



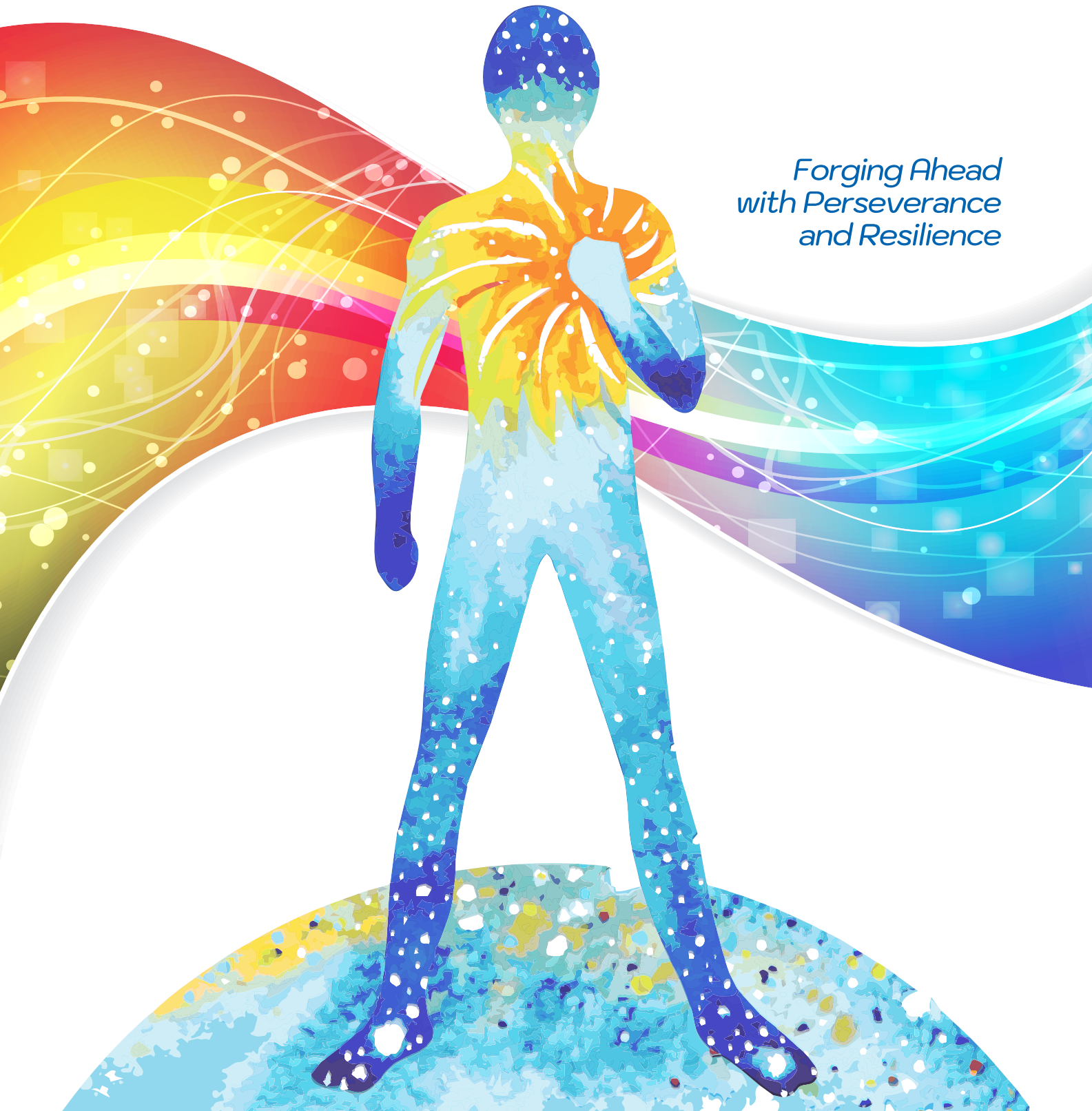
上海實業控股有限公司

SHANGHAI INDUSTRIAL HOLDINGS LIMITED

(Stock Code : 363)

## Interim Report 2020

*Forging Ahead  
with Perseverance  
and Resilience*



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# 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

26th Floor, Harcourt House,  
39 Gloucester Road, Wanchai, Hong Kong  
Telephone : (852) 2529 5652  
Facsimile : (852) 2529 5067  
Email : enquiry@sihl.com.hk

## COMPANY STOCK CODE

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

## COMPANY WEBSITE

www.sihl.com.hk

## AUDITOR

Deloitte Touche Tohmatsu

## SHARE REGISTRAR

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

## ADR DEPOSITORY BANK

The Bank of New York Mellon  
BNY Mellon Shareowner Services  
P.O. Box 358516,  
Pittsburgh, PA 15252-8516, USA  
Telephone : (1) 201 680 6825  
Toll free (USA) : (1) 888 BNY ADRS  
Website : www.bnymellon.com/shareowner  
Email : shrrelations@bnymellon.com

# Information for Shareholders

## DIVIDEND

The Board of Directors has resolved for the year of 2020 the payment to the Shareholders whose names appear on the register of members of the Company on the Record Date (or in case of the interim special dividend, the Qualifying Shareholders) of (i) an interim cash dividend of HK22 cents per Share; and (ii) an interim special dividend in the form of distribution in specie of the SIUD Shares held by the Group, in order to reciprocate to our Shareholders and to enable them to participate more directly in the future business growth of our subsidiary, SI Urban Development, and to help increase the liquidity of the SIUD Shares in the market.

In relation to the interim special dividend, the SIUD Shares will be distributed to the Qualifying Shareholders in proportion to their respective shareholdings in the Company on the Record Date on the following basis:

for every 5 Shares held . . . . . 1 SIUD Share

If any calculation of a Shareholder's entitlement to the SIUD Shares would result in a fraction of a SIUD Share, such entitlement will be rounded down to the nearest whole number of the SIUD Shares. No fraction of a SIUD Share will be distributed, but such fractional shares will be sold in the market as far as practicable and the net proceeds of such sale will be retained for the benefit of the Company.

As at the date of this report, the total number of issued Shares is 1,087,211,600. For the corresponding period of last year, the Company has effected a distribution in specie to Qualifying Shareholders on the basis of 1 SIUD Share for every Share held.

The record date for the interim cash dividend and interim special dividend is Tuesday, 29 September 2020. The above cash dividend and special dividend are expected to distribute to Shareholders on or around Thursday, 22 October 2020.

In addition, in relation to the interim special dividend, subject to overseas legal and regulatory restrictions, if any, it should be noted that it may not be possible or practicable to distribute the SIUD Shares to certain overseas Shareholders. For further details of the arrangements for such overseas Shareholders and distribution of interim dividend as aforesaid, please refer to the announcement made by the Company on 8 September 2020.

## CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining Shareholders' entitlement to the interim cash dividend and interim special dividend, the register of members of the Company will be closed from Monday, 28 September 2020 to Tuesday, 29 September 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, Tricor Secretaries Limited of 54th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Friday, 25 September 2020.

## FINANCIAL CALENDAR

<b>2020 interim results announced</b>	28 August 2020
<b>Despatch of 2020 interim report</b>	on or about 18 September 2020
<b>Ex-dividend date for 2020 interim cash dividend and interim special dividend</b>	24 September 2020
<b>Record date for 2020 interim cash dividend and interim special dividend</b>	29 September 2020
<b>Despatch of notice of 2020 interim cash dividend and SIUD Shares</b>	on or about 22 October 2020



# Chairman's Statement

I would like to report to our Shareholders the Group's interim results for the period ended 30 June 2020.

During the first half of the year, global economic activity has been seriously affected by prevention-and-control measures introduced by governments of different countries in response to the COVID-19 outbreak, resulting in highly volatile capital markets, including security and bond prices, exchange rates, interest rates and other financial instruments. Responding swiftly to the adversity, the Group's Board of Directors and management firmly supported the government's control measures and safeguarded the health and safety of its employees. The Group also effectively coordinated its resources to ensure a steady operation of its core businesses while minimizing the impact and losses arising from the outbreak of the virus. The solid asset base and business structure of the Group's member companies, coupled with quality management and risk-control systems, have effectively contained adversities brought about by the epidemic. Despite the significant decline in operating results for the period, the Group has been able to maintain overall profitability, which has been regarded as satisfactory in light of the difficult external environment.

For the six months ended 30 June 2020, the Group's total revenue amounted to HK\$13,211 million, representing a year-on-year decrease of 20.7%. Net profit decreased year-on-year by 60.1% to HK\$803 million. These declines were largely due to the economic impact of the epidemic.

The Board of Directors has resolved for the year of 2020 the payment of (i) an interim cash dividend of HK22 cents per Share; and (ii) together with an interim special dividend in the form of distribution in specie of the SIUD Shares held by the Group in proportion to their respective shareholdings in the Company on the following basis, to Shareholders whose names appear on the register of members of the Company on the Record Date, in order to reciprocate to our Shareholders and to enable them to participate more directly in the future business growth of our subsidiary, SI Urban Development, and to help increase the liquidity of the SIUD Shares in the market:

for every 5 Shares held. . . . . 1 SIUD Share

If any calculation of a Shareholder's entitlement to the SIUD Shares would result in a fraction of a SIUD Share, such entitlement will be rounded down to the nearest whole number of the SIUD Shares. No fraction of a SIUD Share will be distributed, but such fractional shares will be sold in the market as far as practicable and the net proceeds of such sale will be retained for the benefit of the Company.

As at the date of this report, the total number of issued Shares is 1,087,211,600. For the corresponding period of last year, the Company has effected a distribution in specie to the Shareholders of the Company on the basis of 1 SIUD Share for every Share held.

The record date for the interim cash dividend and interim special dividend is Tuesday, 29 September 2020. The above cash dividend and special dividend are expected to distribute to Shareholders on or around Thursday, 22 October 2020.

The Group's infrastructure and environmental protection business recorded a profit of HK\$408 million for the first half of the year, representing a year-on-year decrease of 59.8%. For the water services business, the revenue and profits attributable to shareholders of SIIC Environment for the first half of 2020 amounted to RMB2,640 million and RMB281 million, representing a decrease of 9.7% and 6.3%, respectively. For the same period, General Water of China recorded revenue of HK\$1,100 million, representing an increase of 8.3% over the corresponding period last year, and a net profit of HK\$167 million, representing a year-on-year growth of 46.2%. During the period, the toll roads business recorded significant declines in traffic flow and toll revenue due to the Government's toll policies and measures to prevent and control the epidemic. For the solid waste business, the Group capitalized on market opportunities to steadily expand its business, laying a solid foundation for future profit growth.

The real estate business recorded a profit of HK\$256 million, representing a year-on-year decrease of 53.6%, as the epidemic adversely affected marketing activities and the progress of construction. Rental income was also lower due to rent concessions given to tenants of investment properties in order to cope with the policies as called upon by the Government.

SI Urban Development recorded revenue of HK\$3,173 million for the first half of 2020, representing a decrease of 31.1% over the same period last year. Profits attributable to shareholders for the period amounted to HK\$151 million, representing a year-on-year decrease of 51.4%. SI Development recorded revenue of RMB4,493 million for the period, representing a year-on-year increase of 3.3%. Profits attributable to shareholders for the period amounted to RMB429 million, representing a year-on-year increase of 4.1%.

The production and operation of the consumer products business was also negatively affected by the outbreak of the epidemic. Net profit amounted to HK\$360 million, a year-on-year decrease of 35.7%. Despite this, the division remained a primary source of profit and cash flow for the Group.

### **Steady development of infrastructure and environmental protection business and orderly growth of solid waste business**

During the first half of 2020, our three toll roads and Hangzhou Bay Bridge recorded a significant decline in traffic flow and toll revenue, mainly brought about by state policies to combat the epidemic that required the waiving of tolls for toll roads nationwide, economic structural adjustments in surrounding areas, waiver of toll millage at the entry sections of all expressways nationwide, toll discounts on electronic toll collection (ETC) lanes nationwide, and unstable settlement data due to the new toll networking systems installed across the country that were at the initial stage of operation. The toll waiver policy ended on 5 May 2020, and the Government has been considering respective compensations for the toll-free policies for affected toll roads with a view to safeguarding the legitimate rights of the toll road users, creditors, investors and operators. During the period, our road operating companies responded promptly to the Government's epidemic prevention-and-control measures and maintained their service quality and management efficiency to achieve steady overall business development while safe and smooth road passage was ensured.

SIIC Environment, dually listed in both Singapore and Hong Kong, continued to steadily expand its water asset, improve asset quality and overall profitability. The company's daily water treatment capacity almost reached 12,000,000 tonnes; together with General Water of China, the daily capacity for water treatment for the Group was brought up to over 19,000,000 tonnes. While it was under the threat of the epidemic, the company's subsidiary in Wuhan not only introduced proactive prevention-and-control measures to address problems arising from shortages of local staff and production materials, but also facilitated the supply of "life-saving water" when the government built emergency hospitals.

In the area of solid waste, SIIC Environment formed a joint venture with Baowu Environment and Canvest Environmental for the establishment of a renewable energy center project in Baoshan, representing the first innocuous domestic waste treatment facility in Shanghai. The Group also gradually increased its shareholding in Canvest Environmental to share its growth and profitability. We will continue to seek investment opportunities for other quality solid waste projects to create new sources for future profit growth.

Shanghai Galaxy and its subsidiary, Galaxy Energy, together own a total of 13 photovoltaic power generation projects nationwide and have become leading Chinese photovoltaics companies with a total asset scale of 590MW. During the period, the total amount of on-grid electricity sold hit a new high of approximately 463 million kWh, representing an increase of 5.8% over the same period last year. Through cooperation with Shanghai Galaxy and Shangtou Asset, the Group also invested in Green Energy and made its debut in offshore wind power business in Shanghai. In addition, we joined hands with Shanghai Pharmaceuticals, a subsidiary of SIIC, to invest in CIRC, a company listed on the Hong Kong Stock Exchange, as cornerstone investor to explore development potential in the radioactive drugs sector.

## Chairman's Statement

### **Strengthening sales and innovation, consolidating and optimizing property management services for the real estate business**

The real estate business was adversely affected by the epidemic during the first half of 2020, including delays in the launching of marketing activities and the progress of construction. A lower rental income was also recorded due to concessions and exemptions extended to tenants of the Group's investment properties following calls by the Government.

While ensuring strict implementation of epidemic prevention-and-control measures, SI Development strengthened its online project promotion and advertising activities to bolster contract sales and collection of receivables. In addition, efforts were made to strengthen the company's property management platforms and further consolidate service standards.

SI Urban Development made considerable efforts to make up losses brought about by the epidemic and achieved significant progress in the acceleration of project construction. In addition, further efforts were made to accomplish better results in the area of standardization, branding, adoption of technology and capitalization in order to boost the company's core competitiveness and to add greater value to its services.

### **Seizing sales orders and planning for innovation to achieve new breakthroughs for the consumer products business**

Since the beginning of the year, customs and ports were unprecedentedly shut down in a number of cities worldwide, resulting in disruptions in customs clearance of goods and significant declines in orders. The duty-free markets literally came to a halt and sales were very slow overall. Notwithstanding this difficult situation, Nanyang Tobacco continued to maintain its strategic goals of "Strengthening business growth; pursuing excellence; and ensuring healthy internal operations and external development" while adopting proactive epidemic prevention-and-control measures, and was able to ensure normal production and operation in an orderly manner. With the rapid recovery of the duty-paid market in Hong Kong and the gradual resumption of work and production on the mainland, sales volumes and turnover have rebounded.

Thanks to the unremitting efforts of the company's management team, Wing Fat Printing has safely implemented prevention-and-control measures against the epidemic, resulting in the resumption of work and production for the company in a timely manner. By resuming operation, the company has been able to win invaluable contracts from foreign companies amidst a "capacity shortage period" during the first half of the year while the epidemic was still prevalent. Additionally, the implementation of "intelligent manufacturing" enhancement earlier this year has greatly supported the company's steady performance at a critical time during this extraordinary period.

## **PROSPECTS**

In the second half of 2020, the Group's business and production have largely resumed operations following the success of prevention-and-control measures implemented by the Government on the mainland. However, uncertainties about the epidemic still remained in Hong Kong and other countries around the world. The impact created by control measures taken by different governments worldwide on normal economic and production activities, together with geopolitical factors, international trade disputes, volatility in interest rates and currency exchanges, are set to present severe challenges to the development of the Group's businesses. Against this scenario, the Group has pledged to take proactive steps to enhance its operating and management efficiency, strengthen risk management and controls, and continue to reform and innovate while still carrying out epidemic prevention-and-control measures. Resources will be carefully planned and deployed to make up for the shortfalls in operating results for the first half of the year. In addition, the Group will continue to optimize its assets when opportunities arise in order to maximize shareholder value.

For the infrastructure and environmental protection segments, the water business and solid waste business will continue to expand the scale of their investments in an orderly manner, including the investment in the Baoshan project through SIIC Environment, as a new source of profit growth for the Group. Technological innovation will also be further strengthened and the management models of different enterprises will continue to be improved. The management team will be further streamlined to expedite business development. While maintaining operational efficiency, the toll roads business will continue to record steady growth. Through investments in new business arenas, the Group's investments in the environmental protection and green energy segment will generate new contribution to the Group.

With the resumption of business and production in different provinces of the mainland, the development of the Company's real estate business will accelerate in all aspects of its operational activities with a view to meeting and exceeding development and sales goals.

