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

# INTERIM REPORT 2023

## REDEFINING VALUE
## EMBRACING CHANGE FOR A NEW ERA
## 價值轉型・全速進發

# CONTENTS



# Corporate Information

## DIRECTORS

### Executive Directors

Mr. Shen Xiao Chu *(Chairman)*
Mr. Zhou Jun
*(Vice Chairman & Chief Executive Officer)*
Mr. Zhang Qian *(Deputy CEO)*
Mr. Shu Dong

### Independent Non-Executive Directors

Prof. Woo Chia-Wei
Mr. Leung Pak To, Francis
Mr. Yuen Tin Fan, Francis

## BOARD COMMITTEES

### Executive Committee

Mr. Shen Xiao Chu *(Committee Chairman)*
Mr. Zhou Jun
Mr. Zhang Qian

### Audit Committee

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

### Remuneration Committee

Prof. Woo Chia-Wei *(Committee Chairman)*
Mr. Leung Pak To, Francis
Mr. Yuen Tin Fan, Francis
Ms. Xu Hui Hua
Ms. Zhou Xu Bo

### Nomination Committee

Prof. Woo Chia-Wei *(Committee Chairman)*
Mr. Leung Pak To, Francis
Mr. Yuen Tin Fan, Francis
Ms. Xu Hui Hua
Ms. Zhou Xu Bo

## 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
*Republic Public Interest Entity Auditors*

## 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

## SHAREHOLDER ENQUIRIES

### Company Contact Details

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

*Company Secretarial*

| | | |
|---|---|---|
| Telephone | : | (852) 2876 2317 |
| Facsimile | : | (852) 2863 0408 |

*Investor Relations*

| | | |
|---|---|---|
| Telephone | : | (852) 2821 3936 |
| Facsimile | : | (852) 2866 2989 |
| Email | : | ir@sihl.com.hk |

### Share Registrar

*Tricor Secretaries Limited*

| | | |
|---|---|---|
| Address | : | 17th Floor, Far East Finance Centre<br>16 Harcourt Road<br>Hong Kong |
| Telephone | : | (852) 2980 1333 |
| Facsimile | : | (852) 2861 1465 |

### Our Website

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

## DIVIDEND

The Board of Directors has resolved to pay an interim dividend of HK42 cents per Share (2022: HK42 cents per Share) for 2023, to Shareholders whose names appear on the register of members of the Company on Tuesday, 26 September 2023. The interim dividend will be paid to Shareholders on or about Thursday, 12 October 2023.

## CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining Shareholders' entitlement to the interim dividend, the register of members of the Company will be closed on Tuesday, 26 September 2023, and no transfer of Shares will be effected on that day. As such, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Secretaries Limited of 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong by 4:30 p.m. on Monday, 25 September 2023.

## FINANCIAL CALENDAR

| | |
|---|---|
| **2023 interim results announced** | 30 August 2023 |
| **Despatch of 2023 interim report** | on or about 18 September 2023 |
| **Ex-dividend date for 2023 interim dividend** | 22 September 2023 |
| **Record date for 2023 interim dividend** | 26 September 2023 |
| **Despatch of notice of 2023 interim dividend** | on or about 12 October 2023 |

# Chairman's Statement

I am pleased to report to our Shareholders the Group's interim results for the period ended 30 June 2023.

During the first half of 2023, various industries on the Mainland recovered rapidly following the tapering off of the epidemic. Nevertheless, the international geopolitical situation remained tense. A few countries continued to practise unilateralism in international trade. Interest rates of major currencies of the western countries increased sharply, leading to volatility in exchange rates. Under the circumstances, the Board of Directors and the management of the Group made considerable efforts to overcome these challenges, capitalising on favourable opportunities which arose from the economic recovery. Coupled with constant innovations in business operations, the Group achieved satisfactory performance and profitability during the period under review. In addition, the Group has made a strong determination to transform and upgrade by increasing its focus on ESG (Environmental, Social and Governance) values. With strengthened internal controls and further synergies between financing activities and business operations, the Group has maintained stable operations and continued the development of its core businesses.

For the six months ended 30 June 2023, the Group's total revenue amounted to HK$12,791 million, representing a year-on-year decrease of 16.0%. Net profit increased year-on-year by 24.6% to HK$1,376 million, which was mainly due to significant increases in overall revenue and traffic flow of the Group's toll road business and improved operating results of the real estate business.

The Board of Directors has resolved to pay an interim dividend of HK42 cents per Share for 2023 (2022: HK42 cents per Share) to Shareholders whose names appear on the register of members of the Company on Tuesday, 26 September 2023. The above interim dividend will be paid to Shareholders on or around Thursday, 12 October 2023.

