract, pursuant to which Shen-Yu Highway agreed to extend the Previous Entrusted Loan Arrangement of Shen-Yu Highway on substantially the same terms, with the renewed expiry date on 6 June 2020.

The entrusted loan was for a term of 12-month period from June 2019 to June 2020 (2018: twelve months commencing from June 2018). The interest rate of such loan was 5.5% (2018: 5.5%) per annum.

(e) On 19 June 2018, Sure Advance Holdings Limited ("Sure Advance"), a wholly-owned subsidiary of the Company, entered into a cornerstone investment agreement (the "Agreement") with China Isotope & Radiation Corporation ("CIRC") and other joint global coordinators to the proposed conditional placing of the CIRC H Shares (the "International Offering") with consideration of no more than RMB430,000,000.

Shanghai Pharmaceuticals (HK) Investment Limited ("SP (HK)"), an indirectly non-wholly owned subsidiary of SIIC participated in the International Offering by entering into a separate cornerstone investment agreement on similar terms on the same date. Further details of these transactions are set out in the Company's announcement dated 19 June 2018.

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46. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(I) Connected persons (continued)

(f) On 1 July 2018, 上海躋沄基礎建設有限公司 ("Shanghai Jiyun"), an indirect wholly owned subsidiary of the Company, Shangtou Assets and Shanghai Galaxy entered into a joint venture agreement in relation to the formation of a joint venture company namely 上實清潔能源(上海)有限公司 ("SI Clean Energy"), whereas the SI Clean Energy was established on 23 July 2018 in Shanghai, the PRC and SI Clean Energy is accounted for as a joint venture using equity method. SI Clean Energy is principally engaged in the promotion of new energy technology and environmental protection technology. Further details of this transaction are set out in the Company's announcement dated 23 July 2018.

On 26 September 2019, Shanghai Jiyun, Shangtou Asset and Shanghai Galaxy further entered in a joint venture agreement in relation to the formation of a joint venture company namely 上實綠色產業投資管理(上海)有限公司 ("SIGIM") in Shanghai, the PRC and SIGIM is accounted for as a joint venture using equity method. SIGIM is principally engaged in the assets and investment management in the PRC.

On 6 December 2019, SIGIM, SIIC Management (Shanghai) Co., Ltd. ("SIIC Management"), Shanghai Galaxy and 上海市再擔保有限公司 ("Shanghai FRCL") entered into a partnership agreement (the "Partnership Agreement"), pursuant to which the Partnership is formed to set up a fund namely 上實綠色能源一期股權投資基金(上海)合伙企業(有限合伙) to invest in, including but not limited to, strategic emerging industries such as new energy sources, environmentally-friendly energy and new materials by way of equity investment. SIGIM would act as the general partner while SIIC Management, Shanghai FRCL and Galaxy would act as limited partners. The total capital contribution by all Partners to the Partnership should be RMB190,000,000, up to 31 December 2019, the capital contribution to the fund amounted to RMB63,000,000.

(g) On 16 December 2019, SIIC Environment Tech (Hong Kong) Limited ("SIIC Environment Tech"), an indirectly wholly owned subsidiary of the Company, Eternal Way Wealth Creation Limited ("Eternal Way") and Shanghai Overseas Enterprises (BVI) Co., Ltd. ("Shanghai Overseas (BVI)") entered into a joint venture agreement in relation to the formation of a joint venture company namely Shanghai Yangtze River Delta Water Environment Investment Fund Limited ("Shanghai Yangtze River"), whereas the main purpose of setting up of Shanghai Yangtze River is to invest in Taizhou Water Group Company Limited ("Taizhou Water") through the subscription of H shares of Taizhou Water as cornerstone investor. On the same date, Shanghai Yangtze River entered into a cornerstone investment agreement with Taizhou Water and Innovax Securities Limited (being the sole global coordinator), pursuant to which the Shanghai Yangtze River conditionally agreed to subscribe the shares as part of the international offering of Taizhou Water, subject to the customary terms and conditions. Shanghai Yangtze River has thereafter subscribed for 12,500,000 TW H-Shares at the offer price of HK$4.22 at a total consideration of HK$52,750,000, such shares representing approximately 25% of the number of the TW H-Shares and approximately 6.25% of the total issued share capital of Taizhou Water.

(h) At 31 December 2019, included in bank and other borrowings as set out in Note 34, a bank borrowing amounting to approximately RMB460 million (equivalent to approximately HK$515 million) (2018: RMB500 million (equivalent to approximately HK$569 million)) was secured by properties owned by the Group and a fellow subsidiary of the Group.

(i) Details of amounts due to certain fellow subsidiaries are set out in Note 32.

46. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(II) Related parties, other than connected persons

In addition to the transactions set out in Note 46(I) above, the significant transactions with other related parties during the year, and significant transactions and balances with them at the end of the reporting period, are as follows:

Related parties	Nature of transactions and balances	2019 HK$'000	2018 HK$'000
Associates:			
上海城開地產經紀有限公司	Property agency fees paid by the Group	**49,397**	20,034
(Shanghai Urban Development Real Estate Agency Co., Ltd.)	Trade payables by the Group	**14,850**	10,451

Details of amounts due from (to) associates are set out in Notes 29 and 32, respectively.

(III) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2019 HK$'000	2018 HK$'000
Short-term benefits	**25,665**	25,123

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

47. MATERIAL TRANSACTIONS AND BALANCES WITH GOVERNMENT RELATED ENTITIES

The Group itself is part of a larger group of companies under SIIC, which is controlled by the PRC government. The directors consider that the Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predenominated by entities controlled, jointly controlled or significantly influenced by the PRC government. Apart from the transactions with SIIC, other connected persons and related parties disclosed in Note 46, the Group also conducts business with other government related entities in the ordinary course of business. In the opinion of the directors of the Company, these transactions are considered as individually and collectively insignificant to the operation of the Group. The directors consider those government-related entities are independent third parties so far as the Group's business transactions with them are concerned.

48. GOVERNMENT GRANTS

During the year ended 31 December 2019, government grants of HK$6.1 million was received from local government as compensation for the decrease of toll fee income on a discretionary basis. Business and other taxes refund from local tax authorities of approximately HK$209.6 million (2018: HK$245.1 million) were received in the current year. Besides, an amount of approximately HK$82.3 million (2018: HK$111.7 million) was received as incentives for investments in certain provinces in the PRC. These amounts have been included in other income.