Thanks to the rapid recovery of the duty-paid market in Hong Kong and gradual resumption of business and production on the mainland, Nanyang Tobacco has begun to see a rebound both in sales volume and turnover. The prospects for the airport duty-free market, ship tobacco market and overseas markets are rather weak in the short term, but the company will proactively optimize allocation of resources, adjust its promotion plans in response to different markets and will actively deploy appropriate marketing strategies. Simultaneously, Nanyang Tobacco will continue to make progress in technological innovation, vividly adjust its marketing programs, streamline production processes, provide incentives to staff and actively plan for breakthroughs in development. The company will also seek cooperation with large PRC cigarette enterprises which aim to expand their overseas production and sales to broaden the scope of its markets and global presence. Against the difficult environment of the first half of the year, Wing Fat Printing made continuous efforts to consolidate the market competitiveness of its printing and packaging business and the moulded-fibre business, and made strategic plans for the smart-medicine packaging business. Such moves are expected to provide new performance support in the new normal of the post-epidemic environment, aimed at creating new sources of profit growth in the future. In the second half of the year, Wing Fat Printing will continue to strive for the achievement of the company's business goals for the year.

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



**Shen Xiao Chu**

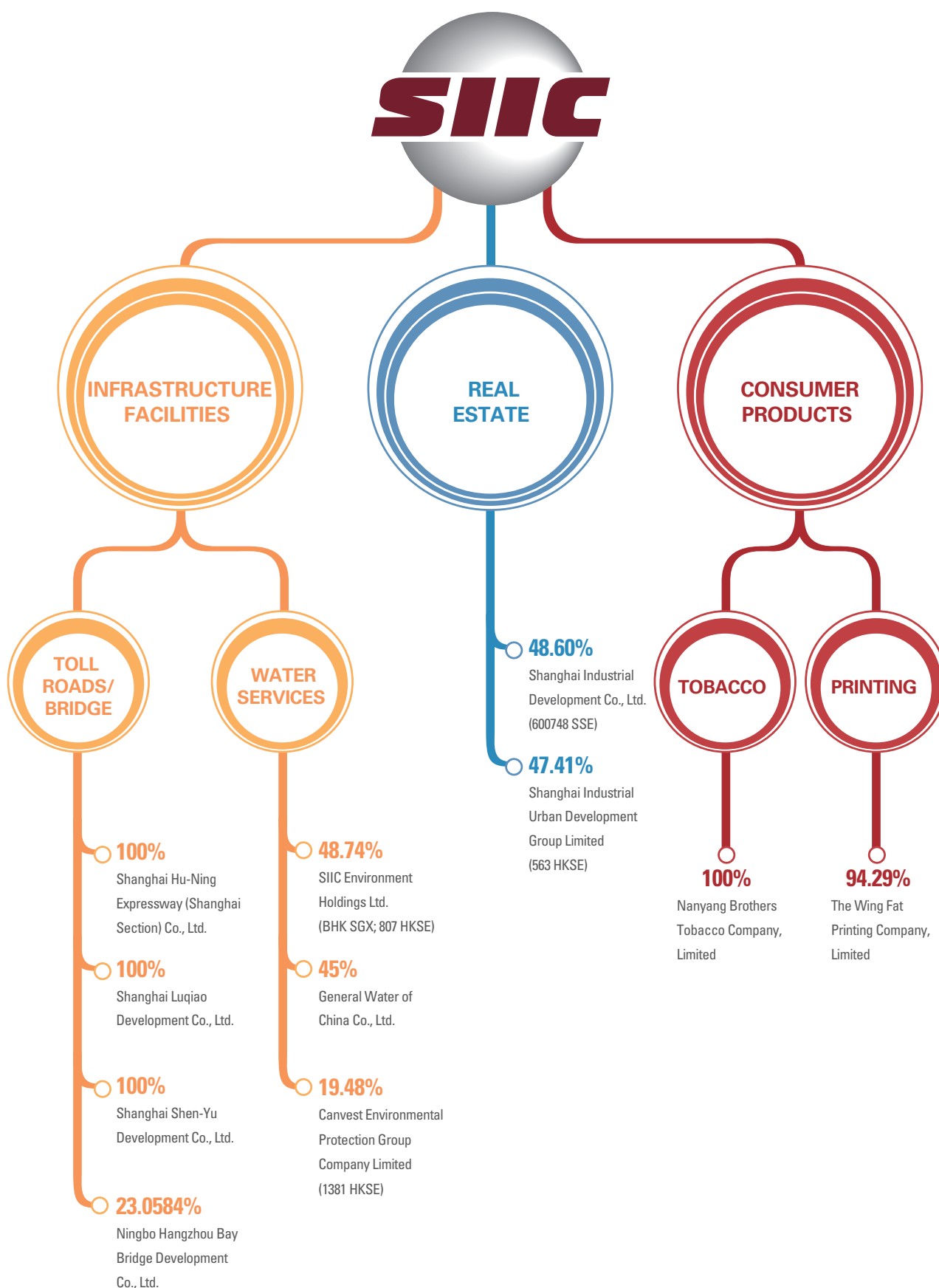
*Chairman*

Hong Kong, 28 August 2020



# Group Business Structure

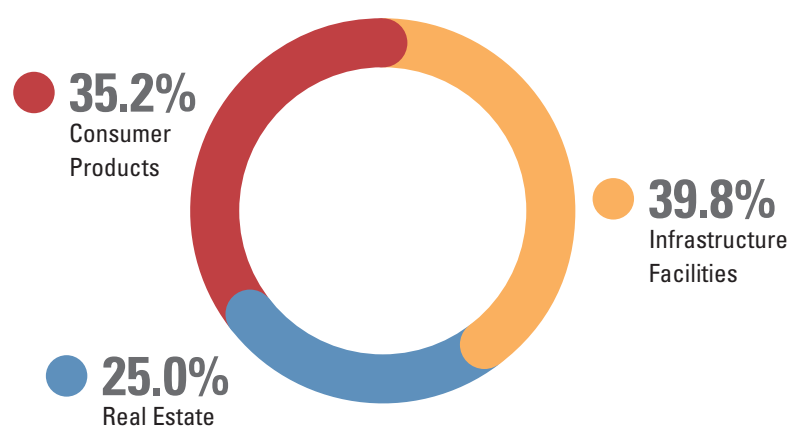
As at 28 August 2020



# Business Review, Discussion and Analysis

For the six months ended 30 June 2020, the Group's unaudited revenue and profits attributable to shareholders amounted to HK\$13,211 million and HK\$803 million, representing a respective decrease of 20.7% and 60.1% over the same period last year. The declines were mainly due to the unfavorable business environment brought about by the novel coronavirus (COVID-19) epidemic, and the implementation of respective quarantine and community restrictive measures on the mainland, Hong Kong and overseas, resulting in a significant drop in the Group's profit, especially for the expressway, real estates and consumer products businesses. During the period, the Group implemented effective prevention and-control measures to curtail the epidemic and strictly monitored cost and expenditure resulting in overall stable operations and production for all its businesses. In addition, the Group continued to promote business transformation, innovation and upgrading, expand the scale of its assets and optimize its capital structure.

## Profit contribution from the Group's core business



## INFRASTRUCTURE FACILITIES

During the period, the infrastructure facilities business recorded a profit of HK\$408 million, representing a decrease of 59.8% over the corresponding period last year and accounting for 39.8% of the Group's Net Business Profit. To combat the epidemic, the Group has made considerable efforts to ensure water safety and meet sewage treatment standards. In addition, it continued to upgrade and integrate existing water treatment projects, and capitalize on opportunities to further expand the scale of its solid waste business. The toll roads and bridge business will carry out plans for the implementation of prevention and control measures of the epidemic which has become a new normal, and continue to improve transportation facilities and system upgrading in order to further improve road efficiency, reduce costs and striving to safeguard corporate interests.

### Toll Roads

During the period, significant declines were recorded in overall traffic flow and toll revenue of our three toll roads and Hangzhou Bay Bridge due to the following factors: (1) Epidemic prevention and control measures have restrained large-scale travel demand across the country; (2) Toll-free policy for small passenger vehicles was extended from 7 days to 16 days during the Spring Festival, and the subsequent waiving of toll tariffs nationwide commencing from 17 February 2020 till 5 May 2020, resulting in a significant decrease in the number of toll collection days; (3) Toll mileage for the entry section of all expressways nationwide would not be counted; (4) A 5% toll discount on electronic toll collection (ETC) lanes nationwide and an increased proportion of ETC transactions; (5) Unstable settlement data due to the installation of the new toll networking system nationwide following the removal of expressway toll stations on provincial borders across the country; and toll adjustments made to new vehicle classification since this year; and (6) It is expected to take a while before the traffic flow could return to normal following the gradual recovery of the PRC economy.

## Business Review, Discussion and Analysis

Our toll road project companies responded swiftly to prevention and control arrangements from respective provinces and cities as well as from the Group to curtail the epidemic. In support of the traffic police and health departments, epidemic prevention inspections were carried out on passing vehicles while transportation facilities were continued to be improved. Additionally, catering services were suspended in service areas to minimize the gathering of people. To safeguard the health conditions of the employees, anti-epidemic materials were distributed to them in a timely manner. Disinfection for public areas such as toll stations and offices were strengthened while the expressways were kept in clean, safe and smooth operation.

According to information released by Government departments, respective state departments are contemplating appropriate compensation schemes to alleviate the impact on tolls and profits brought about by the waiving of tolls due to the epidemic. The scheme is intended to safeguard the legitimate rights of toll road users, creditors, investors and operators. During the period, the Hangzhou Bay Bridge and the “two districts and one island” were in safe and orderly operation with the implementation of sound epidemic prevention-and-control measures. While full-scale operation has resumed in these areas, the project company will continue to conduct whole bridge maintenance inspections, facility and equipment repairs and toll system updates.

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\$27.78 million	-87.9%	HK\$119 million	-65.8%	14.93 million	-48.3%
Hu-Kun Expressway (Shanghai Section)	100%	HK\$11.78 million	-95.9%	HK\$190 million	-65.3%	28.64 million	-0.6%
Hu-Yu Expressway (Shanghai Section)	100%	HK\$1.89 million	-98.5%	HK\$123 million	-60.1%	15.18 million	-28.0%
Hangzhou Bay Bridge	23.0584%	HK\$13.71 million	-79.4%	HK\$462 million	-49.4%	8.27 million	+17.9%
<b>Total</b>		<b>HK\$55.16 million</b>	<b>-92.2%</b>	<b>HK\$894 million</b>	<b>-57.8%</b>	<b>67.02 million</b>	<b>-21.9%</b>

Since the beginning of the year, expressway toll stations on provincial borders across the country have been cancelled. In response to this, the optimization and upgrading of the new toll settlement system project and the “toll display” function of ETC toll was completed during the period, allowing fast toll collection across provinces where vehicles are not required to stop and pay tolls. Additionally, all project companies have managed to ensure smooth traffic and optimize the settlement system. Training programs and competitions were organized to improve the performance of toll collectors and to familiarize them with the operation of the new system. In the current year, our toll roads are required to undergo national inspections for the assessment of the maintenance and management performance of the expressways nationwide, which takes place every five years. To accomplish this exercise, the project companies will strictly implement a number of tasks by setting high standards and will complete environmental improvement on road surface and road area. Plans will also be made to safeguard the smooth running of the third China International Impact Expo (CIIE), further enhancing the image of our collection services on the basis of former achievements and experience, and to complete a variety of tasks with regulated and high-quality services.

In April 2020, the Company announced that its wholly-owned subsidiary, Hu-Ning Expressway, has transferred the entire 23.9719% equity interests held by it in Wufangzhai to Shanghai Galaxy, of which 45% equity interest is held by it, for a consideration of RMB419,508,055. Upon completion of the transaction, Hu-Ning Expressway no longer directly holds any equity interests in Wufangzhai, but will be indirectly held those interest through Shanghai Galaxy. In view of the current market conditions, the transaction is expected to allow Hu-Ning Expressway to gain more liquid funds and to achieve a reasonable return on its investment, thereby allowing it to concentrate its resources to its core business of toll roads, and replenish its working capital for the implementation of strategic transformation plans.

### **Water Services**

The Group will continue to streamline management in the area of water services and solid waste power generation while further upgrading its standards and expanding its capital scale in an orderly manner in order to improve its overall profitability. The results for the period also benefited from profits attributable to the gradual increase in the equity interests of Canvest Environmental in recent years.

### *SIIC Environment*

During the period, SIIC Environment recorded a revenue of RMB2,640 million, representing a year-on-year decrease of 9.7%. The decline was mainly attributable to a reduction in construction revenue due to delays or postponement caused by the epidemic for the construction of new BOT (Build-Operate-Transfer) projects in the first half of the year. The reduction in construction revenue was partly offset by an increase in operating income due to a rising volume of sewage treatment and higher average treatment tariff. During the period, the company recorded a profit after taxation of RMB281 million, representing a year-on-year decrease of 6.3%.

SIIC Environment signed a cooperation strategic framework with its partners at the beginning of the year following the formation of a joint venture with Baowu Environment and Canvest Environmental in the preceding year for the bidding of a renewable energy center project in Baoshan, Shanghai. Under the agreement, the three parties will leverage on their respective environmental protection technology expertise for the construction of the renewable energy center project. The energy center under construction is expected to represent a local and international benchmark for waste incineration. In addition, plans are being made for the building of a number of ecological industrial parks in such cities as Nanjing, Wuhan, Maanshan, Chongqing, and to be followed by the expansion of related businesses along the Yangtze River Economic Belt and the Belt and Road.

With regard to new projects, SIIC Environment was awarded a contract during the second quarter of the year for the construction of the Wuxi Huishan economic development zone sewage treatment project. With a total planned daily capacity of 100,000 tonnes, the new treatment plant will represent one of the core projects of the company and is expected to bolster its strategic deployment along the Yangtze River Delta region. The company was offered four additional expansion and upgrading projects with a total planned daily capacity of 250,000 tonnes. A wastewater treatment project with a total planned daily capacity of 30,000 tonnes has commenced commercial operation. In terms of treatment tariff, the company's average daily sewage water treatment fees were increased to RMB1.10 per tonne from RMB1.01 per tonne, up 9% year on year.

Going forward, SIIC Environment will continue to expand and strengthen its two core areas of business, including municipal water utilities and comprehensive water environment management, while striving for more sewage water treatment upgrade projects. In line with the Government's environmental protection policy, the company will capitalize on market opportunities in the solid waste incineration business. In addition, water utilities and solid waste incineration businesses will continue to be expanded to undertake additional high-standard modern environmental protection projects and the company will look for opportunities in other environmental protection-related markets. Leveraging its own competitive advantage, SIIC Environment is actively seeking development opportunities in the Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area. Meanwhile, the company will optimize its development strategies and broaden its scope of business while striving to improve its economy of scale and generate higher returns for the long term and rapid development of the company.

### *General Water of China*

In the first half of 2020, General Water of China made significant progress on a number of projects which are intended for the protection of the Yangtze River, improvement of quality and efficiency and technological innovation. During the period, the company implemented effective measures to prevent and control the epidemic and achieved good results. Accordingly, all operating units maintained stable production while a number of water treatment projects have been put into trial operation. During the period, the company recorded a revenue of HK\$1,100 million, representing a year-on-year increase of 8.3%. Net profit amounted to HK\$167 million, representing an increase of 46.2% over the same period of last year. General Water of China was awarded one of the Top 10 Most Influential Enterprises in China's Water Industry for the 17th consecutive year, and was once again being ranked one of the top three companies in this area.

## Business Review, Discussion and Analysis

In April, General Water of China signed a contract with Bengbu Housing and Urban-Rural Development Bureau for the construction of the Bengbu reclaimed water reclaimed project. The project is expected to greatly improve the water ecological environment of the Huai River, a tributary of the Yangtze River, representing an important step in fulfilling its responsibility as the main platform for environment protection and controlling pollution of the Yangtze River. The total investment of the project was RMB278 million, with a planned daily capacity of 160,000 tonnes (the current daily capacity was 90,000 tonnes). In the same month, as an important part of the water environment system upgrading project of the Ming River in Guiyang, General Water of China's Guiyi reclaimed water plant was put into trial operation. By adopting a PPP (public-private partnership) model with a total planned daily capacity of 50,000 tonnes and covering a service area of 22,060 square meters, the project has become the first ultra-deep pit buried reclaimed water plant in the PRC.

In May, the company's Changfen water plant was completed on schedule and put into trial operation, overcoming construction difficulties faced during the epidemic prevention and control period. The new water treatment plant is expected to solve the drinking water safety problem of the rural population for three nearby towns, benefiting a population of 180,000. The current daily capacity and long-term daily capacity of the project are 20,000 tonnes and 40,000 tonnes respectively. In the same month, part of the Xiangtan No. 3 water plant project involving upgrading, alteration and expansion was also officially put into run. Together with the new facilities, the daily treatment capacity will reach 300,000 tonnes, which will greatly alleviate the insufficient water supply pressure during the hot weather season to supply water in the Hedong district.

Details of the water development projects under the Group as at 30 June 2020 are as follows:

Province	Projects of SIIC Environment	Project type	Daily capacity (tonnes)	Interest attributable to SIIC Environment	Project progress	
<b>Sewage treatment/reclaimed water treatment projects</b>						
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 Circulation 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	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.
6	Auhui	Sewage treatment plant project in northern Lingbi	Sewage treatment	20,000	46.4%	The project is in operation.
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%	<ul style="list-style-type: none"> <li>The project is in operation.</li> <li>Upgrading project is under construction by government.</li> </ul>
11	Guangdong	Phase I of sewage treatment plant project in Shayao, Shijie, Dongguan	Sewage treatment	60,000	75.5%	<ul style="list-style-type: none"> <li>The project is in operation.</li> <li>Upgrading project is under construction by government.</li> </ul>
12	Guangdong	Phase II of sewage treatment plant in Yantian, Fenggang, Dongguan	Sewage treatment	50,000	75.5%	<ul style="list-style-type: none"> <li>The project is in operation.</li> <li>Upgrading project is under construction by government.</li> </ul>
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.