With continued adjustments and relaxations of pandemic control measures in Mainland China, the overall traffic flow and revenue of the toll road business increased significantly. Capitalizing on opportunities brought about by national policies, the Group was fully committed to building key water projects and accelerated the development and construction of its solid waste benchmark projects in the Yangtze River Delta region. During the period, the infrastructure and environmental protection business recorded a profit of HK$1,195 million, representing a year-on-year increase of 21.4%, of which the revenue and profit attributable to shareholders of SIIC Environment for the first half of 2023 amounted to RMB4,019 million and RMB377 million, representing year-on-year increases of 9.0% and 3.1%, respectively.

With the gradual recovery of the real estate market in China, the operating results of the Group's real estate business recorded a profit of HK$102 million, representing a year-on-year increase of 155.6% over the same period last year. SI Development recorded revenue of RMB3,449 million for the period, representing a year-on-year increase of 149.6%. Profit attributable to shareholders amounted to RMB397 million, a turnaround from year-on-year loss to profit. SI Urban Development recorded revenue of HK$1,798 million for the first half of 2023, representing a decrease of 73.6% over the same period last year. Loss attributable to shareholders amounted to HK$303 million, a turnaround from year-on-year profit.

The consumer products business recorded a net profit of HK$128 million, representing a year-on-year decrease of 45.7%. In the first half of the year, the global economy was in decline, market demand continued to be weak following the pandemic while competition became increasingly severe. During the period, the Group's tobacco business focused on de-stocking of inventory in the overseas markets, boosting sales of products through different channels. The company also continued to strengthen the production and sales base in Malaysia and developed international markets in collaboration with large cigarette companies. As end-consumer demand was weak during the latter stage of the pandemic, the paper packaging industry as a whole was on a downward trend while competition became increasingly severe. Under such circumstances, the results of Wing Fat Printing also declined significantly year-on-year. Driven by the "1+1+1" strategy, the moulded-fibre business accelerated the exploration of the blue ocean market in the application area to further develop its core customer base. The printing and packaging business sought incremental business through tapping into the demand of existing customers. The medicine-packing business maintained a constant proportion in the company's business portfolio with stable growth.

### Significant recovery of road traffic flow and revenue while development of water and clean energy business gears up growth in line with national policies

During the period, the overall traffic flow and toll revenue of the Group's three toll roads and the Hangzhou Bay Bridge exceeded our expectations, rebounding significantly compared to the same period last year. To cope with traffic peaks during major festivals and holidays and potential traffic diversions brought about by congestion points arising from recovery of traffic flow, the project companies formulated plans to ensure smooth road passage. In addition, the companies strengthened personnel training and facilities maintenance, and continued to improve the toll-collection system software to secure road safety and orderly operation. In response to the requirements of the Shanghai Municipal Transportation Commission, preliminary work for the widening and alteration project of The Hu-Yu Expressway (Shanghai Section) has been carried out smoothly.

During the period, gross profit and overall gross profit margin of SIIC Environment increased. The rise was mainly due to the relatively higher gross profit contributed by the Baoshan project since the commencement of operation at the beginning of the year. Responding to national policies and capitalizing on development opportunities arising from the green industry, the company continued to strengthen its strategic deployment in the Yangtze River Economic Belt and the Guangdong-Hong Kong-Macao Greater Bay Area, and foster stable development of its various businesses. For solid waste treatment, the Shanghai Baoshan Renewable Energy Utilization Center represents the company's key projects which, during the second quarter of the year, had two sets of wet waste biogas generating units connected to the power-generating grid. As a benchmark solid waste project in the Yangtze River Delta, the Baoshan project, with a daily capacity of 3,800 tonnes, will play a leading role in the industry. The project is able to effectively solve waste disposal issues in the area it serves when it becomes fully operational, and is expected to play a key role in raising harmless waste treatment and resource utilization rates in Shanghai. Looking forward, the company will continue to pay close attention to high-quality new projects and business M&A opportunities, expand its market share in the environmental protection industry and continue to drive steady and high-quality developments with technological innovation. It will also strengthen the practice of ESG development concepts, improve environmental governance, and actively participate in the construction of a beautiful China.

General Water of China recorded revenue of HK$1,065 million, representing a decrease of 6.9% over the same period last year. Net profit amounted to HK$178 million, representing a year-on-year decrease of 2.3%. The company remains committed to the general principle of seeking progress while maintaining stability, persists in new development concepts and upholds the requirement of high-quality developments. The company has been named one of the Top 10 Most Influential Enterprises in China's Water Industry for the 20th consecutive year, and has been ranked among the top three for the fifth consecutive year.

Canvest Environmental, 19.48% held by the Company, recorded revenue of HK$2,981 million for the first half of 2023, representing a decrease of 27.5% over the same period last year. The decrease was mainly due to a year-on-year decline in construction revenue generated from project construction as most of the company's waste-to-energy projects have been put into operation. The net profit of the company for the period dropped 18.2% year-on-year to HK$641 million. The reduction was mainly attributable to the significant increase in interest rates and the depreciation of RMB in the first half of 2023. Revenues from waste-to-energy operation and environmental hygiene services of Canvest Environmental with relatively higher gross profit margins partially compensated for declines in construction revenue. During the period, Canvest – Paul Y. Joint Venture, which was led by Canvest Environmental, was awarded the Hong Kong North Lantau Transfer Station and Outlying Islands Transfer Facilities Second Follow-on Contract with an awarded sum amounted to HK$2,818 million.