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49. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2019 and 2018 are as follows:

Name of subsidiaries	Place of incorporation or establishment/ operations	Nominal value of issued and fully paid share capital/registered capital	Percentage of issued share/ registered capital held by the Company/subsidiaries 2019	2018	Principal activities
SI Development (note i)	The PRC	A shares – RMB1,844,562,892	**48.60% (Note 4)**	48.60% (Note 4)	Property development and investment
SI Urban Development (note ii)	Bermuda/The PRC	Ordinary shares – HK$192,253,000	**47.41% (Note 4)**	69.96%	Property development and investment
Shanghai Urber Development (Holdings) Co., Ltd. ("SUD")	The PRC	RMB3,200,000,000	**59%**	59%	Property development and investment
Shanghai Hu-Ning Expressway (note iii)	The PRC	RMB3,000,000,000	**100%**	100%	Holding of the right to operate a toll road
上海路橋發展有限公司 (Shanghai Luqiao Development Co., Ltd.) (note iii)	The PRC	RMB1,600,000,000	**100%**	100%	Holding of the right to operate a toll road
Shen-Yu Highway (note iii)	The PRC	RMB1,200,000,000	**100%**	100%	Holding of the right to operate a toll road
SIIC Environment (note iv)	The Republic of Singapore/The PRC	Ordinary shares – RMB5,947,420,000	**47.74% (Note 4)**	46.67% (Note 4)	Waste water treatment and water supply
S.I. Infrastructure Holdings Limited ("S.I. Infrastructure")	The British Virgin Islands/Hong Kong	Ordinary share – US$1	**100%**	100%	Investment holding
SIHL Treasury Limited ("SIHL Treasury")	Hong Kong	Ordinary shares – HK$2	**100%**	100%	Investment
Nanyang Tobacco (Marketing) Company, Limited	The British Virgin Islands/PRC and Macau	Ordinary shares – US$1 – HK$100,000,000	**100%**	100%	Sale and marketing of cigarettes and raw materials sourcing
Nanyang Brothers Tobacco Company, Limited	Hong Kong	Ordinary shares – HK$2	**100%**	100%	Manufacture and sale of cigarettes
		Non-voting deferred shares (note vi) – HK$8,000,000	**–**	–	
The Wing Fat Printing Company, Limited	Hong Kong	Ordinary shares – HK$83,030,000	**94.29%**	94.29%	Manufacture and sale of packaging materials and printed products

49. PRINCIPAL SUBSIDIARIES (continued)

Notes:

(i) This company is listed on the A Shares Market of the Shanghai Stock Exchange.

(ii) This company is listed on the Main Board of the Stock Exchange.

(iii) These companies were established in the PRC as wholly foreign owned enterprises.

(iv) This company is dual listed on the Main Board of the SGX-ST and Main Board of the Stock Exchange.

(v) Except for S.I. Infrastructure and SIHL Treasury, all the above subsidiaries are indirectly held by the Company.

(vi) None of the deferred shares are held by the Group. The deferred shares carry no rights to receive notice of or to attend or vote at any general meeting of the respective companies and have practically no rights to dividends or to participate in any distributions on winding up.

(vii) The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in Hong Kong. These subsidiaries are mainly dormant companies or subsidiaries principally engaged in investment holding.

None of the subsidiaries had issued any debt securities at the end of the year except for those disclosed in Note 34.

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation/ principal place of business	Proportion of ownership interest and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2019	2018	**2019**	2018	**2019**	2018
				HK$'000	HK$'000	**HK$'000**	HK$'000
SI Development	The PRC	**51.40%**	51.40%	**545,239**	484,170	**7,026,856**	6,635,875
SI Urban Development	Bermuda/The PRC	**52.59%**	30.04%	**243,108**	229,459	**6,556,377**	3,251,353
SUD	The PRC	**41%**	41%	**450,205**	600,703	**6,405,148**	6,446,085
SIIC Environment	The Republic of Singapore/The PRC	**52.26%**	53.33%	**350,709**	335,160	**4,992,471**	4,492,471
Individually immaterial subsidiaries with non-controlling interests				**394,764**	111,160	**7,583,896**	7,401,888
				1,984,025	1,760,652	**32,564,748**	28,227,672

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

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49. PRINCIPAL SUBSIDIARIES (continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

	SI Development (Consolidated)		SI Urban Development (Consolidated, including SUD)		SUD (Consolidated)		SI Environment (Consolidated)	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
Current assets	37,445,333	36,078,459	40,084,219	41,540,703	25,784,640	28,024,853	7,242,262	6,699,462
Non-current assets	10,221,412	9,203,841	20,359,805	17,499,626	7,430,706	6,024,816	29,330,066	27,527,644
Current liabilities	(22,769,455)	(19,685,950)	(21,227,410)	(18,401,644)	(8,280,007)	(8,215,030)	(11,648,575)	(10,288,775)
Non-current liabilities	(9,670,920)	(11,253,691)	(15,223,089)	(17,131,538)	(7,972,356)	(8,863,663)	(11,221,951)	(11,221,951)
Equity attributable to owners of the Company	7,301,424	6,892,973	6,905,075	9,940,680	9,217,165	9,275,584	6,467,574	5,709,554
Non-controlling interests	7,026,856	6,635,875	6,556,377	3,251,353	6,405,148	6,446,085	4,992,471	4,992,471
Non-controlling interests of Group's subsidiaries	898,090	813,811	10,532,073	10,315,114	1,340,670	1,249,307	2,241,757	2,014,355
Revenue	10,065,743	10,224,119	8,583,906	6,977,683	4,478,849	5,335,971	6,760,551	6,318,424
Profit for the year	1,060,776	1,225,220	1,219,698	1,269,747	1,175,146	1,505,752	791,326	746,874
Other comprehensive expense for the year	(241,296)	(825,999)	(198,050)	(520,022)	(178,691)	(997,389)	(60,473)	(278,362)
Total comprehensive income for the year	819,480	399,221	1,021,648	749,725	996,455	508,363	730,853	468,512
Profit for the year attributable to the owners of the Company	358,989	457,795	357,184	343,615	647,856	860,814	265,850	239,696
Profit for the year attributable to the non-controlling interests	545,239	484,170	243,108	229,459	450,205	600,703	350,709	335,160
Profit for the year attributable to the non-controlling interests of Group's subsidiaries	156,548	283,255	619,406	696,673	77,085	44,235	174,767	172,018
Total comprehensive income for the year attributable to the owners of the Company	241,719	56,360	216,297	571,243	720,000	321,127	243,754	114,225
Total comprehensive income for the year attributable to the non-controlling interests	421,213	59,606	183,614	21,243	237,057	261,944	318,459	186,710
Total comprehensive income (expense) for the year attributable to the non-controlling interests of Group's subsidiaries	156,548	283,255	621,737	157,239	39,388	(74,708)	168,640	167,577
Dividends paid to non-controlling interests	31,782	53,722	59,254	59,254	116,279	126,138	78,471	79,414
Net cash inflow (outflow) from operating activities	238,961	2,425,952	1,218,395	296,309	(807,009)	(9,252)	169,617	(458,058)
Net cash outflow from investing activities	(404,291)	(1,107,329)	(1,193,971)	(391,654)	(476,832)	(785,507)	(621,737)	(490,576)
Net cash inflow (outflow) from financing activities	375,693	(4,939,771)	155,674	(3,606,521)	247,703	(1,082,557)	700,669	1,827,559
Net cash inflow (outflow)	210,363	(3,621,148)	180,098	(3,701,866)	(1,036,138)	(1,877,316)	248,549	878,925