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Province	Projects of SIIC Environment (continued)	Project type	Daily capacity (tonnes)	Interest attributable to SIIC Environment	Project progress	
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%	<ul style="list-style-type: none"> <li>The project is in operation.</li> <li>Upgrading project is under construction.</li> </ul>
17	Guangdong	Phase III of water purification centre project in Meihu, Huizhou	Sewage treatment	100,000	100%	<ul style="list-style-type: none"> <li>The project is in operation.</li> <li>Upgrading project is under construction.</li> </ul>
18	Guangdong	Sewage treatment plant project in Pinghu, Shenzhen	Sewage treatment	25,000	100%	<ul style="list-style-type: none"> <li>The project is in operation.</li> <li>Upgrading project is under debugging stage.</li> </ul>
19	Guangdong	Sewage treatment plant expansion project in Pinghu, Shenzhen	Sewage treatment	55,000	100%	<ul style="list-style-type: none"> <li>The project is in operation.</li> <li>Upgrading project is under debugging stage.</li> </ul>
20	Guangdong	Sewage treatment plant project in Pudixia, Shenzhen	Sewage treatment	50,000	100%	<ul style="list-style-type: none"> <li>The project is in operation.</li> <li>Upgrading project is under debugging stage.</li> </ul>
21	Guangdong	Sewage treatment plant project in Egongling, Shenzhen	Sewage treatment	50,000	100%	<ul style="list-style-type: none"> <li>The project is in operation.</li> <li>Upgrading project is under debugging stage.</li> </ul>
22	Guangdong	Phase II of sewage treatment plant project in Henggang, Shenzhen	Sewage treatment	100,000	100%	<ul style="list-style-type: none"> <li>The project is in operation.</li> <li>Upgrading project is yet to commence operation.</li> </ul>
23	Guangdong	Reclaimed water plant project in Henggang, Shenzhen	Reclaimed water treatment	50,000	100%	The project is yet to commence operation.
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%	<ul style="list-style-type: none"> <li>The project is in operation.</li> <li>Upgrading project is under construction.</li> </ul>
27	Guangxi	Sewage treatment plant project in Hongkan, Beihai	Sewage treatment	200,000	55%	The project is in 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	58%	<ul style="list-style-type: none"> <li>The project is in operation.</li> <li>Upgrading project is yet to commence construction.</li> </ul>
32	Heilongjiang	Sewage treatment plant TOT project in Anda Development Zone	Sewage treatment	20,000	58%	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 municipal sewage treatment plant no. 2 project in Fujin	Sewage treatment	35,000	58%	The project is in operation.
35	Heilongjiang	Sewage treatment plant project in Fujin	Sewage treatment	15,000	58%	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.
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.

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	Province	Projects of SIIC Environment (continued)	Project type	Daily capacity (tonnes)	Interest attributable to SIIC Environment	Project progress
41	Heilongjiang	Sewage treatment plant project in Pingfang, Harbin	Sewage treatment	150,000	58%	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 project in Wenchang, Harbin	Sewage treatment	650,000	58%	<ul style="list-style-type: none"> <li>The project is in operation.</li> <li>Upgrading project is under construction.</li> </ul>
45	Heilongjiang	Sewage treatment plant project in Xinyigou, Harbin	Sewage treatment	100,000	58%	<ul style="list-style-type: none"> <li>The project is in operation.</li> <li>Upgrading project is under construction.</li> </ul>
46	Heilongjiang	Phase I of sewage treatment plant project in Heihe	Sewage treatment	25,000	58%	<ul style="list-style-type: none"> <li>The project is in operation.</li> <li>Upgrading project is yet to commence construction.</li> </ul>
47	Heilongjiang	Sewage treatment plant project in eastern Wudalianchi Scenic Area	Sewage treatment	2,200	58%	The project is yet in operation.
48	Heilongjiang	Sewage treatment plant project in new district of Wudalianchi Scenic Area	Sewage treatment	3,000	58%	The project is in operation.
49	Heilongjiang	Sewage treatment plant project in Aihui Town	Sewage treatment	200	58%	The project is yet to commence operation.
50	Heilongjiang	Sewage treatment plant project in Handaqi	Sewage treatment	500	58%	The project is yet to commence operation.
51	Heilongjiang	Sewage treatment plant project in Nenjiang Town, Nenjiang	Sewage treatment	30,000	58%	The project is yet to commence operation.
52	Heilongjiang	Sewage treatment plant project in Duobaoshan Town, Nenjiang	Sewage treatment	200	58%	The project is yet to commence operation.
53	Heilongjiang	Sewage treatment plant project in Xigangzi	Sewage treatment	200	58%	The project is yet to commence operation.
54	Heilongjiang	Phase I of sewage treatment project in Jiguan District, Jixi	Sewage treatment	50,000	58%	The project is in operation.
55	Heilongjiang	Phase II of sewage treatment plant project in Jiguan District, Jixi	Sewage treatment	50,000	58%	The project is in operation.
56	Heilongjiang	Phases I and II of sewage treatment plant advance treatment project in Jiguan District, Jixi	Sewage treatment	100,000	58%	The project is in operation.
57	Heilongjiang	Reclaimed water project in Jixi	Reclaimed water treatment	5,000	58%	The project is under construction
58	Heilongjiang	Sewage treatment plant project in eastern Jiamusi	Sewage treatment	100,000	58%	<ul style="list-style-type: none"> <li>The project is in operation.</li> <li>Upgrading project is under debugging stage.</li> </ul>
59	Heilongjiang	Phase I of sewage treatment plant project in western Jiamusi	Sewage treatment	50,000	58%	The project is in operation.
60	Heilongjiang	Phase II of sewage treatment plant project in western Jiamusi	Sewage treatment	50,000	58%	The project is yet to commence operation.
61	Heilongjiang	City sewage treatment plant project in Mudanjiang	Sewage treatment	100,000	58%	The project is in operation.
62	Heilongjiang	Phase II of sewage treatment plant project in Mudanjiang	Sewage treatment	100,000	58%	The project is in operation.
63	Heilongjiang	Sewage treatment plant project in Ningan	Sewage treatment	20,000	58%	<ul style="list-style-type: none"> <li>The project is in operation.</li> <li>Upgrading project is in trial operation.</li> </ul>
64	Heilongjiang	Sewage treatment plant reconstruction and expansion project in Ningan	Sewage treatment	15,000	58%	The project is in trail operation.
65	Heilongjiang	Sewage treatment plant franchise project in Shangzhi	Sewage treatment	40,000	58%	The project is in operation.
66	Heilongjiang	Phase I of city sewage treatment plant project in Shuangyashan	Sewage treatment	50,000	58%	The project is in operation.
67	Heilongjiang	Phase II of city sewage treatment plant project in Shuangyashan	Sewage treatment	50,000	58%	The project is in operation.

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Province	Projects of SIIC Environment (continued)	Project type	Daily capacity (tonnes)	Interest attributable to SIIC Environment	Project progress	
68	Heilongjiang	Sewage treatment plant in Youyi, Shuangyashan	Sewage treatment	10,000	58%	<ul style="list-style-type: none"> <li>The project is in operation.</li> <li>The upgrading project is under construction.</li> </ul>
69	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.
70	Heilongjiang	Phases I and II of city sewage treatment plant project in Zhaodong	Sewage treatment	50,000	58%	The project is in operation.
71	Heilongjiang	Sewage treatment plant no. 2 project in Zhaodong	Sewage treatment	50,000	58%	<ul style="list-style-type: none"> <li>20,000 tonnes are in operation.</li> <li>Planned 30,000 tonnes are under construction.</li> </ul>
72	Heilongjiang	Phase I of sewage treatment and reclaimed water project in eastern Hegang	Sewage treatment	30,000	58%	<ul style="list-style-type: none"> <li>The project is in operation.</li> <li>Upgrading project is yet to commence construction.</li> </ul>
73	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.
74	Heilongjiang	Phase I of sewage treatment and reclaimed water project in western Hegang	Sewage treatment	50,000	58%	<ul style="list-style-type: none"> <li>The project is in operation.</li> <li>Upgrading project is yet to commence construction.</li> </ul>
75	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.
76	Heilongjiang	Sewage treatment expansion project in western Hegang	Sewage treatment	30,000	58%	The project is under construction.
77	Heilongjiang	Sewage treatment and reclaimed water project in Hegang	Reclaimed water treatment	30,000	58%	The project is yet to commence operation.
78	Heilongjiang	Sewage treatment plant and sludge disposal project in Fuyuan	Sewage treatment	10,000	58%	<ul style="list-style-type: none"> <li>The project is in operation.</li> <li>Upgrading project is under construction by government</li> </ul>
79	Heilongjiang	Sewage treatment plant project in Xinglong, Bayan	Sewage treatment	10,000	58%	The project is in operation.
80	Heilongjiang	Sewage treatment plant expansion project in Xinglong, Bayan	Sewage treatment	30,000	58%	The project is yet to commence construction.
81	Henan	Phase I of sewage treatment plant no. 3 project in Xiping	Sewage treatment	30,000	69.1%	The project is in trial operation.
82	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.
83	Henan	Phase I of sewage treatment plant project in Dongcheng, Luohe	Sewage treatment	20,000	75.5%	<ul style="list-style-type: none"> <li>The project is in operation.</li> <li>Upgrading project is yet to commence construction.</li> </ul>
84	Henan	Phase II of sewage treatment plant expansion project in Dongcheng, Luohe	Sewage treatment	30,000	75.5%	<ul style="list-style-type: none"> <li>The project is in operation.</li> <li>Upgrading project is yet to commence construction.</li> </ul>
85	Henan	Sewage treatment plant project in southern Baihe, Nanyang	Sewage treatment	100,000	69.1%	The project is in operation.
86	Henan	Sewage treatment plant no.1 project in Suiping	Sewage treatment	30,000	69.1%	The project is in operation.
87	Henan	Sewage treatment plant no.2 project in Suiping	Sewage treatment	10,000	69.1%	The project is in operation.
88	Hubei	Phase II of sewage treatment plant project in Cihu, Huangshi	Sewage treatment	125,000	75.3%	The project is in operation.
89	Hubei	Sewage treatment plant project in Hanxi, Wuhan	Sewage treatment	340,000	80%	The project is in operation.
90	Hubei	Sewage treatment plant expansion project in Hanxi, Wuhan (including Hanxi sludge treatment project)	Sewage treatment	260,000	80%	The project is in operation.

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	Province	Projects of SIIC Environment (continued)	Project type	Daily capacity (tonnes)	Interest attributable to SIIC Environment	Project progress
91	Hubei	Phase I of sewage treatment plant project in Qianchuan, Huangpi, Wuhan	Sewage treatment	30,000	100%	The project is in operation.
92	Hubei	Phase I of sewage treatment plant project in Panlong, Huangpi, Wuhan	Sewage treatment	22,500	100%	The project is in operation.
93	Hubei	Sewage treatment plant continued construction project in Panlong, Huangpi, Wuhan	Sewage treatment	22,500	100%	The project is in operation.
94	Hubei	Phase I of sewage treatment plant project in Wuhu, Huangpi, Wuhan	Sewage treatment	25,000	100%	The project is in operation.
95	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.
96	Hubei	Phase I of sewage treatment plant project in southern Suizhou	Sewage treatment	50,000	92.2%	The project is in operation.
97	Hunan	Sewage treatment BOT project in Linwu, Chenzhou	Sewage treatment	10,000	20%	The project is in operation.
98	Hunan	Phase I of sewage treatment plant project in Chenzhou	Sewage treatment	80,000	100%	<ul style="list-style-type: none"> <li>• The project is in operation.</li> <li>• Upgrading project is under construction.</li> </ul>
99	Hunan	Phase I of sewage treatment expansion plant project in Chenzhou	Sewage treatment	40,000	100%	<ul style="list-style-type: none"> <li>• The project is in operation.</li> <li>• Upgrading project is under construction.</li> </ul>
100	Hunan	Sewage treatment project in Taohuajiang, Taojiang	Sewage treatment	20,000	75.5%	The project is in operation.
101	Hunan	Sewage treatment plant no. 1 upgrading and expansion project in Taohuajiang, Taojiang	Sewage treatment	10,000	75.5%	The project is in operation.
102	Hunan	Sewage treatment plant project in the new district of eastern Gaoxin, Yiyang	Sewage treatment	30,000	75.5%	The project is in operation.
103	Hunan	Sewage treatment plant BOT project in northern Yiyang	Sewage treatment	40,000	75.5%	The project is in operation.
104	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.
105	Inner Mongolia	Sewage treatment BOT project in Dazhuangyuan Meat Processing Plant, Xilinhot	Sewage treatment	3,500	58%	The project is under construction.
106	Inner Mongolia	Sewage treatment plant BOT project in Xilinhot	Sewage treatment	40,000	58%	<ul style="list-style-type: none"> <li>• The project is in operation.</li> <li>• Upgrading project is under construction.</li> </ul>
107	Jiangsu	Phase I of sewage treatment plant project at Xingang Park, Jingjiang	Sewage treatment	20,000	100%	The project is in operation.
108	Jiangsu	Phase II of sewage treatment plant project at Xingang Park, Jingjiang	Sewage treatment	20,000	100%	The project is yet to commence construction.
109	Jiangsu	Phase III of sewage treatment plant project at Xingang Park, Jingjiang	Sewage treatment	40,000	100%	The project is yet to commence construction.
110	Jiangsu	Phase I of sewage treatment plant project in southern Shuyang	Sewage treatment	30,000	100%	The project is in operation.
111	Jiangsu	Phase II of sewage treatment plant project in southern Shuyang	Sewage treatment	30,000	100%	The project is in operation.
112	Jiangsu	Phase I of sewage treatment plant project in Guanyinshan, Nantong	Sewage treatment	25,000	92.2%	The project is in operation.
113	Jiangsu	Phase II of sewage treatment plant project in Guanyinshan, Nantong	Sewage treatment	48,000	92.2%	The project is in operation.
114	Jiangsu	Phase I of sewage treatment plant project in Huangqiao, Taixing	Sewage treatment	25,000	100%	The project is in operation.
115	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 (continued)	Project type	Daily capacity (tonnes)	Interest attributable to SIIC Environment	Project progress	
116	Jiangsu	Phase I of sewage treatment plant project in Huangqiao Industrial Park, Taixing	Sewage treatment	10,000	100%	The project is in operation.
117	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.
118	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.
119	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.
120	Jiangsu	Sewage treatment project in Huishan Economic and Development Zone, Wuxi	Sewage treatment	100,000	50.8%	The project is in operation.
121	Jiangxi	Phase I of sewage treatment plant project in Chongren Industrial Park	Sewage treatment	10,000	60%	The project is in operation.
122	Jiangxi	Phase I of sewage treatment plant project in Yihuang Industrial Park	Sewage treatment	5,000	60%	<ul style="list-style-type: none"> <li>The project is in operation.</li> <li>Upgrading project is yet to commence construction.</li> </ul>
123	Jiangxi	Phase II of sewage treatment plant project in Yihuang Industrial Park	Sewage treatment	10,000	60%	<ul style="list-style-type: none"> <li>The project is in trial operation.</li> <li>Upgrading project is yet to commence construction.</li> </ul>
124	Jiangxi	Phases I and II of sewage treatment plant advance treatment project in Yihuang Industrial Park	Sewage treatment	15,000	60%	The project is yet to commence construction.
125	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.
126	Jiangxi	Phase I of sewage treatment plant project in Xiaolan Economic and Development Zone, Nanchang	Sewage treatment	25,000	60%	<ul style="list-style-type: none"> <li>The project is in operation.</li> <li>Upgrading project is under construction.</li> </ul>
127	Jiangxi	Phase II of sewage treatment plant project in Xiaolan Economic and Development Zone, Nanchang	Sewage treatment	50,000	60%	<ul style="list-style-type: none"> <li>The project is in operation.</li> <li>Upgrading project is yet to commence construction.</li> </ul>
128	Jiangxi	Phase I of sewage treatment plant project in Wanzai Industrial Park	Sewage treatment	5,000	60%	<ul style="list-style-type: none"> <li>The project is in operation.</li> <li>Upgrading project is yet to commence operation.</li> </ul>
129	Jiangxi	Sewage treatment plant expansion project in Wanzai Industrial Park	Sewage treatment	7,500	60%	<ul style="list-style-type: none"> <li>The project is in operation.</li> <li>Upgrading project is yet to commence operation.</li> </ul>
130	Jiangxi	Phase I of sewage treatment plant project in Yongfeng Industrial Park	Sewage treatment	10,000	60%	The project is in operation.
131	Jiangxi	Sewage treatment plant in Fengxin Industrial Park	Sewage treatment	34,000	60%	<ul style="list-style-type: none"> <li>25,000 tonnes are in operation.</li> <li>7,000 tonnes are under debugging stage.</li> <li>2,000 tonnes are yet to commence construction.</li> <li>Upgrading project is under construction.</li> </ul>
132	Jilin	Sewage treatment plant project in Yingcheng, Jiutai, Changchun	Sewage treatment	15,000	58%	The project is in operation.
133	Jilin	Sewage treatment plant project in Kalun, Jiutai Development Zone, Changchun	Sewage treatment	25,000	58%	The project is in operation.
134	Jilin	Sewage treatment plant project in Panshi Industrial and Development Zone	Sewage treatment	10,000	58%	The project is in operation.