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50. PRINCIPAL JOINT VENTURE

Particulars of the Group's principal joint venture at 31 December 2019 and 2018 are as follows:

Name of joint venture	Place of establishment/ operations	Percentage of registered capital attributable to the Group 2019	2018	Principal activities
General Water	The PRC	**45%**	45%	Joint investment and operation of water-related and environment protection businesses in the PRC

Notes:

(i) The above joint venture is indirectly held by the Company and is accounted for as joint venture because the subsidiary of the Company and the joint venture partner have contractual arrangements to jointly control the strategic financial and operating policies pursuant to its Articles of Association.

(ii) The above table lists the joint venture of the Group which, in the opinion of the directors, principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other joint ventures would, in the opinion of the directors, result in particulars of excessive length.

51. PRINCIPAL ASSOCIATES

Particulars of the Group's principal associates at 31 December 2019 and 2018, which are all established in the PRC, are as follows:

Name of associate	Form of entity	Percentage of registered capital attributable to the Group 2019	2018	Principal activities
Shanghai Shentian	Sino-foreign joint venture	**9.79% (note i)**	14.5% (note i)	Property development
Hangzhou Bay Bridge	Sino-foreign joint venture	**23.06%**	23.06%	Holding a right to operate a road bridge
Canvest Environmental	Limited liability company	**17.63%**	17.53%	Provision of municipal solid waste handling services and operation and management of waste-to-energy plants in the PRC
Shanghai Galaxy (note iii)	Limited Liability company	**45%**	45%	Operation photovoltaic related business in the PRC and provision of asset management services

Notes:

(i) This is a 35% owned associate of SUD, in which the Group indirectly owns 59% equity interest through SI Urban Development, a 47.41% (2018: 69.96%) owned listed subsidiary.

(ii) The above associates are indirectly held by the Company.

(iii) The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

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52. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the chief operating decision maker (i.e. the board of directors of the Company) for the purposes of resource allocation and performance assessment, are as follows:

Infrastructure facilities	–	investment in toll road projects and water-related businesses
Real estate	–	property development and investment and hotel operation
Consumer products	–	manufacture and sale of cigarettes, packaging materials and printed products

Infrastructure facilities, real estate and consumer products also represent the Group's reportable segments.

Segment revenues and results

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

For the year ended 31 December 2019

	Infrastructure facilities HK$'000	Real estate HK$'000	Consumer products HK$'000	Unallocated HK$'000	Consolidated HK$'000
REVENUE					
Segment revenue – external sales	9,093,938	18,649,649	4,601,886	–	32,345,473
Segment operating profit	3,047,514	5,887,543	1,359,728	15,391	10,310,176
Finance costs	(750,419)	(964,967)	(2,563)	(177,858)	(1,895,807)
Share of results of joint ventures	159,885	19	–	–	159,904
Share of results of associates	348,297	(22,498)	6,129	–	331,928
Segment profit (loss) before taxation	2,805,277	4,900,097	1,363,294	(162,467)	8,906,201
Income tax expense	(607,022)	(2,595,804)	(242,345)	(127,474)	(3,572,645)
Segment profit (loss) after taxation	2,198,255	2,304,293	1,120,949	(289,941)	5,333,556
Less: segment profit attributable to non-controlling interests	(442,661)	(1,523,987)	(17,377)	–	(1,984,025)
Segment profit (loss) after taxation attributable to owners of the Company	1,755,594	780,306	1,103,572	(289,941)	3,349,531

52. SEGMENT INFORMATION (continued)

For the year ended 31 December 2018

	Infrastructure facilities HK$'000	Real estate HK$'000	Consumer products HK$'000	Unallocated HK$'000	Consolidated 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

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3.

Segment assets and liabilities

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

At 31 December 2019

	Infrastructure facilities HK$'000	Real estate HK$'000	Consumer products HK$'000	Unallocated HK$'000	Consolidated HK$'000
Segment assets	**53,703,214**	**108,171,141**	**8,144,709**	**4,923,226**	**174,942,290**
Segment liabilities	**22,148,064**	**68,115,143**	**1,019,031**	**10,855,492**	**102,137,730**

At 31 December 2018

	Infrastructure facilities HK$'000	Real estate HK$'000	Consumer products HK$'000	Unallocated HK$'000	Consolidated 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

52. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than corporate bank balances and cash, certain investments, certain interests in joint ventures and some other unallocated assets; and
- all liabilities are allocated to operating segments other than corporate tax liabilities, corporate bank borrowings, convertible bonds and some other unallocated liabilities.