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	Province	Projects of SIIC Environment (continued)	Project type	Daily capacity (tonnes)	Interest attributable to SIIC Environment	Project progress
135	Jilin	Sewage treatment plant project in Mincheng Economic and Development Zone	Sewage treatment	2,500	58%	The project is in operation.
136	Jilin	Phases I and II of sewage treatment plant project in Jiaohe	Sewage treatment	25,000	58%	The project is in operation.
137	Jilin	Phase III of city sewage treatment plant expansion O&M project in Jiaohe	Sewage treatment	15,000	58%	The project is in operation.
138	Jilin	Sewage treatment plant project in Fuyu	Sewage treatment	30,000	58%	The project is in operation.
139	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.
140	Liaoning	Sewage treatment plant project in Houhai, Puwan New Zone, Dalian	Sewage treatment	20,000	92.7%	The project is in operation.
141	Liaoning	Sewage treatment plant project in Dalian Bay	Sewage treatment	40,000	75.5%	The project is in operation.
142	Liaoning	Phase II of sewage treatment plant project in Quanshui River, Dalian	Sewage treatment	105,000	75.5%	The project is in operation.
143	Liaoning	Sewage treatment plant in northern Yingkou Economic and Technological Development Zone	Sewage treatment	30,000	60%	The project is in operation.
144	Liaoning	Sewage treatment plant project in Lingshui River, Dalian	Sewage treatment	60,000	86.5%	The project is in operation.
145	Liaoning	Sewage treatment plant upgrading and expansion project in Lingshui River, Dalian	Sewage treatment	20,000	86.5%	The project is in operation.
146	Liaoning	Sewage treatment plant project in Tiger Beach, Dalian	Sewage treatment	80,000	75.5%	The project is in operation.
147	Liaoning	Sewage treatment plant upgrading and expansion project in Tiger Beach, Dalian	Sewage treatment	10,000	75.5%	The project is in operation.
148	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.
149	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.
150	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.
151	Ningxia Hui Autonomous Region	Sewage treatment plant project in Suyin Industrial Park, Yinchuan	Sewage treatment	50,000	100%	<ul style="list-style-type: none"> <li>The project is in operation.</li> <li>25,000 tonnes modification are under construction.</li> </ul>
152	Ningxia Hui Autonomous Region	Sewage treatment plant project in Suyin Industrial Park, Yinchuan	Sewage treatment	100,000	100%	The project is yet to commence construction.
153	Shandong	Sewage treatment plant project in Dezhou	Sewage treatment	100,000	75.5%	<ul style="list-style-type: none"> <li>The project is in operation.</li> <li>Upgrading project is under construction.</li> </ul>
154	Shandong	Sewage treatment plant project in western Weifang	Sewage treatment	40,000	75.5%	The project is in operation.
155	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.
156	Shandong	Sewage treatment plant with reclaimed water treatment project in Weifang	Reclaimed water treatment	38,500	75.5%	The project is in operation.
157	Shandong	Sewage treatment plant expansion project in Weifang	Sewage treatment	200,000	75.5%	The project is in operation.

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Province	Projects of SIIC Environment (continued)	Project type	Daily capacity (tonnes)	Interest attributable to SIIC Environment	Project progress	
158	Shandong	Phase I of sewage treatment plant resumption and upgrading project in Shawo, Weifang	Sewage treatment	60,000	75.5%	The project is in operation.
159	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.
160	Shandong	Sewage treatment centre project in Shanting, Zaozhuang	Sewage treatment	20,000	75.5%	The project is in operation.
161	Shandong	Phase I of sewage treatment centre project in Yicheng, Zaozhuang	Sewage treatment	20,000	75.5%	The project is in operation.
162	Shandong	Phase II of sewage treatment centre project in Yicheng, Zaozhuang	Sewage treatment	20,000	75.5%	The project is in operation.
163	Shanghai	Phase I of sewage treatment plant no. 2 project in Qingpu	Sewage treatment	15,000	87.8%	The project is in operation.
164	Shanghai	Phase II of sewage treatment plant no. 2 project in Qingpu	Sewage treatment	45,000	87.8%	The project is in operation.
165	Shanghai	Phase III of sewage treatment plant no. 2 project in Qingpu	Sewage treatment	60,000	87.8%	The project is in operation.
166	Shanghai	Phase IV of sewage treatment plant no. 2 expansion project in Qingpu	Sewage treatment	60,000	87.8%	The project is in operation.
167	Shanghai	Sewage treatment plant no. 2 expansion project in Qingpu	Sewage treatment	60,000	87.8%	The project is yet to commence construction.
168	Shanghai	Sewage treatment plant project in western Fengxian	Sewage treatment	100,000	73.7%	The project is in operation.
169	Shanghai	Phase II of sewage treatment plant expansion project in western Fengxian	Sewage treatment	50,000	73.7%	The project is in operation.
170	Shanghai	Phase III of sewage treatment plant expansion project in western Fengxian	Sewage treatment	50,000	73.7%	The project is in operation.
171	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.
172	Zhejiang	Phase I of sewage treatment plant with pipe network ancillary facilities expansion project in Zhejiang Chemical Raw Material Site Linhai Park	Sewage treatment	12,500	100%	The project is in operation.
173	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.
174	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.
175	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.
176	Zhejiang	City sewage treatment plant upgrading and expansion project in Xiaocaoe, Yuyao	Sewage treatment	30,000	69.1%	The project is in operation.
177	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.
178	Zhejiang	Phase III of city sewage treatment plant upgrading and expansion project in Xiaocaoe, Yuyao	Sewage treatment	75,000	69.1%	The project is yet to commence construction.
179	Zhejiang	Preserved pickle preprocess treatment plant project in Yuyao	Sewage treatment	3,000	69.1%	The project is in operation.

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	Province	Projects of SIIC Environment (continued)	Project type	Daily capacity (tonnes)	Interest attributable to SIIC Environment	Project progress
180	Zhejiang	Sewage treatment plant upgrading and reconstruction project in Binhai, Huangjiabu, Ningbo	Sewage treatment	30,000	64.5%	The project is in operation.
181	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.
182	Zhejiang	Sewage treatment plant and artificial wetland O&M project in northern Cixi	Sewage treatment	100,000	59.9%	The project is in operation.
183	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.
184	Zhejiang	Phase I of sewage treatment plant project in eastern Pinghu	Sewage treatment	40,000	92.2%	The project is in operation.
185	Zhejiang	Phase II of sewage treatment plant expansion project in eastern Pinghu	Sewage treatment	45,000	92.2%	The project is in operation.
186	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.
<b>Total</b>				<b>9,849,300</b>		

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	Province	Projects of SIIC Environment	Project type	Daily capacity (tonnes)	Interest attributable to SIIC Environment	Project progress
<b>Water supply projects</b>						
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 V 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 municipal 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 municipal water supply expansion project in Yiyang	Water supply	100,000	90%	The project is in operation.
16	Hunan	Water supply plant no. 4 city municipal 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 municipal water supply project in Weifang (Bailanghe water supply plant project)	Water supply	120,000	51.3%	The project is in operation.
19	Shandong	City municipal water supply project in Weifang (Gaixin water distribution plant project)	Water supply	200,000	51.3%	The project is in operation.
20	Shandong	Fangzi Water Supply Holding Co. 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.
<b>Total</b>				<b>2,125,000</b>		
<b>Total for water projects</b>				<b>11,974,300</b>		

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	Province	Projects of SIIC Environment	Project type	Daily capacity (tonnes)	Interest attributable to SIIC Environment	Project progress
<b>Waste incineration projects</b>						
1	Shandong	Phase I of household waste incineration power generation project in Wulian	Waste incineration	300	82.9%	The project is in trial operation.
2	Shandong	Phase II of household waste incineration 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 County	Waste incineration	1,200	47.5%	The project is yet to commence construction.
4	Shanghai	Waste incineration 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 under construction.
6	Sichuan	Stage 1 of city municipal household waste incineration power generation project in Dazhou	Waste incineration	700	100%	The project is in operation.
7	Sichuan	Stage 2 of city municipal household waste incineration power generation project in Dazhou	Waste incineration	350	100%	The project is yet to commence construction.
8	Zhejiang	Waste incineration power generation project in Wenling	Waste incineration	1,100	50%	The project is in operation.
<b>Total</b>				<b>8,800</b>		

	Province	Projects of SIIC Environment	Project type	Daily capacity (tonnes)	Interest attributable to SIIC Environment	Project progress
<b>Sludge treatment projects</b>						
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	58%	The project is in operation.
4	Heilongjiang	Sewage treatment plant sludge disposal project in Jiamusi	Sludge treatment	100	58%	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	58%	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.
<b>Total</b>				<b>2,255</b>		



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Province	Projects of General Water of China	Project type	Daily capacity (tonnes)	Interest attributable to General Water of China	Project progress	
<b>Sewage treatment/reclaimed water treatment projects</b>						
1	Auhui	Sewage treatment plant nos. 2, 3 and 4 project in Bengbu	Sewage treatment	350,000	100%	The project is in operation.
2	Auhui	Reclaimed water project in Bengbu	Reclaimed water treatment	160,000	70%	The project is in operation.
3	Auhui	Sewage treatment project in Suzhou	Sewage treatment	100,000	80%	The project is under construction.
4	Auhui	Guzhen GWC Sewage Treatment Co., Ltd. project	Sewage treatment	50,000	100%	The project is in operation.
5	Fujian	Sewage treatment project in Xiamen	Sewage treatment	1,202,500	55%	The project is in operation.
6	Guangdong	Sewage treatment plant project in Longhua, Shenzhen	Sewage treatment	150,000	90%	The project is in operation.
7	Heilongjiang	City sewage treatment project in Suifenhe	Sewage treatment	20,000	100%	The project is in operation.
8	Hunan	Sewage treatment project in Hedong, Xiangtan	Sewage treatment	150,000	100%	The project is in operation.
9	Zhejiang	Sewage treatment project in new zone of eastern Huzhou	Sewage treatment	50,000	81.16%	The project is in operation.
10	Zhejiang	Sewage treatment project in Huzhou	Sewage treatment	25,000	100%	The project is in operation.
11	Zhejiang	Sewage treatment plant upgrading entrustment project in new zone of eastern Wenzhou	Sewage treatment	50,000	N/A	The project is in operation.
12	Zhejiang	Sewage treatment project in eastern Wenzhou	Sewage treatment	150,000	100%	The project is in operation.
13	Zhejiang	Sewage treatment project in central Wenzhou	Sewage treatment	200,000	70%	The project is in operation.
<b>Total</b>			<b>2,657,500</b>			

Province	Projects of General Water of China	Project type	Daily capacity (tonnes)	Interest attributable to General Water of China	Project progress	
<b>Water supply/water generation projects</b>						
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	485,000	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.
<b>Total</b>			<b>4,489,500</b>			
<b>Total for water projects</b>			<b>7,147,000</b>			

## ***Business Review, Discussion and Analysis***

### **NEW BUSINESS ARENA**

As at the end of June 2020, the photovoltaic assets capacity of Shanghai Galaxy in which the Group holds 45% equity interest and Galaxy Energy, a subsidiary held by it, reached 590MW. The total amount of on-grid electricity sold from the 13 photovoltaic power stations was approximately 463 million kWh, representing an increase of 5.8% over the same period of last year. During the period, the photovoltaic team continued to strengthen studies on macro policies, industry dynamics and the capital market, as well as project acquisition related work.

During the period, the National Energy Administration Bureau issued a notice to clarify the conditions for renewable energy projects to be included in the first financial subsidy list. The projects of Shanghai Galaxy and Galaxy Energy are well prepared for the application of subsidy in the next round. In April of this year, the Government issued the 2020 photovoltaic power generation on-grid tariff policy, which will help the industry to affirm its expectations, provide guidance for the industry to make appropriate plans for their investment and construction, and promote the healthy and orderly development of the photovoltaic industry. In May, the National Energy Administration Bureau also issued a consultation paper, aiming to promote the establishment of a sound long-term mechanism for clean energy industry consumption, so as to set reasonable targets for clean energy utilization rates, and steadily increase the proportion of clean energy electricity in energy consumption, helping to promote orderly development of the industry.

### **REAL ESTATE**

In the first half of 2020, the real estate business recorded a profit of HK\$256 million, representing a year-on-year decrease of 53.6% and accounting for 25.0% of the Group's Net Business Profit. The decline was mainly due to delays in marketing and construction activities caused by the epidemic in January and February of this year which once brought our real estate business to a standstill. In addition, a lower rental income was recorded as rent concessions were extended to tenants due to the epidemic following calls by the Government. As the epidemic began to subside, a number of provinces and cities have resumed work and markets were re-opened accordingly. The Group's real estate business has been fully restored with the acceleration of its production and sales activities. The Group will continue to focus on the integration of the Yangtze River Delta to promote the long-term development of our business.

### **SI Development**

During the period, SI Development recorded a revenue of RMB4,493 million, representing a year-on-year increase of 3.3%. The rise in revenue was mainly attributable to the year-on-year increase of the company's booked income from projects delivered during the period and rise in construction income. Net profit was RMB429 million, representing a year-on-year increase of 4.1%. While ensuring the implementation of epidemic control measures, SI Development has made considerable efforts in seeking new contracts and in the collection of receivables. The company also broadened its customer base through strengthening the promotion and marketing of its projects online. As a result, contract sales of real estate projects reached RMB1,079 million, with a gross floor area of 68,000 square meters, including such projects as Shanghai Bay (Phase 4) in Qingpu, Shanghai, Territory Shanghai in Jing'an, Shanghai, A New Era in Jiading, Shanghai, Sea Palace in Quanzhou, Hi-Shanghai (Phase 2) in Hangzhou, SIIC Tianlan Bay in Huzhou and SIIC Yungjing Bay in Huzhou. Rental income for the period amounted to HK\$199 million. During the period, the gross floor area of properties delivered was approximately 156,000 square meters, which mainly included Hi-Shanghai (Phase 2) in Hangzhou, A New Era in the city in Jiading, Shanghai and Sea Palace in Quanzhou.

In the first half of 2020, a total of 9 projects were under construction, covering an area of 1,920,000 square meters. To compensate for delays in construction due to suspension of work and production caused by the epidemic, SI Development has stepped up the pace of its construction of projects to make up for losses caused by the epidemic. In the area of property management, SI Development is planning to integrate the resources of its existing office and commercial projects to establish a common platform for the sharing of resources through multiple channels while adding value to its services in order to enhancing the core competitiveness of its business. In addition, the company will continue to explore its development potential in terms of scale, branding, technology and capital. Established for over 10 years, the Qingdao International Beer City has been successfully upgraded to Qingdao International Financial City and Qingdao International Wealth Management Financial Center, setting a new model for the integration of business and city building.

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In addition, the company has further introduced high-end hotel brands to the super high-rise buildings T1 and T2 projects which were under construction. The Shanghai Investment Industrial Centre, the all-in-one building featuring finance, commerce, hotels, culture and entertainment under one roof, will foster the upgrading and transformation of the financial and cultural temperament of the project.

### SI Urban Development

SI Urban Development recorded a revenue of HK\$3,173 million for the first half of 2020, representing a decrease of 31.1% over the same period of last year, which was mainly due to lower booked income from properties delivered during the period and the impact of the epidemic on rental income. Profits attributable to shareholders for the period amounted to HK\$151 million, representing a year-on-year decrease of 51.4%, which was mainly due to the decrease in revenue and relatively lower gross profit margins of most of the projects completed and delivered. Entering the second quarter, SI Urban Development successfully surpassed its semi-annual sales target while focusing on “Seizing sales orders, business opportunities and market shares”, and achieved a contract amount of RMB3,706 million for a total gross floor area of 64,000 square meters, which mainly included Contemporary Splendour Villa in Shanghai, Urban Cradle in Shanghai, West Diaoyutai•Emperor Seal in Beijing and Contemporary Art Villas in Shanghai. Properties delivered during the period mainly included Urban Cradle in Shanghai, Originally in Xi’an and Contemporary Art Villas in Shanghai, with a gross floor area of approximately 110,260 square meters. Rental income for the period was approximately HK\$290 million.

In conjunction with its 50%-owned joint venture and Aerospace Corporation, SI Urban Development took part in the bidding of the Guilin Road land project located in the southwest of Xuhui District, Shanghai in January 2020, with a total capital commitment of approximately RMB1,527.50 million, in which SI Urban Development holds approximately 32.5% beneficial interest. The transaction was completed in May 2020. With a prime location 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 its property value is expected to be further enhanced upon completion.

In the same month, SI Urban Development announced that it would inject RMB407,942,343 in cash into SIIC Financial Leasing for the subscription of 20% of the company’s capital upon completion of the capital increase. The equity of the company’s existing shareholder, Shanghai Galaxy will be diluted to 28.95% accordingly following the completion of the capital increase. The remaining shareholders are independent third parties. As an integrated credit provider based in Shanghai, SIIC Financial Leasing is mainly engaged in the business of financing regional governments and its platform companies to fund their projects in local infrastructure, water supply and construction of rail transportation. The transaction is pending the approval of independent shareholders at the extraordinary general meeting. With this project, SI Urban Development is expected to further deepen the integration of finance into business and create synergy between the two areas.