Other segment information

2019

	Infrastructure facilities HK$'000	Real estate HK$'000	Consumer products HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measurement of segment profit or loss or segment assets:					
Additions to non-current assets (note)	**559,136**	**371,868**	**179,271**	**3,646**	**1,113,921**
Depreciation and amortisation	**1,210,127**	**256,245**	**293,178**	**1,935**	**1,761,485**
Impairment loss on financial assets under expected credit loss model	**262**	**26,968**	**1,617**	**–**	**28,847**
Reversal of impairment loss on trade receivables	**–**	**(34)**	**(10,027)**	**–**	**(10,061)**
Reversal of impairment loss on other receivables	**–**	**(2,997)**	**–**	**–**	**(2,997)**
Impairment loss on properties held for sale	**–**	**145,219**	**–**	**–**	**145,219**
Impairment loss on properties under development held for sale	**–**	**145,414**	**–**	**–**	**145,414**
Interest income	**(149,483)**	**(217,696)**	**(69,634)**	**(103,385)**	**(540,198)**
Interests in joint ventures	**2,525,503**	**727,043**	**–**	**–**	**3,252,546**
Interests in associates	**4,877,258**	**1,463,829**	**74,967**	**–**	**6,416,054**

2018

	Infrastructure facilities HK$'000	Real estate HK$'000	Consumer products HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measurement of segment profit or loss or segment assets:					
Additions to non-current assets (note)	723,435	782,115	230,538	619	1,736,707
Depreciation and amortisation	1,221,408	192,240	245,863	1,659	1,661,170
Gain on land resumption	–	(538,579)	–	–	(538,579)
Impairment loss on financial assets under expected credit loss model	6,291	36,272	12,957	–	55,520
Reversal of impairment loss on trade receivables	(763)	(401)	(4,152)	–	(5,316)
Reversal of impairment loss on other receivables	–	(14,259)	–	–	(14,259)
Impairment loss on properties held for sale	–	80,662	–	–	80,662
Interest income	(112,387)	(370,283)	(59,172)	(62,717)	(604,559)
Interests in joint ventures	2,729,660	626,281	–	–	3,355,941
Interests in associates	5,021,749	1,390,187	70,118	–	6,482,054

Note: Non-current assets excluded financial instruments and deferred tax assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

52. SEGMENT INFORMATION (continued)

Geographical information

The Group's operations are mainly located in Hong Kong (place of domicile) and the PRC.

The Group's revenue from external customers by geographical location of customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers	
	2019	2018
	HK$'000	HK$'000
PRC	**29,033,139**	27,383,778
Asia areas, other than Hong Kong and the PRC	**1,388,776**	1,344,725
Hong Kong (place of domicile)	**962,950**	866,163
Other areas	**960,608**	818,217
	32,345,473	30,412,883

	Non-current assets (note)	
	2019	2018
	HK$'000	HK$'000
PRC	**54,684,205**	51,383,377
Hong Kong (place of domicile)	**1,318,701**	1,390,156
	56,002,906	52,773,533

Note: Non-current assets excluded financial instruments and deferred tax assets.

Information about major customers

No individual customer contributed to over 10% of the total revenue of the Group for both years.

53. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes borrowings disclosed in Note 34, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, retained profits and other reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues, repurchase of shares as well as the issue of new debt or the redemption of existing debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

54. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019 HK$'000	2018 HK$'000
Financial assets		
FVTPL		
Mandatorily measured at FVTPL		
– Held for trading	**736,555**	809,556
– Others	**105,553**	116,737
Equity instruments at FVTOCI	**664,651**	681,649
Financial assets at amortised cost (including cash and cash equivalents)	**56,044,403**	50,771,587
Financial liabilities		
Amortised cost	**68,085,949**	63,220,605

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, equity instruments at FVTOCI, trade and other receivables, receivables under service concession arrangements, pledged bank deposits, short-term bank deposits, bank balances and cash, trade and other payables and bank and other borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group mainly operates in the PRC and Hong Kong and the exposure in exchange rate risks mainly arises from fluctuations in United States dollar, Hong Kong dollar and Renminbi exchange rates. The management monitors foreign currency exposure, especially in view of the current depreciation risk for Renminbi. The management will also consider hedging significant foreign currency exposure and adopting suitable measures where necessary in order to mitigate impacts due to the depreciation of the Renminbi to the Group.

The carrying amounts of the Group's monetary assets and monetary liabilities at the reporting date that are denominated in currencies other than the functional currency of the group entities ("foreign currency") are as follows:

	Assets		Liabilities	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
Renminbi (against Hong Kong dollar)	**211,562**	387,790	**600**	2,003
United States dollar (against Hong Kong dollar and Renminbi)	**3,645,408**	2,625,086	**2,847,336**	2,816,058
Hong Kong dollar (against Renminbi)	**1,511,520**	1,483,649	**1,698,940**	487,697

54. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

The above foreign currency denominated monetary assets and monetary liabilities mainly represent the Group's trade and other receivables, pledged bank deposits, short-term bank deposits, bank balances and cash, trade and other payables and bank and other borrowings.

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2018: 5%) increase and decrease in the functional currency of each group entity against the above foreign currency. 5% (2018: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items, and adjusts their translation at the year end for a 5% (2018: 5%) increase in foreign currency rates. The sensitivity analysis also includes inter-company balances where the denomination of balances are in currencies other than the functional currency of the respective group companies. A positive (negative) number below indicates an increase (a decrease) in profit after taxation where the above foreign currency strengthens 5% against the functional currency of each group entity.

	2019 **HK$'000**	2018 HK$'000
Increase in profit after taxation	**28,286**	65,039

(ii) Interest rate risk

The Group's fair value and cash flow interest rate risks mainly relate to fixed and variable rates borrowings and lease liabilities respectively. The Group's receivables under service concession arrangements, pledged bank deposits, fixed-rate amounts due to certain fellow subsidiaries/associates, loan to a joint venture/an associate, amount due from/to Xuhui SASAC and entities controlled by Xuhui SASAC and fixed-rate bank and other borrowings have exposure to fair value interest rate risk due to the fixed interest rate on these instruments. The Group's bank balances and variable-rate bank and other borrowings also have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate.

In order to exercise prudent management against interest rate risks, the Group continues to review market trends against its business operations and financial position in order to arrange the most interest rate risk management tools.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for its variable-rate bank balances and short-term bank deposits (collectively referred to as the "Bank Deposits") and variable-rate borrowings at the end of the reporting period. The sensitivity analysis does not consider the effect of interest expenses qualified for capitalisation.

For variable-rate borrowings and Bank Deposits, the analysis is prepared assuming that the amount of asset/liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point and 10 basis point (2018: 50 basis point and 10 basis point), respectively, increase or decrease are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rate.

If interest rates had been 50 basis point and 10 basis point (2018: 50 basis point and 10 basis point) higher/lower for bank borrowings and bank deposits respectively, and all other were variables were held constant, the Group's profit after taxation for the year would decrease/increase by HK$162,334,302 (2018: HK$158,015,049). This is mainly attributable to the Group's exposure to interest rates on its variable-rate Bank Deposits and borrowings.

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For the year ended 31 December 2019

54. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(iii) Price risk

The Group is exposed to price risk through its listed investments classified as either financial assets at FVTPL or equity instruments at FVTOCI. The management strictly monitors this exposure by maintaining a portfolio of investments with different levels of risks. The Group's price risk is mainly concentrated on equity instruments quoted in the Stock Exchange and the Shanghai Stock Exchange. In addition, a special team has been appointed by the management to monitor the price risk and hedging against such risk exposures will be made should the need arises.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks on quoted equity instruments held by the Group at the reporting date:

If the prices of the respective quoted equity instruments had been 5% (2018: 5%) higher/lower:

- profit after taxation for the year would increase/decrease by HK$36,721,000 (2018: HK$33,772,000) as a result of the changes in fair value of financial assets at FVTPL; and

- investment revaluation reserve would increase/decrease by HK$5,837,000 (2018: HK$5,461,000) as a result of the changes in fair value of financial assets at FVTOCI.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and other receivables, receivables under services concession arrangements, pledged bank deposit, short-term bank deposits and bank and bank balances. The Group's maximum exposure to credit risk which will cause a financial loss due to failure to discharge an obligation by the counterparties and financial guarantees provided is arising from the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in Note 43.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group recognises lifetime ECL as prescribed by HKFRS 9 under simplified approach on trade receivables and contract assets; and recognises 12m ECL on receivables under service concession arrangements and other receivables. To measure the ECL of trade receivables and contract assets, they are assessed collectively using provision matrix based on shared characteristics including historical credit loss experience, industry specific factors to the debtors, general economic conditions and the available and supportive forward-looking information, including time value of money where appropriate. To measure the ECL of receivables under service concessions and other receivables, they are assessed individually on the recoverability based on historical settlement records, past experience, and also the available and supportive forward-looking information.

The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balance of trade and other receivables, receivables under service concession arrangement and contract assets.

With respect to the credit risk of the Group's treasury operations, all bank balances, securities and debt investments of the Group must be placed and entered into with sound and reputable financial institutions. Strict requirements and restrictions in relation to the outstanding amount and credit ratings on securities and debt investments to be held are followed in order to minimise the Group's credit risk exposures.

54. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The credit risk arising from receivable under service concession arrangements is limited as these receivables are guaranteed by the relevant governmental authorities in the PRC.

The Group's concentration of credit risk by geographical locations of customers are mainly in the PRC and Hong Kong which accounted for 90% (2018: 95%) and 10% (2018: 5%), respectively, of the trade receivables as at 31 December 2019.

The Group's credit risk on bank balances and bank deposits is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group has concentration of credit risk in relation to amounts due from associates which account for 52% (2018: 39%) of other receivables. These counterparties have a sound financial background at the end of the reporting period by reference to their financial position and business prospects. The Group's credit risk position is monitored closely by the management.

The tables below detail the credit risk exposures of the Group's trade and other receivables, contract assets, receivables under service concession arrangements, pledged/short-term bank deposits and bank balances, which are subject to ECL assessment:

	Notes	12-month or Lifetime ECL	31 December 2019 Gross carrying amount		31 December 2018 Gross carrying amount	
			HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at amortised cost						
Trade receivables (Note 29)	(ii)	Lifetime ECL – not credit-impaired	3,037,686		2,796,217	
	(ii)	Lifetime ECL – credit-impaired	130,154	3,167,840	113,413	2,909,630
Other receivables (Note 29)	(i)	12-month ECL	2,848,802		3,000,572	
	(i)	Lifetime ECL – not credit-impaired	828,875		569,155	
	(i)	Lifetime ECL – credit-impaired	97,258	3,774,935	68,277	3,638,004
Receivables under service concession arrangements (Note 24)	(i)	12-month ECL		20,003,560		18,300,994
Pledged bank deposits (Note 31)	(iii)	12-month ECL		1,292,335		628,045
Short-term deposits (Note 31)	(iii)	12-month ECL		128,365		344,134
Bank balances (Note 31)	(iii)	12-month ECL		27,904,781		25,132,470
Other items						
Contract assets (Note 30)	(ii)	Lifetime ECL – not credit-impaired		600,758		925,371
Financial guarantees	(iv)	12-month ECL		9,126,692		8,003,590

Notes:

(i) For other receivables and receivables under service concession arrangements, the Group measures the loss allowance equal to 12m ECL. The Group applies internal credit risk management to assess whether credit risk has increased significantly since initial recognition, in which case the Group recognises lifetime ECL. Except for other receivables of HK$97,258,000 which are credit-impaired and ECL has been provided as at 31 December 2019, the credit risk on other receivables and receivables under service concession arrangements are limited because the counterparties have no historical default record and the ECL on these items are considered insignificant.

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For the year ended 31 December 2019

54. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Notes: (continued)

(ii) For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the expected credit losses on these items using a provision matrix, grouped by past due status.

During the year ended 31 December 2019, no material impairment on contract assets is provided based on ECL assessment, Impairment allowance of HK$28,847,000 were made on credit impaired trade receivables.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (credit – impaired) HK$'000
As at 1 January 2018	79,612
Changes due to financial instruments recognised as at 1 January 2018:	
– Impairment losses recognised	55,520
– Impairment losses reversed	(5,316)
– Write-offs	(16,403)
As at 31 December 2018	113,413
Changes due to financial instruments recognised and at 1 January 2019:	
– Impairment losses recognised	28,847
– Impairment losses reversed	(10,061)
– Write-offs	(2,045)
As at 31 December 2019	**130,154**

(iii) Pledged bank deposits, short term deposits and bank balances that are deposited with state-owned banks or financial institutions with high credit rating to be low credit risk financial assets. The management of the Group considers these assets are short-term in nature and the probability of default is negligible on the basis of high-credit-rating issuers, and accordingly, no loss allowance was recognised during the year.