Set out below is a summary of the major property development projects of the Group as at 30 June 2020:

#### 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 period (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	525	32,454	Completed
2	Chenghua District, Chengdu	Hi-Shanghai	Residential and commercial	100%	61,506	254,885	2,221	196,827	Completed
3	Beibei District, Chongqing	Hi-Shanghai	Residential and commercial	100%	30,845	74,935	260	58,194	Completed
4	Yuhang District, Hangzhou	Hi-Shanghai (Phase I)	Residential and commercial	85%	74,864	230,484	962	148,798	Completed
5	Yuhang District, Hangzhou	Hi-Shanghai (Phase II)	Residential and commercial	85%	59,640	198,203	5,426	128,297	Completed
6	Wuxing District, Huzhou	SIIC Garden Hotel	Hotel and commercial	100%	116,458	47,177	-	-	Completed

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	City	Projects of SI Development (continued)	Type of property	Interest attributable to SI Development	Approximate site area (square meters)	Planned total GFA (square meters)	Pre-sold during the period (square meters)	Total GFA sold (square meters)	Expected date of completion
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	8,707	19,861	Completed
9	Wuxing District, Huzhou	SIIC Yungjing Bay	Residential	100%	68,471	207,906	4,083	–	2020
10	Shilaoren National Tourist Resort, Qingdao	International Beer City	Composite	100%	227,675	806,339	–	327,831	2014 to 2022, in phases
11	Fengze District, Quanzhou	Sea Palace	Residential and commercial	100%	170,133	1,064,099	39,422	164,183	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	A New Era in the city	Residential and commercial	100%	58,949	163,351	2,408	79,492	Completed
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	727	76,768	2020
18	Jinshan District, Shanghai	Flos Granti	Residential	100%	135,144	214,143	–	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	3,213	213,301	2011 to 2021, in phases
21	Qingpu District, Shanghai	He Villa/ Sea County	Residential	51%	162,708	121,683	–	84,627	Completed
22	Qingpu District, Shanghai	Shanghai International Art Centre	Composite	100%	194,956	120,363	–	96,673	Completed
23	Wuzhong District, Suzhou	Sudi Lot 2017-WG-10	Residential	100%	40,817	126,881	–	–	2020
<b>Sub-total</b>					<b>2,807,857</b>	<b>5,193,759</b>			

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	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 period (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	8,726	196,753	2007 to 2021, in phases
4	Wancheng District, Changsha	Forest Sea	Residential and commercial	67%	679,620	1,032,534	119	305,008	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	Yooouu.net	Commercial and office	30.7%	34,223	129,498	–	63,021	Completed
7	Zhoushi Town, Kushan	Royal Villa	Residential	53.1%	205,017	267,701	–	222,666	Completed
8	Baoshan District, Shanghai	Shangtou Baoxu	Residential	100%	118,880	306,167	5,860	104,109	2020 to 2021, in phases
9	Minhang District, Shanghai	Urban Cradle	Residential and commercial	53.1%	943,000	1,226,298	6,256	818,727	2007 to 2022, in phases
10	Minhang District, Shanghai	Shanghai Jing City	Residential and commercial	59%	301,908	772,885	–	560,409	Completed
11	Minhang District, Shanghai	TODTOWN	Residential, commercial, hotel, office and apartment office	20.7%	117,825	605,000	–	56,205	2020 to 2022, in phases
12	Minhang District, Shanghai	Contemporary Art Villa (Jade Villa)	Residential	100%	116,308	83,622	6,120	67,803	2018 to 2022, in phases
13	Minhang District, Shanghai	Contemporary Splendour Villa (Courtyard Villa)	Residential	100%	120,512	191,636	23,148	26,288	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	–	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



## Business Review, Discussion and Analysis

	City	Projects of SI Urban Development (continued)	Type of property	Interest attributable to SI Urban Development	Approximate site area (square meters)	Planned total GFA (square meters)	Pre-sold during the period (square meters)	Total GFA sold (square meters)	Expected date of completion
24	Binghu District, Wuxi	Urban Development International Center	Commercial, hotel, office and serviced apartment	59%	24,041	193,368	–	41,900	Completed
25	Chanba Ecotope, Xi'an	Originally	Residential, commercial and hotel	71.5%	2,101,967	3,899,867	13,639	2,456,442	2008 to 2022, in phases
26	Yantai	Yantai Project	Residential and commercial	100%	77,681	159,100	–	–	2022 to 2023, in phases
<b>Sub-total</b>					<b>5,853,038</b>	<b>13,170,320</b>			

	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 period (square meters)	Total GPA 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	3,213	213,301	2011 to 2021, in phases
3	Qingpu District, Shanghai	He Villa/Sea County	Residential	49%	162,708	121,683	–	84,627	Completed
<b>Sub-total</b>					<b>1,286,353<sup>1</sup></b>	<b>812,459<sup>1</sup></b>			
<b>Total</b>					<b>9,947,248<sup>1</sup></b>	<b>19,176,538<sup>1</sup></b>			

### 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	177,954	2020
2	Minhang District, Shanghai	Huacao Town Unit MHPO-1403, Lot 30-01	Rental housing	30%	19,822	52,923	2023
3	Qingpu District, Shanghai	Guanglai Road North, Hongqiao West, Lot 04-33	Rental housing	49%	32,521	45,639	2023
<b>Sub-total</b>					<b>401,511</b>	<b>276,516</b>	

## Business Review, Discussion and Analysis

	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	177,954	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
<b>Sub-total</b>					<b>1,100,975<sup>1</sup></b>	<b>553,858<sup>1</sup></b>	
<b>Total</b>					<b>1,502,486<sup>1</sup></b>	<b>830,374<sup>1</sup></b>	

### 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	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%	1,478
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
			Parking lot	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	Jing'an District, Shanghai	Territory Shanghai	Commercial	100%	1,559
			Parking lot	100%	3,952
14	Pudong New District, Shanghai	No. 1111 Shangchuan Road	Industrial	100%	40,208
15	Pudong New District, Shanghai	Huashen Building	Office	100%	344
16	Xuhui District, Shanghai	Shanghai Industrial Investment Building	Office	100%	10,089
			Office	74%	14,130
			Parking lot	74%	8,692
17	Xuhui District, Shanghai	Yonglong Building	Office	100%	798
18	Yangpu District, Shanghai	Hi-Shanghai	Commercial	100%	22,027
			Parking lot	100%	22,000
19	Zhabei District, Shanghai	No. 235 Zhongshan Road North (portion)	Office	100%	1,434
20	Yuecheng, Shaoxing, Zhejiang	International Chinese City	Commercial	100%	26,479
21	Xiqing District, Tianjin	Rhine Town	Commercial	100%	5,961
<b>Sub-total</b>					<b>468,092</b>

## 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 <sup>2</sup>
2	Jiulongpo District, Chongqing	Top City	Commercial, office building and parking lot	100%	285,264 <sup>2</sup>
3	Changning District, Shanghai	ShanghaiMart	Exhibition, transaction market, office building and parking lot	51%	284,651
4	Songjiang District, Shanghai	Shanghai Youth City	Commercial	100%	16,349 <sup>2</sup>
5	Xuhui District, Shanghai	Urban Development International Tower	Office building	59%	45,239
6	Xuhui District, Shanghai	YOYO Tower	Commercial	59%	13,839
7	Xuhui District, Shanghai	Binjiang U Center	Office building	35.4%	25,845 <sup>2</sup>
8	Futian District, Shenzhen	China Phoenix Tower	Office building	91%	1,048 <sup>2</sup>
9	Shenyang	Shenyang U Centre	Commercial and office building	80%	30,332
10	Shanghai, Tianjin and Kunshan	Others	Commercial, office building and parking lot	59%	93,196
<b>Sub-total</b>					<b>815,531</b>
<b>Total</b>					<b>1,283,683</b>

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.

## CONSUMER PRODUCTS

For the first half of 2020, the consumer products business made a profit contribution of HK\$360 million to the Group, representing a decrease of 35.7% over the corresponding period of last year and accounting for approximately 35.2% of the Group's Net Business Profit. Due to the COVID-19 epidemic and its impact on travelling and transportation around the world, the operating results of Nanyang Tobacco were affected to a certain extent. During the period, Nanyang Tobacco implemented the upgrade of core technologies and continued to promote overseas production and sales cooperation projects to enhance the company's overall competitiveness and seek growth drivers for future business. Against the impact of the epidemic, Wing Fat Printing's management remained calm and cautious, and leveraging the time window of production capacity shortages in the industry during the first half of the year, it was able to seize limited orders in the market while cautiously implementing the resumption of work and production in order to achieve the best operating results for the company.

### Tobacco

Since the beginning of this year, the global epidemic and resultant customs-closure measures have brought about many uncertainties and challenges to Nanyang Tobacco's operations and production. Sales at duty-free shops have fallen sharply, and the export and ship tobacco business have also been affected. For the first half of the year, the turnover and profit of the company after tax were HK\$1,123 million and HK\$274 million respectively, representing a decline of 32.0% and 44.9% over the corresponding period last year. In response to the epidemic, Nanyang Tobacco firmly adhered to its business goals of "strengthening our existing business and pursuing for excellence; and ensuring a healthy internal operation and external development". The company has worked diligently to combat the epidemic, ensuring production and operation, and implementing a variety of prevention-and-control measures to ensure the orderly and normal operation of its business.

In terms of sales for the company's major markets, with the rapid recovery of the Hong Kong duty-paid market, Nanyang Tobacco launched a series of promotional activities in the second quarter for the three major categories of cigarettes in the Hong Kong market, including traditional cigarettes, cigarettes distributed from China and blended cigarettes, and further penetrating the blended cigarette market with "value-for-money" capsule cigarettes. The new strategies have achieved unprecedented results for the company, registering a year-on-year sales increase of more than 30% in the Hong Kong and Macau duty-paid markets. In the first two months of the year, the China market was greatly affected by the epidemic, but with the subsequent resumption of work and production on the mainland, the company achieved growth both in sales volume

## *Business Review, Discussion and Analysis*

and turnover. Capitalizing on the opportunities, the company concluded a series of sales contracts and made considerable efforts to speed up the sourcing of materials to ease production and inventory pressures. In addition, Nanyang Tobacco achieved a significant increase in the proportion of mid-to-high-end products in the product mix that was higher than the overall growth rate in such proportion in the product structure of China Tobacco.

The duty-free markets for China, Hong Kong and Macau, were basically inactive while major exhibitions during the period were cancelled. Duty-free operators at airports are generally not optimistic about the short-term recovery of the industry. The duty-free ship supply and ship tobacco markets were also hit by the slowdown in shipping activity, and orders fell sharply. In the overseas markets, due to the closure of selected destination ports, customs clearance of goods has been delayed significantly, resulting in a substantial increase in dealers' inventory and slower sales. During the period, the company has focused on product reserves and modified its strategies in a timely manner, to increase its effort in the development of new products for markets that have been less affected by the epidemic. The company is also making an effort to develop new brands for its long-term strategy, shifting to the development of new product reserves and laying the foundation for the future enrichment of the company's new range of products. The company has also actively optimized the allocation of its resources, adjusting its promotion strategy in response to the needs of different markets, and closely monitoring market conditions in the second half of the year with the active deployment of new marketing strategies.

Emphasizing technological innovation, Nanyang Tobacco made good progress in the expansion of the regular size tobacco project during the period, which is expected to effectively increase the production capacity of mid-to-high-end products to meet rising market demands for innovative cigarettes. It also continued to promote the construction of composite production capacity, introduced advanced technology from all over the world, and successfully completed the installation of new cigarette machines and the upstream and downstream connection operation of the regular size cigarette machine expansion lines. The first batch of the entire line was completed in mid-July to establish self-supporting facilities for heterotypic tobacco with distinctive filter rods. In-depth research on innovative tobacco will be carried out during the period, and preparations will be made to build a new product-manufacturing technology and processing plant for nano-size products with Nanyang characteristics in response to the actual operating environment and where feasible. Phase progress has been achieved. In addition, the heterotypic canned processing line quality improvement project implemented this year will further consolidate and develop characteristic canned products and maintain the leading position of Nanyang Tobacco in the canned industry.

In terms of business cooperation, the overseas sales and production cooperation project between Nanyang Tobacco and a large mainland cigarette company has entered a substantive stage of development. It will seek to promote the medium-and long-term goals of strategic development through business cooperation in different areas.

### **Printing**

Wing Fat Printing recorded a turnover of HK\$738 million during the period, a decrease of 2.2% over the same period last year, mainly due to the continued and widespread impact of the new epidemic. The net profit achieved during the period was HK\$94.05 million, an increase of 41.7% over the same period last year. The increase was mainly due to the calm response and unremitting efforts of the company's management team in tackling issues arising from the epidemic. Since the outbreak of the epidemic, the company has actively implemented safety and epidemic-prevention measures. With the introduction of such measures to protect the safety of its employees, the company's management made astute judgements to determine timely schedules for the resumption of work and production. As a result, the company successfully won valuable orders during the "capacity shortage" period on the mainland in the beginning of the year and achieved stable results for the period. Since taking office, the company's new management team has actively advocated "intelligent manufacturing" enhancement to boost production efficiency, resulting in significant improvements in profit margins as well as overall profitability and competitiveness over the same period last year. The company's moulded-fibre business, in particular, has made a significant contribution to its extraordinary performance. The company also benefited from appreciation of currencies in the settlement of accounts over the period.

Under the impact of the global epidemic, tensions over international trade disputes and the rapid deterioration of the economy, Wing Fat Printing's management has overcome such adversity with energy and determination, achieving satisfactory progress results during this difficult period. The strategic deployment of the smart-medicine packaging business has also contributed to the company's encouraging performance. As the epidemic gradually becomes a new normal, the company will strive to establish a new support level for its business and to ensure the stability of its performance.

# Financial Review

## KEY FIGURES

	2020 unaudited Six months ended 30 June	2019	Change %
<b>Results</b>			
Revenue (HK\$'000)	13,210,952	16,661,951	-20.7
Profit attributable to owners of the Company (HK\$'000)	802,702	2,009,628	-60.1
Earnings per share – basic (HK\$)	0.725	1.848	-60.8
Dividend per share – interim cash (HK cents)	22	–	
– interim shares in specie (HK cents) Note	–	101	
Special interim dividend per share – shares in specie	Note	–	
Dividend payout ratio (note (a))	Note	54.7%	
Interest cover (note (b))	5.8 times	7.2 times	
	unaudited 30 June	audited 31 December	Change %
<b>Financial Position</b>			
Total assets (HK\$'000)	170,464,589	174,942,290	-2.6
Equity attributable to owners of the Company (HK\$'000)	39,770,285	40,239,812	-1.2
Net assets per share (HK\$)	36.58	37.01	-1.2
Net debt ratio (note (c))	72.01%	62.45%	
Gearing ratio (note (d))	42.45%	42.79%	
Number of shares in issue (shares)	1,087,211,600	1,087,211,600	

Note (a) : (cash dividend per share + fair value of distributed share in specie per share)/earnings per share

Note (b) : (profit before taxation, interest expenses, depreciation and amortisation)/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 declare to the shareholders of the Company, for the year of 2020, an interim cash dividend of HK22 cents per share and an interim special dividend in the form of distribution in specie of 1 SIUD Share for every 5 shares of the Company held.

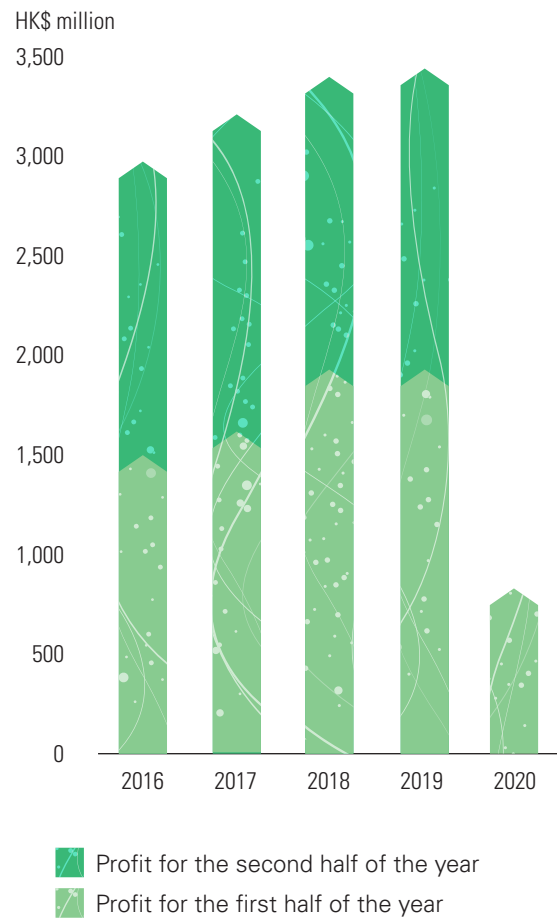
The Company has paid an interim dividend for 2019 in the form of distribution in specie to shareholders of the Company on the basis of 1 SIUD Share for every 1 share of the Company held. Based on the closing price of SIUD on 18 October 2019 (the date of despatch of the SIUD Shares), the interim dividend was HK\$1.01 per share.



## I ANALYSIS OF FINANCIAL RESULTS

### 1 Profit attributable to owners of the Company

For the six months ended 30 June 2020, the Group recorded a profit attributable to owners of the Company of HK\$802.70 million, a decrease of HK\$1,206.93 million or approximately 60.1% as compared to the same period of 2019.

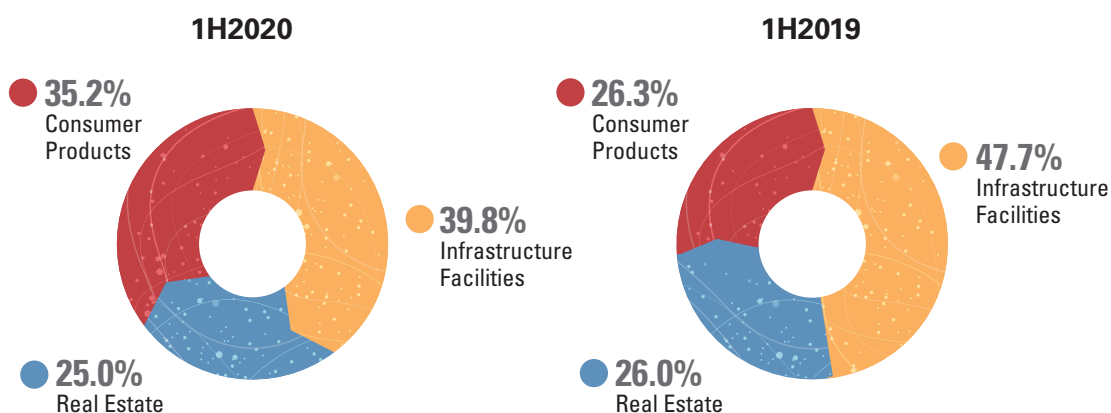


### 2 Profit Contribution from Each Business

The profit contributed by each business in the Group for the first half of 2020 and the comparative figures of the same period last year was summarized as follows:

	<b>2020</b>	2019	Change %
	<b>Unaudited</b>		
	<b>Six months ended 30 June</b>		
	<b>HK\$'000</b>	HK\$'000	
Infrastructure Facilities	<b>408,424</b>	1,016,055	-59.8
Real Estate	<b>256,355</b>	552,396	-53.6
Consumer Products	<b>360,315</b>	560,614	-35.7
	<b>1,025,094</b>	2,129,065	-51.9

## Financial Review



Net profit from the infrastructure facilities business for the period amounted to approximately HK\$408.42 million, accounting for 39.8% of Net Business Profit, and representing a year-on-year decrease of 59.8%.

Due to the outbreak of the COVID-19 epidemic, the Ministry of Transport introduced nationwide toll fee exemption during the disease prevention and control period for toll roads and bridges, coupled with the implementation of a 5% discount on tolls for ETC lanes, and the impact of the RMB depreciation of approximately 4.5% year-on-year, revenue and profit contributions from toll roads and bridge business decreased significantly.

The impact brought by the COVID-19 epidemic on our water services and waste-to-energy business was relatively small, an increase in profit of 14.1% was recorded. The approximately 2% increase in equity stake of Canvest Environment during the period has increased its profit contribution to the Group.

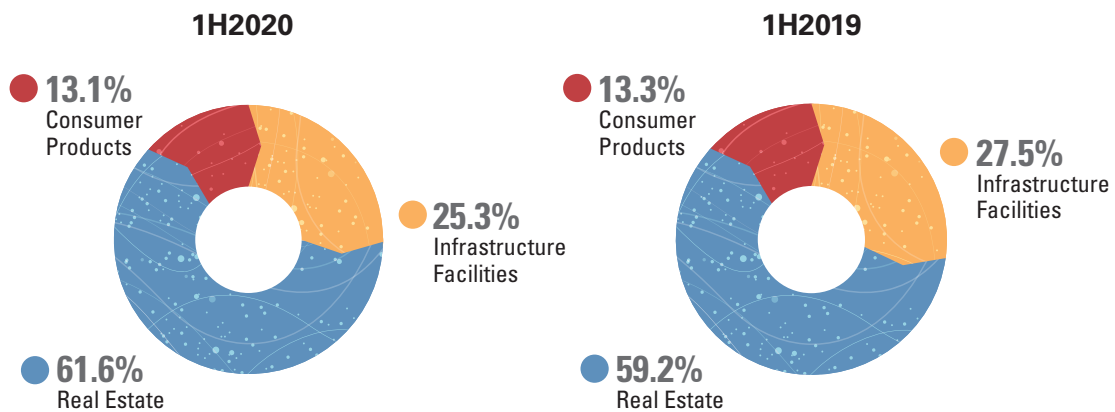
The real estate business recorded a profit of approximately HK\$256.36 million, accounting for 25.0% of the Net Business Profit, and representing a decrease of HK\$296.04 million over the same period in 2019. The decrease was mainly due to the decrease in the delivery and settlement of properties, the decrease in rental income and hotel revenue resulting from the epidemic, and the profit sharing percentage in SI Urban Development was reduced from 69.96% to 47.41% after the distribution of share in SI Urban Development as interim dividend last year.

The consumer products business recorded a net profit of HK\$360.32 million for the period, accounting for 35.2% of Net Business Profit, and representing a year-on-year decrease of 35.7%. Profit from Nanyang Tobacco decreased by HK\$223.31 million or 44.9% as its duty free and export sales were affected by the epidemic. Wing Fat Printing's profit contribution increased by 36.5% as its moulded-fibre business with a higher gross profit margin increased, and a gain on the disposal of 100% equity in Sichuan Kemei Paper Co., Ltd. ("Sichuan Kemei") was recorded during the period.

### 3 Revenue

The Group's revenue by principal businesses for the first half of 2020 and the comparatives of the same period last year was summarized as follows:

	2020	2019	Change
	Unaudited		%
	Six months ended 30 June		
	HK\$'000	HK\$'000	
Infrastructure Facilities	3,344,469	4,580,305	-27.0
Real Estate	8,130,621	9,861,697	-17.6
Consumer Products	1,735,862	2,219,949	-21.8
	13,210,952	16,661,951	-20.7



In the first half of 2020, revenue of the Group amounted to approximately HK\$13,210.95 million, representing a year-on-year decrease of 20.7%, mainly due to the operation of each business segment was affected by the epidemic to varying extents.

Revenue of the infrastructure facilities business fell due to the impact of the toll free measures for toll roads during the disease prevention and control period, the impacts of various measures that brought by the request of cancellation of provincial toll stations, as well as the lower construction revenue of SIIC Environment.

The decrease in the delivery and settlement of properties, coupled with the drop in rental income and revenue from hotel business during the epidemic caused the decrease in revenue of the real estate business.

The revenue from consumer products business decreased due to a decline in duty free and export cigarette sales.

### 4 Profit before Taxation

#### (1) Gross profit margin

Compared to the first half of 2019, gross profit margin remained stable. Although negative gross profit margin was recorded for toll roads business due to the toll free measures during the period, the increase in operating revenue with relatively higher profit margin from water services help offsetting the decline.

## Financial Review

### (2) *Gain on disposal of subsidiaries/interests in associates*

Gain for the period was mainly attributable to the disposal of 100% equity interest in a subsidiary, Sichuan Kemei and an approximately 23.97% equity interest in an associate, Wufangzhai.

### 5 **Dividend**

The Board of Directors of the Company has resolved to declare to the shareholders of the Company whose names appear on the register of members of the Company on the Record Date, for the year of 2020, an interim cash dividend of HK22 cents per share and an interim special dividend in the form of distribution in specie of the SIUD Shares held by the Group in proportion to their respective shareholdings in the Company on the following basis:

for every 5 shares of the Company held . . . . . 1 SIUD Share

If the calculation results in the distribution of fragmented SIUD Shares to Qualifying Shareholders, the distributing number of SIUD Shares will be rounded down to the nearest whole number of the SIUD Shares. Fragmented SIUD Shares will not be distributed, but it will be sold in the market when practicable and the net proceeds from such sale will be retained for the benefit of the Company.

For same period last year, the Company has paid an interim dividend in the 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.

## 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 30 June 2020. There is no change compared with 1,087,211,600 shares as at the end of 2019.

Equity attributable to owners of the Company reached HK\$39,770.29 million as at 30 June 2020, it was attributable to the net profit for the first half of the year after deducting the dividend actually paid during the period.

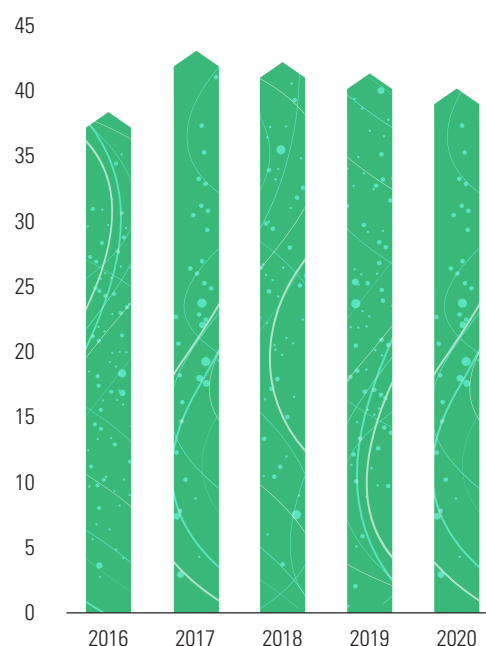
### 2 **Indebtedness**

#### (1) *Borrowings*

SIHL Finance Limited, a wholly-owned subsidiary of the Company, signed a HK\$2.1 billion or US dollar equivalent dual-currency club loan for a term of 5 years in March 2020.

As at 30 June 2020, the total borrowings of the Group including bank borrowings and other borrowings amounted to approximately HK\$53,831.77 million (31 December 2019: HK\$54,456.57 million), of which 67.0% (31 December 2019: 68.5%) was unsecured credit facilities. The proportions of US dollars, Renminbi and HK dollars of total borrowings were 3%, 84% and 13% (31 December 2019: 3%, 83% and 14%) respectively.

HK\$ billion



Equity attributable to owners of the Company

### (2) *Pledge of assets*

The following assets were pledged by the Group to banks to secure banking facilities granted by these banks to the Group:

- (a) investment properties with an aggregate carrying value of HK\$11,371,220,000 (31 December 2019: HK\$9,792,486,000);
- (b) leasehold land and buildings with an aggregate carrying value of HK\$13,959,000 (31 December 2019: HK\$123,539,000);
- (c) plant and machineries with an aggregate carrying value of HK\$22,590,000 as at 31 December 2019 (30 June 2020: Nil);
- (d) one (30 June 2020: Nil) toll road operating right with a carrying value of HK\$1,884,742,000 as at 31 December 2019 (30 June 2020: Nil);
- (e) receivables under service concession arrangements with an aggregate carrying value of HK\$14,307,313,000 (31 December 2019: HK\$14,419,408,000);
- (f) properties under development held for sale with an aggregate carrying value of HK\$15,100,452,000 (31 December 2019: HK\$2,869,155,000);
- (g) properties held for sale with an aggregate carrying value of HK\$270,667,000 (31 December 2019: 645,466,000);
- (h) trade receivables with an aggregate carrying value of HK\$204,813,000 (31 December 2019: HK\$172,688,000); and
- (i) bank deposits with an aggregate carrying value of HK\$721,749,000 (31 December 2019: HK\$1,292,335,000).

### (3) *Contingent liabilities*

As at 30 June 2020, the guarantees given to banks by the Group in respect of banking facilities utilised by property buyers and associates amounted to approximately HK\$6,732.32 million and HK\$1,979.58 million (31 December 2019: HK\$7,107.92 million and HK\$2,018.77 million) respectively.

## 3 Capital Commitments

As at 30 June 2020, the Group had capital commitments mainly contracted for business development and investments in fixed assets of HK\$15,561.27 million (31 December 2019: HK\$15,814.20 million). The Group had sufficient internal resources and/or through loan markets to finance its capital expenditures.

## 4 Bank Balances and Short-term Investments

As at 30 June 2020, bank balances and short-term investments held by the Group amounted to HK\$25,193.48 million (31 December 2019: HK\$29,325.48 million) and HK\$673.08 million (31 December 2019: HK\$810.73 million) respectively. The proportions of US dollars and other currencies, Renminbi and HK dollars of bank balances were 4%, 82% and 14% (31 December 2019: 3%, 78% and 19%) 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 development, and will seek opportunities to optimise 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 consider hedging significant foreign currency exposures and adopting suitable measures when 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 condensed 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 minimise the Group's credit risk exposures.

# Report on Review of Condensed Consolidated Financial Statements

**Deloitte.**

德勤

**TO THE BOARD OF DIRECTORS OF SHANGHAI INDUSTRIAL HOLDINGS LIMITED**

*(incorporated in Hong Kong with limited liability)*

## INTRODUCTION

We have reviewed the condensed consolidated financial statements of Shanghai Industrial Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 39 to 62 which comprise the condensed consolidated statement of financial position as of 30 June 2020, and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.



**Deloitte Touche Tohmatsu**

Certified Public Accountants

Hong Kong

28 August 2020

## Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2020

	NOTES	Six months ended 30 June	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue	3	13,210,952	16,661,951
Cost of sales		(8,345,795)	(10,542,180)
Gross profit		4,865,157	6,119,771
Net investment income		223,949	318,651
Other income, gains and losses		381,824	480,045
Selling and distribution costs		(502,260)	(516,985)
Administrative and other expenses		(1,052,878)	(973,822)
Finance costs		(865,909)	(911,247)
Share of results of joint ventures		94,566	83,011
Share of results of associates		121,241	203,655
Gain on disposal of subsidiaries/interests in associates	17	87,015	–
Profit before taxation		3,352,705	4,803,079
Income tax expense	4	(1,663,584)	(1,628,852)
Profit for the period	5	1,689,121	3,174,227
Profit for the period attributable to			
– Owners of the Company		802,702	2,009,628
– Non-controlling interests		886,419	1,164,599
		1,689,121	3,174,227
Earnings per share	7		
		HK\$	HK\$
– Basic		0.725	1.848
– Diluted		0.725	1.848

## *Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income*

For the six months ended 30 June 2020

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Profit for the period	<b>1,689,121</b>	3,174,227
<b>Other comprehensive income (expense)</b>		
<i>Item that will not be reclassified to profit or loss</i>		
Fair value change on equity instruments at fair value through other comprehensive income held by subsidiaries, net of tax	<b>18,228</b>	12,773
<i>Items that may be subsequently reclassified to profit or loss</i>		
Exchange differences arising on translation of foreign operations		
– subsidiaries	<b>(1,327,033)</b>	(71,894)
– joint ventures	<b>(67,886)</b>	(2,935)
– associates	<b>(62,261)</b>	(2,918)
Other comprehensive expense for the period	<b>(1,438,952)</b>	(64,974)
Total comprehensive income for the period	<b>250,169</b>	3,109,253
Total comprehensive income for the period attributable to		
– Owners of the Company	<b>47,881</b>	1,971,850
– Non-controlling interests	<b>202,288</b>	1,137,403
	<b>250,169</b>	3,109,253

# Condensed Consolidated Statement of Financial Position

At 30 June 2020

	NOTES	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
<b>Non-Current Assets</b>			
Investment properties	8	23,956,856	22,844,587
Property, plant and equipment	8	5,623,814	5,617,784
Right-of-use assets		492,353	407,482
Toll road operating rights	8	7,065,115	7,480,543
Goodwill		732,351	771,093
Other intangible assets	8	7,388,159	7,628,528
Interests in joint ventures	9	4,960,433	3,252,546
Interests in associates		6,082,178	6,416,054
Investments	10	686,845	696,027
Receivables under service concession arrangements – non-current portion		20,068,295	19,456,025
Deposits paid on acquisition of investment properties/property, plant and equipment/intangible assets/a subsidiary		1,350,109	1,584,289
Other non-current receivables		9,239	9,239
Deferred tax assets		410,235	502,829
		<b>78,825,982</b>	76,667,026
<b>Current Assets</b>			
Inventories	11	53,721,860	56,706,001
Trade and other receivables	12	9,978,657	9,446,194
Contract assets		540,531	600,758
Investments	10	673,084	810,732
Receivables under service concession arrangements – current portion		543,120	547,535
Prepaid taxation		761,103	612,444
Pledged bank deposits		721,749	1,292,335
Short-term bank deposits		303,469	128,365
Bank balances and cash		24,168,257	27,904,781
		<b>91,411,830</b>	98,049,145
Assets classified as held for sale	16	226,777	226,119
		<b>91,638,607</b>	98,275,264



## Condensed Consolidated Statement of Financial Position

At 30 June 2020

	NOTES	<b>30 June 2020 HK\$'000 (unaudited)</b>	31 December 2019 HK\$'000 (audited)
Current Liabilities			
Trade and other payables	13	<b>17,396,475</b>	19,503,774
Lease liabilities – current portion		<b>99,865</b>	100,762
Contract liabilities	14	<b>13,827,093</b>	14,803,392
Taxation payable		<b>3,468,622</b>	4,335,119
Bank and other borrowings	15	<b>16,248,114</b>	19,443,750
		<b>51,040,169</b>	58,186,797
Liabilities associated with assets classified as held for sale	16	<b>165,714</b>	174,715
		<b>51,205,883</b>	58,361,512
Net Current Assets		<b>40,432,724</b>	39,913,752
Total Assets less Current Liabilities		<b>119,258,706</b>	116,580,778
Capital and Reserves			
Share capital		<b>13,649,839</b>	13,649,839
Reserves		<b>26,120,446</b>	26,589,973
Equity attributable to owners of the Company		<b>39,770,285</b>	40,239,812
Non-controlling interests		<b>33,209,950</b>	32,564,748
Total Equity		<b>72,980,235</b>	72,804,560
Non-Current Liabilities			
Provision for major overhauls		<b>81,902</b>	84,263
Bank and other borrowings	15	<b>37,544,733</b>	34,983,838
Lease liabilities – non-current portion		<b>339,975</b>	262,030
Deferred tax liabilities		<b>8,311,861</b>	8,446,087
		<b>46,278,471</b>	43,776,218
Total Equity and Non-Current Liabilities		<b>119,258,706</b>	116,580,778