(iv) For financial guarantee contracts, the gross carrying amount representing the maximum amount the Group has guaranteed under the respective contracts. Further details are set out in Note 43.

Liquidity risk

The Group's liquidity position are monitored closely by management. The following tables detail the contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate %	Less than 1 month or on demand HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2019 HK$'000
2019							
Non-interest bearing	–	4,923,419	1,584,652	5,678,867	1,130,835	13,317,773	13,317,773
Fixed interest rate instruments	4.23	38,788	75,073	6,350,950	5,309,534	11,774,345	11,228,405
Variable interest rate instruments	5.03	167,865	315,954	14,790,537	31,336,612	46,610,968	43,539,770
		5,130,072	1,975,679	26,820,354	37,776,981	71,703,086	68,085,948
Financial guarantee contracts	–	9,126,692	–	–	–	9,126,692	–
Lease liabilities	4.78	8,798	17,595	79,178	274,555	380,126	362,792
		9,135,490	17,595	79,178	274,555	9,506,818	362,792

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For the year ended 31 December 2019

54. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	Weighted average interest rate %	Less than 1 month or on demand HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2018 HK$'000
2018							
Non-interest bearing	–	4,173,952	1,260,625	4,581,809	1,363,341	11,379,727	11,379,727
Fixed interest rate instruments	4.24	43,861	83,478	3,639,579	10,339,063	14,105,981	12,671,824
Variable interest rate instruments	4.23	119,677	214,432	10,792,510	29,800,227	40,926,846	39,169,054
		4,337,490	1,558,535	19,013,898	41,502,631	66,412,554	63,220,605
Financial guarantee contracts	–	8,003,590	–	–	–	8,003,590	–

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair value measurement of financial instruments

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

54. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurement of financial instruments (continued)

Financial assets	Fair value as at 31 December 2019 HK$'000	Fair value as at 31 December 2018 HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input(s)
Financial assets at FVTPL					
Listed equity securities	**477,590**	440,827	Level 1	Quoted bid prices in an active market	N/A
Structured deposits – Equity linked notes	**–**	15,252	Level 2	Quoted prices in the over-the-counter markets	N/A
Corporate bonds	**258,965**	368,729	Level 2	Quoted prices in the over-the-counter markets	N/A
Funds	**74,178**	70,099	Level 2	Quoted prices in the over-the-counter markets	N/A
Unlisted equity securities	**31,375**	31,386	Level 3	Adjusted net asset value method under cost approach	Discount factor of lack of control, the higher the discount factor, the lower the fair value.
Financial assets at FVTOCI					
Listed equity security	**116,736**	109,129	Level 1	Quoted bid prices in an active market	N/A
Unlisted equity securities	**547,915**	572,430	Level 3	Adjusted net asset value method under cost approach	Discount factor of lack of control, the higher the discount factor, the lower the fair value

There was no transfer amongst Levels 1, 2 and 3 in both periods.

Fair value measurements and valuation processes

The directors of the Company have closely monitored and determined the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. Management of the Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model on a regular basis, or when needs arise and will report the significant results and findings to the board of directors of the Company. The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments.

55. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities HK$'000	Bank and other borrowings HK$'000 (note)	Convertible bond HK$'000	Interests payable (included in other payables) HK$'000	Dividend payable (included in other payables) HK$'000	Amount due to related parties (included in other payables) HK$'000	Amounts due to fellow subsidiaries in other payables) HK$'000	Total HK$'000
At 1 January 2018	–	53,122,411	33,449	224,085	–	595,806	1,268	53,977,019
Financing cash flows	–	710,248	(33,538)	(2,745,919)	(1,043,723)	(355,566)	120	(3,468,378)
Non-cash changes								
Dividend declared (Note 12)	–	–	–	–	1,043,723	–	–	1,043,723
Finance costs (including amounts capitalised in properties under development held for sale) (Note 7)	–	–	89	2,746,008	–	–	–	2,746,097
Acquisition of subsidiaries (Note 38)	–	58,782	–	–	–	–	–	58,782
Exchange difference	–	(2,409,944)	–	(67,205)	–	(12,502)	–	(2,489,651)
At 31 December 2018	–	51,481,497	–	156,969	–	227,738	1,388	51,867,592
Adjustment (Note 2)	303,750	–	–	–	–	–	–	303,750
At 1 January 2019 (restated)	303,750	51,481,497	–	156,969	–	227,738	1,388	52,171,342
Financing cash flows	(97,827)	4,152,006	–	(3,050,212)	(565,350)	(3,968)	–	434,649
Non-cash changes								
Dividend declared (Note 12)	–	–	–	–	1,663,434	–	–	1,663,434
Finance costs (including amounts capitalised in properties under development held for sale) (Note 7)	8,579	–	–	3,090,229	–	–	–	3,098,808
Dividend in form of distribution in specie of subsidiary shares	–	–	–	–	(1,098,084)	–	–	(1,098,084)
New leases entered/lease modified	164,627	–	–	–	–	–	–	164,627
Exchange difference	(16,337)	(1,205,915)	–	(560)	–	(57)	(25)	(1,222,894)
At 31 December 2019	362,792	54,427,588	–	196,426	–	223,713	1,363	55,211,882

Note: The cash flows from bank and other borrowings comprise the net amount of new bank and other borrowings raised and repayment of bank and other borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

56. EVENTS AFTER THE REPORTING PERIOD

After the outbreak of coronavirus epidemic in early 2020, a series of precautionary and control measures have been and continued to be implemented across China, including extension of the Chinese New Year holiday nationwide, postponement of work resumption after the Chinese New Year holiday in some regions. The directors of the Company believe there might be possibilities that the overall financial performance of the Group for the year ending 31 December 2020 will be adversely affected by the followings:

1. The Ministry of Transport of the PRC (the “Ministry of Transport”) published a notice to extend the Holiday Toll-free policy for small passenger vehicles with 7 seats or less during the Chinese New Year from the original 7 days to a total of 16 days. In addition, on 15 February 2020, the Ministry of Transport issued “the Notice on Toll Roads going Toll-Free During the Period of Precautionary and Control in relation to the outbreak of Coronavirus Epidemic”, commenced from midnight on 17 February 2020 till the end of the prevention and control of the epidemic, toll of toll roads is waived nationwide (“Toll Free Exemption”), specific end date of Toll Free Exemption is subject to further notice. All of the expressways and bridge project operated or invested by the Group will be toll-free during the precautionary and control period. Meanwhile, according to the publications on the official website of the Ministry of Transport, the PRC government will further study and issue relevant supporting protective policies to safeguard the legitimate interests of the users, creditors, investors and operators of toll roads in a coordinated manner. Currently, there is no clarity as to when the Toll Free Exemption would end as well as when the release of the relevant supporting protective policies and its coverage.

2. In preparing the consolidated financial statements, the Group applies fair value model to measure its investment properties. In the year ending 31 December 2020, fair value of the Group’s investment properties may be subject to fluctuations due to the coronavirus epidemic.

Up to the date on which these consolidated financial statements are issued, the Group is still in the process of assessing the impacts of the coronavirus epidemic on the financial performance and position of the Group and is currently unable to estimate the quantitative impact to the Group. The management of the Group will pay close attention to the development of the coronavirus epidemic and perform further assessment of its financial impact.

The coronavirus epidemic is a non-adjusting event after the financial year end and does not result in any material adjustments to the consolidated financial statements for the year ended 31 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

57. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019 **HK$'000**	2018 HK$'000
Non-Current Assets		
Property, plant and equipment	**4,581**	2,895
Investments in subsidiaries	**735,055**	735,055
	739,636	737,950
Current Assets		
Deposits, prepayments and other receivables	**12,828**	7,086
Amounts due from subsidiaries	**33,984,730**	35,270,737
Bank balances and cash	**3,373,537**	1,369,684
	37,371,095	36,647,507
Current Liabilities		
Other payables and accrued charges	**27,214**	28,746
Amounts due to subsidiaries	**5,219,047**	4,883,212
Taxation payable	**158,212**	182,005
	5,404,473	5,093,963
Net Current Assets	**31,966,622**	31,553,544
Total Assets less Current Liabilities	**32,706,258**	32,291,494
Capital and Reserves		
Share capital	**13,649,839**	13,649,839
Share premium and reserves	**19,056,419**	18,641,655
Total Equity	**32,706,258**	32,291,494

Zhou Jun
Chief Executive Officer

Xu Bo
Deputy Chief Executive Officer

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

58. SHARE PREMIUM AND RESERVES OF THE COMPANY

	Convertible bonds equity reserve HK$'000	Capital reserve HK$'000 (note ii)	Retained profits HK$'000	Total HK$'000
At 1 January 2018	71,711	1,137,728	16,270,596	17,480,035
Profit for the year	–	–	2,205,343	2,205,343
Transfer upon maturity of convertible bonds	(71,711)	–	71,711	–
Dividends paid (Note 12)	–	–	(1,043,723)	(1,043,723)
At 31 December 2018	–	1,137,728	17,503,927	18,641,655
Profit for the year	–	–	2,078,198	2,078,198
Dividends paid (Note 12)	–	–	(1,663,434)	(1,663,434)
At 31 December 2019	–	1,137,728	17,918,691	19,056,419

Notes:

(i) The Company's reserves available for distribution to shareholders as at 31 December 2019 comprised of retained profits of approximately HK$17,919 million (2018: HK$17,504 million).

(ii) The Company's capital reserve which arose in 1997 upon reduction of share premium as confirmed by the Order of the High Court of Hong Kong was not realised profits and is an undistributable reserve.

FINANCIAL SUMMARY

	Year ended 31 December				
	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019** **HK$'000**
RESULTS					
Revenue	19,693,682	22,131,758	29,520,325	30,412,883	**32,345,473**
Profit before taxation	5,762,985	7,499,270	9,371,656	8,523,183	**8,906,201**
Income tax expense	(2,071,025)	(2,659,370)	(4,236,931)	(3,429,512)	**(3,572,645)**
Profit for the year	3,691,960	4,839,900	5,134,725	5,093,671	**5,333,556**
Profit for the year attributable to					
– Owners of the Company	2,826,764	2,903,030	3,135,182	3,333,020	**3,349,531**
– Non-controlling interests	865,196	1,936,870	1,999,543	1,760,651	**1,984,025**
	3,691,960	4,839,900	5,134,725	5,093,671	**5,333,556**
	HK$	HK$	HK$	HK$	**HK$**
Earnings per share					
– Basic	2.605	2.673	2.884	3.066	**3.081**
– Diluted	2.500	2.639	2.882	3.065	**3.081**

	As at 31 December				
	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019** **HK$'000**
ASSETS AND LIABILITIES					
Total assets	144,700,693	153,259,029	174,382,141	167,419,445	**174,942,290**
Total liabilities	(89,407,443)	(90,527,634)	(103,194,201)	(97,916,477)	**(102,137,730)**
	55,293,250	62,731,395	71,187,940	69,502,968	**72,804,560**
Equity attributable to owners of the Company	36,031,634	37,094,036	41,742,566	41,275,296	**40,239,812**
Non-controlling interests	19,261,616	25,637,359	29,445,374	28,227,672	**32,564,748**
	55,293,250	62,731,395	71,187,940	69,502,968	**72,804,560**

PARTICULARS OF MAJOR PROPERTIES HELD FOR INVESTMENT PURPOSES

Details of the Group's major properties held for investment purposes as at 31 December 2019 are as follows:

Location	Term of lease	Type of use	Group's interest
1. ShanghaiMart(上海世貿商城) No. 2299 Yanan Road West, Changning District, Shanghai, the PRC	Held under a land use right for a term expiring on 20 October 2049	Commercial, Office and Expo	24.18%
2. Urban Development International Tower(城開國際大廈) No. 355 Hongqiao Road, Xuhui District, Shanghai, the PRC	Held under a land use right for a term expiring on 7 October 2053	Commercial	27.97%
3. YOYO Tower(城開YOYO) No. 111 and 123 Tianyaoqiao Road, Xuhui District, Shanghai. the PRC	Held under a land use right with an unspecified term	Commercial	27.97%
4. Phase 2 of Shanghai Youth City(上海青年城) No. 1519 Husong Road, Jiuting Town, Songjiang District, Shanghai, the PRC	Held under a land use right for a term expiring on 8 July 2055	Commercial	47.41%
5. Lot No. B2, Phase I of Top City(城上城) No. 1 Aoti Road, Yuanjiagang, Jiulongpo District, Chongqing, the PRC	Held under a land use right for a term expiring in February 2044	Commercial and Car Park Spaces	47.41%
6. The commercial building at Phase 3 of Youngman Point, No. 2 Gan Lu Yuan Zhong Li, Qingnian Road, Chaoyang District, Beijing, the PRC	Held under a land use right for a term expiring on 5 February 2044	Commercial	47.41%
7. The retail, office and basement car park portion of Changning United 88(長寧八八中心) No. 88 Changning Road, Changning District, Shanghai, the PRC	Held under a land use right for a term expiring on 14 August 2052	Composite	48.60%
8. Several levels of Golden Bell Plaza(金鐘廣場) No. 98 Huahai Road Central, Huangpu District, Shanghai, the PRC	Held under a land use right for a term expiring on 18 November 2043	Commercial and Office	43.74%
9. Several levels of commercial and Cultural Complex of Hi Shanghai(海上海) Lane 568 Feihong Road and Nos. 950, 970 and 990 Dalian Road, Yangpu District, Shanghai, the PRC	Held under a land use right for a term expiring on 19 September 2052	Composite	48.60%
10. Commercial units of Huangpu Estate(黃浦新苑) No. 1130 and Nos. 1-2, Lane 1108, Tibet Road South, Huangpu District, Shanghai, the PRC	Held under a land use right for a term expiring on 8 November 2050	Commercial	48.60%
11. Several levels of Shanghai Industrial Investment Building(上海實業大廈) No. 18 Caoxi Road North, Xuhui District, Shanghai, the PRC	Held under a land use right for a term expiring on 27 November 2044	Commercial and Office	48.60%
12. Gaoyang Commercial Centre(高陽商務中心) No. 815 Dongdaming Road, Hongkou District, Shanghai, the PRC	Held under a land use right for a term expiring on 5 March 2053	Commercial and Office	48.60%
13. The unsold portions of Haishang Mingyuan(海上名苑), Lane 928, Yumin Road, Jiading District, Shanghai, the PRC	Held under a land use right for a term expiring on 3 November 2064	Commercial and Office	48.60%

GLOSSARY OF TERMS

Term used	Brief description
Aerospace Group	China Aerospace Science and Technology Corporation
Baowu Environment	BAOWU Group Environmental Resources Technology Co., Ltd.
Baojin'gang Environmental	Shanghai SIIC Baojin'gang Environmental Resources Technology Co., Ltd.
Canvest Environmental	Canvest Environmental Protection Group Company Limited (HKSE stock code: 1381)
CIRC	China Isotope & Radiation Corporation (HKSE stock code: 1763)
Companies Ordinance	Companies Ordinance (Chapter 622) of the laws of Hong Kong
Company	Shanghai Industrial Holdings Limited (HKSE stock code: 363)
Director(s)	director(s) of the Company
Galaxy Energy	SIIC Aerospace Galaxy Energy (Shanghai) Co., Ltd.
General Water of China	General Water of China Co., Ltd.
Green Energy	Shanghai Green Energy Co., Ltd.
Group	the Company and its subsidiaries
Hu-Ning Expressway	Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd.
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules
Nanyang Tobacco	Nanyang Brothers Tobacco Company, Limited
Net Business Profit	Net profit excluding net corporate expenses
PRC	The People's Republic of China
SFO	Securities and Futures Ordinance (Chapter 571)of the laws of Hong Kong
SGX	Singapore Stock Exchange
Shanghai Galaxy	Shanghai Galaxy Investment Co., Ltd.
Shanghai Pharmaceuticals	Shanghai Pharmaceuticals Holding Co., Ltd. (SSE stock code: 601607; HKSE stock code: 2607)
Shangtou Asset	Shanghai Shangtou Asset Operatiolns Co., Ltd.
Shanghai Qingyue	Shanghai Qingyue Real Estate Co., Ltd.
Share(s)	share(s) of the Company
Shining Real Estate	Shanghai Shining Real Estate Co., Ltd.

GLOSSARY OF TERMS

Term used	Brief description
SI Development	Shanghai Industrial Development Co., Ltd. (SSE stock code: 600748)
SI Urban Development or SIUD	Shanghai Industrial Urban Development Group Limited (HKSE stock code: 563)
SI Urban Development Scheme	a share option scheme adopted by SI Urban Development at the extraordinary general meeting held on 12 December 2002. Such scheme was expired on 11 December 2012
SI Urban Development New Scheme	a new share option scheme adopted by SI Urban Development at the annual general meeting held on 16 May 2013
SIHL Scheme	a new share option scheme adopted by the Company at the extraordinary general meeting held on 25 May 2012
SIIC	Shanghai Industrial Investment (Holdings) Company Limited
SIIC Environment	SIIC Environment Holdings Ltd. (SGX stock code: BHK; HKSE stock code: 807)
SIIC Environment Scheme	a share option scheme adopted by SIIC Environment at the extraordinary general meeting held on 27 April 2012
SIIC Financial Leasing	SIIC Financial Leasing Co., Ltd.
SIIC Management	SIIC Management (Shanghai) Co., Ltd.
SIIC Yangtze Delta	SIIC Yangtze Delta Environmental Resources (Hong Kong) Limited
SIUD Share(s)	ordinary share(s) of SI Urban Development
SSE	Shanghai Stock Exchange
Stock Exchange or HKSE	The Stock Exchange of Hong Kong Limited
Taizhou Water Group	Taizhou Water Group Co., Ltd. (HKSE stock code: 1542)
Wing Fat Printing	The Wing Fat Printing Company, Limited

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