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	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)	Investment revaluation reserve HK\$'000	Translation reserves HK\$'000	PRC statutory reserve 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 (audited)	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 period	-	-	-	-	-	-	-	2,009,628	2,009,628	-	1,164,599	1,164,599	3,174,227
Fair value change on equity investments at fair value through other comprehensive income held by subsidiaries, net of tax	-	-	-	-	5,086	-	-	-	5,086	-	7,687	7,687	12,773
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-
- subsidiaries	-	-	-	-	-	(37,011)	-	-	(37,011)	-	(34,883)	(34,883)	(71,894)
- joint ventures	-	-	-	-	-	(2,935)	-	-	(2,935)	-	-	-	(2,935)
- associates	-	-	-	-	-	(2,918)	-	-	(2,918)	-	-	-	(2,918)
Total comprehensive income (expense) for the period	-	-	-	-	5,086	(42,864)	-	2,009,628	1,971,850	-	1,137,403	1,137,403	3,109,253
Transfers	-	-	-	-	-	-	67,471	(67,471)	-	-	-	-	-
Reduction of share capital of a subsidiary	-	-	-	-	-	-	-	-	-	-	(18,911)	(18,911)	(18,911)
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	(5,360)	(5,360)	(5,360)
Acquisition of additional interest in a listed subsidiary	-	-	38,394	-	-	-	-	-	38,394	-	(91,436)	(91,436)	(53,042)
Dividends paid (note 6)	-	-	-	-	-	-	-	(565,350)	(565,350)	-	-	-	(565,350)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(397,979)	(397,979)	(397,979)
At 30 June 2019 (unaudited)	13,649,839	54,855	1,726,565	(5,912,547)	267,494	(60,260)	2,269,727	30,724,517	42,720,190	31,892	28,819,497	28,851,389	71,571,579

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Attributable to owners of the Company							Attributable to non-controlling interests						
	Share capital	Other revaluation reserve	Other reserve	Merger reserve	Investment revaluation reserve	Translation reserve	PRC statutory reserves	Retained profits	Sub-total	Perpetual bond	Share options reserve of listed subsidiaries	Share of net assets of subsidiaries	Sub-total	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Note i)	(Note ii)	(Note iii)			(Note iv)			(Note v)				
At 1 January 2020 (audited)	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
Profit for the period	-	-	-	-	-	-	-	802,702	802,702	-	-	886,419	886,419	1,689,121
Fair value change on equity investments at fair value through other comprehensive income held by subsidiaries, net of tax	-	-	-	-	4,537	-	-	-	4,537	-	-	13,691	13,691	18,228
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(629,211)	-	-	(629,211)	-	-	(697,822)	(697,822)	(1,327,033)
- subsidiaries	-	-	-	-	-	(629,211)	-	-	(629,211)	-	-	(697,822)	(697,822)	(1,327,033)
- joint ventures	-	-	-	-	-	(67,886)	-	-	(67,886)	-	-	-	-	(67,886)
- associates	-	-	-	-	-	(62,261)	-	-	(62,261)	-	-	-	-	(62,261)
Total comprehensive income (expense) for the period	-	-	-	-	4,537	(759,358)	-	802,702	47,881	-	-	202,288	202,288	250,169
Transfers	-	-	-	-	-	-	29,977	(29,977)	-	-	-	-	-	-
Acquisition of additional interest in a listed subsidiary	-	-	62,481	-	-	-	-	-	62,481	-	-	(95,458)	(95,458)	(32,977)
Contribution from non-controlling interests upon additional capital injection into a subsidiary	-	-	-	-	-	-	-	-	-	-	-	35,478	35,478	35,478
Release upon liquidation of a subsidiary	-	-	-	-	-	-	(1,287)	759	(528)	-	-	528	528	-
Release upon disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(1,630)	(1,630)	(1,630)
Issue of perpetual bond	-	-	-	-	-	-	-	-	-	1,096,852	-	-	1,096,852	1,096,852
Accrual of interest to holders of perpetual bond	-	-	-	-	-	-	-	(14,011)	(14,011)	28,829	-	(14,818)	14,011	-
Interest paid to holder of perpetual bond	-	-	-	-	-	-	-	-	-	(28,829)	-	-	(28,829)	(28,829)
Dividends paid (Note 6)	-	-	-	-	-	-	-	(565,350)	(565,350)	-	-	-	-	(565,350)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(578,038)	(578,038)	(578,038)
At 30 June 2020 (unaudited)	13,649,839	54,855	(261,812)	(5,912,547)	262,524	(1,485,233)	2,489,233	30,973,426	39,770,285	1,096,852	31,892	32,081,206	33,209,950	72,980,235

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

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 is recorded in other reserve.
- (iii) Merger reserve mainly represents the difference in 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) On 2 January 2020, Shanghai Industrial Development Co., Ltd. (“SI Development”), a non-wholly owned listed subsidiary of the Group issued a 5.5% perpetual bond with par value of RMB1 billion (equivalent to approximately HK\$1,096,852,000) to an independent third party (the “perpetual bondholder”).

The perpetual bondholder is entitled to an interest of 5.5% per annum in the first 1.5 years (the “initial investment period”) after issuance. Upon the end of the initial investment period, SI Development can elect to extend repayment of the principal for another year once every year indefinitely and the interest rate will be reset with reference to People’s Bank of China Benchmark Lending Rate upon each deferral of interest payment and capped at 9%. The interest payments fall due quarterly. Unless SI Development declares dividend to shareholders or reduces the registered capital within 12 months before the interest due date, SI Development can elect to defer the payment of all current or deferred interests to the next payment date.

According to the above-mentioned terms, the issued perpetual bond has no maturity date. SI Development has the right to defer interest payment and the option for redemption of perpetual bond. SI Development has no obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer, so the perpetual bond is classified as an equity instrument.

## Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Net cash used in operating activities	(1,385,540)	(2,818,840)
Net cash used in investing activities:		
Investments in joint ventures	(1,681,207)	–
Advance to associates	(567,391)	(23,751)
Purchase of property, plant and equipment	(414,854)	(131,175)
Acquisition of addition interest in an associate	(167,540)	–
Development costs paid for investment properties	(85,673)	(39,035)
Addition of service concession rights	(84,338)	(280,352)
Deposits paid for acquisition of property, plant and equipment/intangible assets	(62,217)	(130,110)
Purchase of financial assets at fair value through profit or loss (“FVTPL”)	(458)	(242,718)
Proceeds from disposal of interests in associates	467,521	–
Decrease (increase) in pledged/short-term bank deposits	370,286	(594,840)
Interest received	226,897	256,789
Dividend income received from associates	163,151	179,116
Proceeds from disposal of investments	129,744	66,903
Proceeds from disposal of subsidiaries	29,350	–
Proceeds from disposal of an equity investment at fair value through other comprehensive income (“FVTOCI”)	3,531	–
Dividend income received from investments	2,761	3,393
Capital refund from an equity investment at FVTOCI	–	30,859
Advance from a fellow subsidiary	–	401
Other investing cash flows	10,090	4,396
	(1,660,347)	(900,124)

## Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Net cash (used in) from financing activities:		
Repayment of bank and other borrowings	(17,501,736)	(6,963,034)
Interest paid	(874,766)	(906,939)
Dividends paid	(458,696)	(565,350)
Dividends paid to non-controlling interests	(578,038)	(397,979)
Repayment of lease liabilities	(53,947)	(47,531)
Acquisition of additional interest in a listed subsidiary	(32,977)	(53,042)
Interest paid to holder of perpetual bond	(28,829)	–
Repayment to related parties	(18,159)	(227,987)
Bank and other borrowings raised	18,196,684	12,966,413
Proceeds from issuance of perpetual bond	1,096,852	–
Contribution from non-controlling interests upon additional capital injection of a subsidiary	35,478	–
Distribution to a non-controlling shareholder after reduction of share capital of a subsidiary	–	(18,911)
Acquisition of additional interests in a subsidiary	–	(5,360)
	(218,134)	3,780,280
Net (decrease) increase in cash and cash equivalents	(3,264,021)	61,316
Cash and cash equivalents at beginning of the period	27,904,781	25,132,470
Effect of foreign exchange rate changes	(472,503)	(44,935)
Cash and cash equivalents at ending of the period represented by Bank balances and cash	24,168,257	25,148,851



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The financial information relating to the year ended 31 December 2019 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor has reported on the financial statements for the year ended 31 December 2019. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

## 1A. SIGNIFICANT EVENT IN THE CURRENT INTERIM PERIOD

Due to the adverse market conditions brought about by the outbreak of the Coronavirus Epidemic (the “Epidemic”) and associated quarantine and social protective measures put in place in the PRC, Hong Kong and overseas, the operations of the Group were both directly and indirectly affected. The implementation of the toll-free policy during the period of prevention and control of the Epidemic has caused a decrease in the revenue of toll road business of the Group. Since toll revenue constitutes one of the primary sources of revenue and also attributable profit to the Group, the operating results and financial position of the Group were negatively affected. Since the second quarter of 2020, the Chinese economy showed a positive trend of gradual recovery, which should be conducive to normal business resumption of the Group.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as appropriate.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and the application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2019.

### Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to Reference to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the amendments to HKFRSs and Amendments to Reference to the Conceptual Framework in HKFRS Standards in the current period has had no material impact on the Group’s financial positions and performance and for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

#### 2.1 Impacts of application on Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosure on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

#### 2.2 Accounting policies newly applied by the Group

In addition, the Group has applied the following accounting policies which became relevant to the Group in the current interim period.

##### *Perpetual bonds*

Perpetual bonds issued by the Group are classified as equity instrument as they include no contractual obligation: (i) to deliver cash or another financial asset to another entity; or (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer.

Except for the perpetual bonds as stated above which can be classified as equity, all other perpetual bonds issued by the Group are classified as financial liabilities.

The interest expenses of perpetual bonds classified as equity instruments are treated as profit distribution of the Group. The repurchase or cancellation of these instruments is treated as change in equity. The related transaction costs are deducted from equity.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

### 3. REVENUE AND 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 business
Real estate	–	property development and investment and hotel operation
Consumer products	–	manufacture and sale of cigarettes, packaging materials and printed products

The above operating segments also represent the Group's reportable segments.

#### Disaggregation of Revenue

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Sales of goods and services		
Sales of properties	6,452,214	8,064,584
Sales of goods	1,735,862	2,219,949
Income from infrastructure facilities, other than financial income from service concession arrangements		
– toll road operation	431,606	1,202,916
– water-related service		
– construction income from construction contracts	972,095	1,478,687
– operating and maintenance income	1,392,126	1,353,292
Property services and management income	1,131,139	1,011,152
Income from hotel operations	57,626	138,242
Revenue from goods and services	12,172,668	15,468,822
Financial income from service concession arrangements	548,642	545,410
Rental income	489,642	647,719
	13,210,952	16,661,951
Timing of revenue recognition of revenue from goods and services		
A point in time	9,580,202	11,637,825
Overtime	2,592,466	3,830,997
	12,172,668	15,468,822

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

### 3. REVENUE AND SEGMENT INFORMATION (continued)

#### Segment revenue and results

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

#### Six months ended 30 June 2020 (unaudited)

	Infrastructure facilities HK\$'000	Real estate HK\$'000	Consumer products HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
REVENUE					
Segment revenue – external sales	3,344,469	8,130,621	1,735,862	–	13,210,952
Segment operating profit (loss)	868,770	2,717,280	425,055	(95,313)	3,915,792
Finance costs	(373,947)	(425,904)	(803)	(65,255)	(865,909)
Share results of joint ventures	94,448	118	–	–	94,566
Share of results of associates	130,784	(14,135)	4,592	–	121,241
Gain on disposal of subsidiaries/ interests in associates	71,218	–	15,797	–	87,015
Segment profit (loss) before taxation	791,273	2,277,359	444,641	(160,568)	3,352,705
Income tax expense	(150,087)	(1,379,383)	(72,290)	(61,824)	(1,663,584)
Segment profit (loss) after taxation	641,186	897,976	372,351	(222,392)	1,689,121
Less: profit attributable to non-controlling interests	(232,762)	(641,621)	(12,036)	–	(886,419)
Segment profit (loss) after taxation attributable to owners of the Company	408,424	256,355	360,315	(222,392)	802,702

#### Six months ended 30 June 2019 (unaudited)

	Infrastructure facilities HK\$'000	Real estate HK\$'000	Consumer products HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
REVENUE					
Segment revenue – external sales	4,580,305	9,861,697	2,219,949	–	16,661,951
Segment operating profit	1,605,685	3,054,160	683,331	84,484	5,427,660
Finance costs	(362,657)	(462,865)	(1,318)	(84,407)	(911,247)
Share of results of joint ventures	83,011	–	–	–	83,011
Share of results of associates	213,891	(11,925)	1,689	–	203,655
Segment profit before taxation	1,539,930	2,579,370	683,702	77	4,803,079
Income tax expense	(297,799)	(1,093,289)	(118,250)	(119,514)	(1,628,852)
Segment profit (loss) after taxation	1,242,131	1,486,081	565,452	(119,437)	3,174,227
Less: profit attributable to non-controlling interests	(226,076)	(933,685)	(4,838)	–	(1,164,599)
Segment profit (loss) after taxation attributable to owners of the Company	1,016,055	552,396	560,614	(119,437)	2,009,628

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

### 3. REVENUE AND SEGMENT INFORMATION (continued)

#### Segment assets and liabilities

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

#### At 30 June 2020 (unaudited)

	Infrastructure facilities HK\$'000	Real estate HK\$'000	Consumer products HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Segment assets	52,905,463	106,706,657	7,143,829	3,708,640	170,464,589
Segment liabilities	21,150,818	65,559,056	735,346	10,039,134	97,484,354

#### At 31 December 2019 (audited)

	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

### 4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Current tax		
– Hong Kong	54,653	101,806
– PRC Land Appreciation Tax ("LAT")	714,941	797,636
– PRC Enterprise income tax ("EIT") (including PRC withholding tax of HK\$18,608,000 (six months ended 30 June 2019: HK\$57,929,000))	693,012	1,047,319
	1,462,606	1,946,761
(Over)underprovision in prior periods		
– Hong Kong	(78)	–
– PRC LAT	129,444	(58,967)
– PRC EIT (including an overprovision of PRC withholding tax of HK\$3,009,000 (six months ended 30 June 2019: HK\$14,870,000))	(16,657)	(55,491)
	112,709	(114,458)
Deferred taxation for the current period	88,269	(203,451)
	1,663,584	1,628,852

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

### 4. INCOME TAX EXPENSE (continued)

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

The Group's subsidiaries in the PRC are subject to PRC EIT at a rate of 25% for both periods, except for (i) certain PRC subsidiaries which are qualified as a High New Technology Enterprise and enjoy a preferential tax rate of 15% for both periods (the preferential tax rate is applicable for a consecutive three years from the date of grant and subject to approval for renewal); and (ii) certain PRC subsidiaries, engaging in public infrastructure projects, are entitled to full exemption from PRC EIT for the first three years and a 50% reduction in PRC EIT for the next three years from the first year of generating operating income.

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

### 5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting) the following items:		
Amortisation of toll road operating rights (included in cost of sales)	271,805	394,913
Amortisation of other intangible assets (included in cost of sales)	172,263	172,242
Depreciation of property, plant and equipment	312,471	231,861
Depreciation of right-of-use assets	42,416	28,638
Interest expenses for lease liabilities	10,597	4,308
Net increase in fair value of investment properties (included in other income, gains and losses)	(136,866)	(221,324)
Dividend income from investments (included in net investment income)	(2,761)	(3,393)
Net gain on disposal of property, plant and equipment (included in other income, gains and losses)	(4,474)	(1,910)
Interest income (included in net investment income)	(226,897)	(254,984)
Decrease (increase) in fair value of financial assets at FVTPL (included in net investment income)	9,530	(58,447)
Net foreign exchange loss (included in other income, gains and losses)	32,996	1,209
Share of PRC EIT of joint ventures (included in share of results of joint ventures)	36,402	41,128
Share of PRC EIT of associates (included in share of results of associates)	32,256	61,985



## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

### 6. DIVIDENDS

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
2019 final dividend paid of HK52 cents (six months ended 30 June 2019: 2018 final dividend paid of HK52 cents) per share	565,350	565,350

Subsequent to the end of the current interim period, the directors have determined that interim dividend of HK22 cents per share (six months ended 30 June 2019: Nil) and a distribution in specie of 217,442,320 shares (six months ended 30 June 2019: 1,087,211,600 shares) of SI Urban Development held by the Company to the shareholders of the Company whose names appearing on the Company's register of members on 29 September 2020 in proportion to their then respective shareholdings in the Company on the basis of one SI Urban Development share for every five shares (six months ended 30 June 2019: for every one share) held by the shareholders of the Company.

### 7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<b>Earnings:</b>		
Profit for the period attributable to owners of the Company	802,702	2,009,628
Interest to holders of perpetual bond	(14,011)	–
Earnings for the purpose of basic and diluted earnings per share	788,691	2,009,628
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	1,087,211,600	1,087,211,600

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

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

### 8. TOLL ROAD OPERATING RIGHTS/MOVEMENTS IN INVESTMENT PROPERTIES/PROPERTY, PLANT AND EQUIPMENT AND OTHER INTANGIBLE ASSETS

The Group's investment properties at the end of the reporting period were fair-valued by Cushman & Wakefield Limited ("C&W"). C&W is a member of the Institute of Valuers and a firm of independent qualified professional valuers not connected with the Group. The valuations were arrived at by reference to market evidence of transaction prices for similar properties in similar locations and conditions, or on the basis of investment approach, where appropriate. During the current interim period, the Group recognised a net increase in fair value of investment properties of approximately HK\$137 million in profit or loss (six months ended 30 June 2019: HK\$221 million).

During the six months ended 30 June 2020, the management of the Group changed the intention from selling the apartments and commercial units of several residential property projects to lease them out for rentals. Accordingly, properties held for sale with an aggregate carrying amount of approximately HK\$1,343 million were transferred to investment properties upon inception of lease agreements with the tenants during the period. A fair value gain of approximately HK\$253 million in respect of these properties is recognised in the profit or loss during the period.

During the current interim period, the Group incurred costs for construction in progress of approximately HK\$56 million (six months ended 30 June 2019: HK\$41 million) and acquired other property, plant and equipment at an aggregate cost of approximately HK\$369 million (six months ended 30 June 2019: HK\$90 million) for the purpose of expanding the Group's operations and businesses.

In addition, the Group acquired other intangible assets of approximately HK\$84 million (six months ended 30 June 2019: HK\$280 million).

#### Impairment assessment of toll road operating rights

During the current interim period, revenue from toll road operations decreased significantly, which is primarily resulted from the decrease in traffic flow volume and the waiver of toll fees according to "The Notice on Toll Roads going Toll-Free During the Period of Precautionary and Control in relation to the outbreak of Coronavirus Epidemic" issued by the Ministry of Transport of the PRC, as well as the recent changes of governmental policies in relation to the toll road operations in the PRC.

Based on the above situation, the Group performed impairment assessment on respective toll road operating rights, with assumptions including (i) the impact on toll road operations due to the Epidemic and the relevant supporting protective policies to be studied and issued by the PRC government as published by the Ministry of Transport; (ii) the standardisation of starting point of toll charging around the city and the corresponding compensation; (iii) the national implementation of new toll fee charging schemes, under which the classification of vehicles and tariff multiplier have been changed; and (iv) the discount on using ETC cards for toll payment is increased to 5%. The management of the Group considered the carrying amount of the toll road operating rights would not exceed its recoverable amount.

### 9. INTERESTS IN JOINT VENTURES

During the six months ended 30 June 2020, the Group injected capitals with an aggregate amount of RMB1,527,500,000 (equivalent to approximately HK\$1,680,104,000) into joint ventures, namely 上海諾卓企業管理有限公司 ("Shanghai Nuozhuo") and 上海天宇實宏企業發展有限公司 ("Shanghai Tianyu"). The Group holds 5% equity interest in Shanghai Tianyu directly and 27.5% equity interest in Shanghai Tianyu indirectly through Shanghai Nuozhuo. Shanghai Tianyu is the project company for the acquisition of a parcel of land situated at Xuhui District in Shanghai in the PRC at a consideration of RMB4,628,000,000 during the period.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

### 10. INVESTMENTS

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Equity instruments at FVTPL		
Listed equity securities	471,195	477,590
Unlisted equity securities	31,365	31,375
	<b>502,560</b>	508,965
Financial assets at FVTPL		
Corporate bonds	149,859	258,965
Funds	52,030	74,178
	<b>201,889</b>	333,143
Equity instruments at FVTOCI		
Listed equity securities	139,441	116,736
Unlisted equity securities	516,039	547,915
	<b>655,480</b>	664,651
Total investments	<b>1,359,929</b>	1,506,759
Analysed for reporting purposes as:		
Current portion	673,084	810,732
Non-current portion	686,845	696,027
	<b>1,359,929</b>	1,506,759

### 11. INVENTORIES

Inventories mainly represent properties under development held for sale. Included in the amount is HK\$36,652,652,000 (31 December 2019: HK\$42,802,007,000) which is not expected to be realised within one year.

### 12. TRADE AND OTHER RECEIVABLES

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:

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Within 30 days	964,194	947,290
Within 31-60 days	385,601	417,446
Within 61-90 days	256,579	385,387
Within 91-180 days	295,142	418,638
Within 181-365 days	904,149	344,534
Over 365 days	715,417	524,391
	<b>3,521,082</b>	3,037,686

Included in other receivables as at 30 June 2020 were (i) unsecured amounts of HK\$2,053,065,000 (31 December 2019: HK\$1,485,674,000) due from certain associates of which HK\$1,686,834,000 (31 December 2019: HK\$1,273,146,000) carried fixed interest at prevailing market interest rates; (ii) an amount of HK\$Nil (31 December 2019: HK\$112,045,000) due from a fellow subsidiary which is unsecured and interest-free; and (iii) amounts of HK\$11,000 (31 December 2019: HK\$413,694,000) due from certain joint ventures which are unsecured and interest-free.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

### 13. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables, presented based on the invoice date:

	<b>30 June 2020 HK\$'000 (unaudited)</b>	31 December 2019 HK\$'000 (audited)
Within 30 days	1,494,813	1,463,519
Within 31-60 days	345,525	449,638
Within 61-90 days	271,122	434,901
Within 91-180 days	467,590	525,328
Within 181-365 days	1,200,596	1,520,820
Over 365 days	1,402,882	1,130,835
	<b>5,182,528</b>	5,525,041

Included in other payables as at 30 June 2020 were (a) amounts of HK\$436,963,000 (31 December 2019: HK\$444,319,000) due to State-owned Assets Supervision and Administration Commission of Shanghai Xuhui District (the "Xuhui SASAC") and entities controlled by the Xuhui SASAC, (b) amounts of HK\$1,337,000 (31 December 2019: HK\$1,363,000) due to certain fellow subsidiaries, which are unsecured, non-interest bearing and have no fixed terms of repayment and (c) accrued expenditure on properties under development of HK\$2,435,916,000 (31 December 2019: HK\$2,595,930,000).

### 14. CONTRACT LIABILITIES

The amount mainly represents proceeds received on property sales that have not been recognised as revenue in accordance with the Group's revenue recognition policy.

### 15. BANK AND OTHER BORROWINGS

During the current interim period, the Group (i) obtained new borrowings in the amount of approximately HK\$18,197 million (six months ended 30 June 2019: HK\$12,966 million) and (ii) repaid borrowings of approximately HK\$17,502 million (six months ended 30 June 2019: HK\$6,963 million). The borrowings carry interest at market rates.

### 16. ASSETS CLASSIFIED AS HELD FOR SALES

On 31 December 2018, the directors of SIIC Environment Holdings Ltd resolved to dispose of one of its subsidiaries. Negotiations with several interested parties have subsequently taken place. The assets and liabilities attributable to the subsidiary, which are expected to be sold within twelve months, were classified as a disposal group held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", and are presented separately in the condensed consolidated statement of financial position since 31 December 2018.

During the year ended 31 December 2019, the disposal was not completed as the Group was in the process of finalising the payment plan. The Group entered into a supplementary agreement with the third party on top of the previously signed sales and purchase agreement to extend the expected completion date of the disposal to January 2020 due to renegotiation of consideration payment terms. Due to the outbreak of the Epidemic, a further negotiation on the payment plan has been taking place and the Group expect to complete the disposal in the second half of 2020. Therefore, the assets and liabilities attributable to the subsidiary are still presented separately in the condensed consolidated statement of financial position as at 30 June 2020.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

### 16. ASSETS CLASSIFIED AS HELD FOR SALES (continued)

The proceeds of the disposal is expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

The major classes of assets and liabilities comprising the disposal group classified as held for sale are as follows:

	<b>30 June 2020</b>	31 December 2019
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
Trade and other receivables	23,456	17,327
Receivables under service concession arrangements	202,948	208,433
Prepayments	184	36
Inventories	189	323
<b>Total assets classified as held for sale</b>	<b>226,777</b>	226,119
Trade and other payables, and total liabilities associated with assets classified as held for sale	<b>(165,714)</b>	(174,715)

### 17. DISPOSAL OF AN ASSOCIATE

On 21 April 2020, Shanghai Hu-Ning Expressway (Shanghai Section) Co. Ltd. ("Hu-Ning Expressway"), an indirectly wholly owned subsidiary of the Group entered into a share transfer agreement with Shanghai Galaxy Investment Co., Ltd., an associate of the Group, to dispose of Hu-Ning Expressway's entire 24% equity interest in an associate, namely Zhejiang Wufangzhai Industrial Co. Ltd. ("Wufangzhai") at a cash consideration of RMB419,508,000 (equivalent to HK\$462,931,000). Wufangzhai is principally engaged in the production and sale of glutinous rice dumplings, chain food services and the rice industry. This transaction has resulted in the Group recognising a gain of HK\$68,424,000 in profit or loss for the current interim period.

### 18. CAPITAL COMMITMENTS

	<b>30 June 2020</b>	31 December 2019
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
Capital expenditure contracted for but not provided in these condensed consolidated financial statements in respect of		
– acquisition of property, plant and equipment and intangible assets	92,407	88,489
– additions in construction in progress	1,056,415	1,137,001
– additions in properties under development held for sale	14,277,216	12,741,072
– investment in an associate	52,649	53,691
– investments in joint ventures	68,005	1,779,083
– other	14,573	14,862
	<b>15,561,265</b>	15,814,198

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

### 19. CONTINGENT LIABILITIES

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Guarantees given to banks in respect of banking facilities utilised by		
– property buyers	6,732,316	7,107,918
– associates	1,979,581	2,018,774
	<b>8,711,897</b>	9,126,692

### 20. FAIR VALUE MEASUREMENTS 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).

Financial assets	Fair value as at 30 June 2020 HK\$'000 (unaudited)	Fair value as at 31 December 2019 HK\$'000 (audited)	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input(s)
<b>Financial assets at FVTPL</b>					
Listed equity securities	471,195	477,590	Level 1	Quoted bid prices in an active market	N/A
Corporate bonds	149,859	258,965	Level 2	Quoted prices in the over-the-counter markets	N/A
Funds	52,030	74,178	Level 2	Quoted prices in the over-the-counter markets	N/A
Unlisted equity securities	31,365	31,375	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
<b>Financial assets at FVTOCI</b>					
Listed equity securities	139,441	116,736	Level 1	Quoted bid prices in an active market	N/A
Unlisted equity securities	516,039	547,915	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.



## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

### 20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued) Reconciliation of Level 3 fair value measurements of financial assets

	Unlisted equity instruments at FVTPL HK\$'000	Unlisted equity instruments at FVTOCI HK\$'000	Total HK\$'000
At 1 January 2019	31,386	572,430	603,816
Additions	–	3,468	3,468
Capital refund from an equity investment at FVTOCI	–	(30,859)	(30,859)
Exchange losses	–	185	185
At 30 June 2019	31,386	545,224	576,610
At 1 January 2020	31,375	547,915	579,290
Disposal	–	(2,642)	(2,642)
Exchange losses	–	(29,234)	(29,234)
Unrealised loss recognised in profit or loss	(10)	–	(10)
At 30 June 2020	31,365	516,039	547,404

#### 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.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

### 21. RELATED PARTY TRANSACTIONS AND BALANCES

- (i) During the current interim period, save as disclosed elsewhere in these condensed consolidated financial statements, the Group had the following significant transactions with related parties:

Related party	Nature of transactions	Six months ended 30 June	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Fellow subsidiaries	Rentals and management fee paid by the Group on land and buildings	26,707	26,833
	Rentals received by the Group on land and buildings	5,820	6,039
	Interest income received by the Group	2,866	3,214
Associates	Interest income received by the Group	42,485	20,291
	Rentals received by the Group on land and buildings	4,391	4,600
	Property agency fee paid by the Group	10,956	15,688
Non-controlling shareholders of subsidiaries	Interest paid by the Group	3,132	8,803
	Management fee paid by the Group	–	3,462
Fellow subsidiaries	Loan provided by the Group	–	113,792

Furthermore, the Group has entered into several banking facility agreements amounted to HK\$8,469 million (31 December 2019: HK\$9,379 million) and pursuant to the terms of the agreements, loans principal together with accrued interests and any other amounts accrued under the agreements may become immediately due and payable if (i) SIIC ceases to hold directly and indirectly at least 35% ultimate beneficial interest of and in the voting share capital of the Company or ceases to have management control over the Company; or (ii) the Shanghai Municipal People's Government, the controlling shareholder of SIIC, ceases to hold directly or indirectly at least 51% beneficial interest of and in the voting share capital of SIIC or SIIC ceases to remain under the administrative leadership of the Shanghai Municipal People's Government. The relevant facility agreements will mature in various dates up to 20 March 2022. As at 30 June 2020, the extent of utilisation of such bank facilities amounted to approximately HK\$8,469 million (31 December 2019: HK\$9,379 million).

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

### 21. RELATED PARTY TRANSACTIONS (continued)

#### (ii) Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	Six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Directors' fee and committee remuneration	1,066	1,066
Basic salaries and allowance	6,852	6,790
Bonuses	3,004	3,004
Retirement benefits scheme contributions	263	281
	<b>11,185</b>	11,141

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

#### (iii) Transactions with other PRC government 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 predominated 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 as above, 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 operations of the Group. The directors consider these government-related entities are independent third parties so far as the Group's business transactions with them are concerned.

## Other Information

### DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2020, 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 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 associated corporations

*SI Urban Development*

Name of Director	Capacity	Nature of interests	Number of issued SIUD Shares held	Approximate percentage of the issued SIUD 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 of the Company had any other 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 30 June 2020.

### SHARE OPTIONS

#### (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 period, no options were granted 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 period, the movements in the share options to subscribe for the SI Urban Development's 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 2020	Lapsed during the period	Outstanding at 30.6 2020
<i>Category 1: Directors of SI Urban Development</i>	24.9.2010	2.98	21,000,000	(6,000,000)	15,000,000
<i>Category 2: Employees of SI Urban Development</i>	24.9.2010	2.98	6,750,000	–	6,750,000
Total for all categories			27,750,000	(6,000,000)	21,750,000

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 period, no options were granted 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 period, no options were granted under the SIIC Environment Scheme.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES OF THE COMPANY

Save as disclosed under the section of Share Options above, at no time during the period was the Company or any of its holding companies or any of its subsidiaries or fellow subsidiaries, a party to any 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.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2020, 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 Shares beneficially held	Approximate percentage of the issued Shares
SIIC	Interests held by controlled corporations	Corporate	678,434,748 <i>(Notes 1 and 2)</i>	62.40%

Notes:

1. SIIC through its subsidiaries, namely Shanghai Investment Holdings Limited, SIIC Capital (B.V.I.) Limited, Shanghai Industrial Financial Holdings (Hong Kong) Company Limited, SIIC Trading Company Limited and SIIC CM Development Limited held 519,409,748 Shares, 80,000,000 Shares, 52,908,000 Shares, 26,107,000 Shares and 10,000 Shares respectively, and was accordingly deemed to be interested in the respective Shares held by the aforementioned companies.
2. All interests stated above represented 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 30 June 2020.

## ***Other Information***

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

Change in Directors' information since the date of the annual report 2019 up to the date of this report is set out below:

Mr. Xu Zhan

- resigned as an executive director of SIIC Environment with effect from 13 May 2020.

Mr. Cheng Hoi Chuen

- resigned as an independent non-executive director of CLP Holdings Limited with effect from 8 May 2020.

### **EMPLOYEES AND REMUNERATION POLICIES**

During the six months ended 30 June 2020, the number of employees is 19,544. The Group appraises staff remuneration with reference to the operating results of the enterprises, individual performance and industry average. With a strong commitment to staff relationship and training, the Group also encourages employees to continue their education, adding value both for themselves and for the Group.

### **REVIEW OF REPORT**

The Audit Committee has reviewed the Company's interim report for the six months ended 30 June 2020.

### **CORPORATE GOVERNANCE**

The Company has complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

### **MODEL CODE FOR 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 the six months ended 30 June 2020.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities during the six months ended 30 June 2020.



## Glossary of Terms

<b>Term used</b>	<b>Brief description</b>
Aerospace Corporation	China Aerospace Science and Technology Corporation
Baowu Environment	BAOWU Group 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
Distribution in Specie	the distribution of an interim special dividend by the Company in the form of a distribution in specie of the SIUD Shares held by the Group to the Qualifying Shareholders in proportion to their respective shareholdings in the Company on the basis of an entitlement to 1 SIUD Share for every 5 Shares held by each Qualifying Shareholder as at the Record Date.
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
Non-Qualifying Shareholder(s)	Shareholder(s) whose (respective) address as shown on the register of members of the Company on the Record Date is in a place outside Hong Kong (if any), and whom is excluded from receiving the SIUD Shares in the Distribution in Specie on account of the relevant legal or regulatory requirements or restrictions by the Board out of necessity or expediency
PRC	The People's Republic of China
Qualifying Shareholder(s)	Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholder(s)
Record Date	Tuesday, 29 September 2020
SFO	Securities and Futures Ordinance (Chapter 571) of the laws of Hong Kong

## Glossary of Terms

<b>Term used</b>	<b>Brief description</b>
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 Assets	Shanghai Shangtou Asset Operations Co., Ltd.
Share(s)	ordinary share(s) of the Company
Shareholder(s)	shareholder(s) of the Company
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
Sichuan Kemei	Sichuan Kemei Paper Co., Ltd.
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.
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
Wing Fat Printing	The Wing Fat Printing Company, Limited
Wufangzhai	Zhejiang Wufangzhai Industrial Co., Ltd.

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