SUS Environment, 28.34% held by a 50% joint venture of the Company, recorded revenue of RMB3,984 million for the period, representing a year-on-year increase of 10.06% and a net profit of RMB633 million, representing a year-on-year increase of 0.47%. For the period under review, the construction progress of waste-to-energy projects was accelerated, generating a total of 21 projects. The performance quality in project construction was remarkable.

# Chairman's Statement

In the first half of 2023, the photovoltaic asset capacity of Galaxy Energy under Shanghai Galaxy reached 740 MW. The photovoltaic team continued to strengthen its work related to macro policies, industry dynamics, capital market research and project acquisitions. The total volume of on-grid electricity sold during the first half of the year from its 15 photovoltaic power stations was approximately 556 million kWh. Affected by the severe sandy and dusty weather conditions and a reduction in solar radiation, the volume of on-grid electricity sold during the period decreased by 5.9% over the same period last year. With the support of the Government's national policies for the acceleration of the construction of charging infrastructure to better support the promotion of new-energy vehicles in rural areas, it is expected that this will lead to steady growth of the photovoltaic power generation industry.

### Investing in business related to comprehensive healthcare operations to create future profit contribution to the Company

Comprehensive healthcare operations business recorded a profit of HK$69.16 million for the period, accounting for approximately 4.6% of the Group's Net Business Profit. Through a 50-50 joint venture, the Company completed in November 2022 the acquisition of a 40% equity interest in Shanghai Pharmaceutical Group. Today, Shanghai Pharmaceutical Group holds 19.38% of the A shares of Shanghai Pharmaceuticals Holding and is the single largest shareholder of its A shares. Shanghai Pharmaceuticals Holding is dually listed in Shanghai and Hong Kong. Shanghai Pharmaceutical Group recorded operating revenues of RMB129,129 million and a net profit of RMB490 million for the period. The company's business returned to normal with stable growth as the impact of the pandemic gradually subsided. This investment will continue to create new profit contributions to the Group.

### Actively enhancing sales and revitalizing inventory in a gradually recovering real estate market

The real estate market in China recovered gradually in the first half of the year. Committed to the goals of "integrating financing with operations and pursuing innovative development", SI Development has successfully pooled prime resources, strengthened internal management and sought external development. With its strategic presence based in the Yangtze River Delta region with Shanghai as the core, the company has made considerable efforts to promote sales, reach out to customers, speed up inventory turnover, and maintain the stable operation of its core business during the period.

The profit of SI Urban Development for the first half of the year declined significantly. The reduction was mainly attributable to the weakening of the Renminbi against the Hong Kong dollar during the period, which resulted in exchange losses on bank and other borrowings denominated in foreign currencies. The company's earnings were also affected by the real estate cycle with fewer properties completed and delivered to customers in the first half of the year. Accordingly, the company's revenue and profit also declined. Contract sales for the period amounted to RMB5,010 million, representing a year-on-year increase of 9.7%.

### Consumer products business strives to overcome impacts of the epidemic and enhances marketing efforts

In the first half of 2023, Nanyang Tobacco made great efforts to tackle the problem of stockpiling in overseas markets and weak sentiment in the Mainland consumer market. Adhering to the strategic policy of "Inventory de-stocking and price stabilization first", the company led various market distributors to reduce inventory and adjust the status of sales. A series of marketing activities were also launched to maintain product activity and competitiveness.

With overall economic downturn and the slowdown of the paper packaging industry and the performance of its key enterprises during the period, all business segments of Wing Fat Printing, except for medicine packaging, recorded relatively significant declines. This, coupled with the time overseas factory business needed for setting-up and the mounting cost to production capacity of factories in Mainland China, has posed significant challenge to the company's overall profitability. The S-customer series of moulded-fibre packaging business developed in recent years has become a bright spot amidst the gloomy outlook.

## PROSPECTS

Looking forward to the second half of 2023, the Group's business segments will continue to face considerable challenges due to uncertainties in the international geopolitical situation and global trade disputes despite the rapid recovery of economic activities. Against this scenario, the Group will continue to pursue its reforms and innovation programmes, with a strong commitment to transformation towards ESG (Environmental, Social and Governance) values. Efforts will be made to upgrade our core businesses and create further synergy between financing activities and business operations. We will also strengthen risk controls, improve our profitability, and continue to look for opportunities to acquire quality projects to further optimize our asset portfolio and enhance Shareholder value.

For the infrastructure and environmental protection segments, SIIC Environment will closely follow national policies, pursue green development and speed up digitalization and low-carbon development. Following the establishment of China's "carbon peaking and carbon neutrality" targets, the emphasis on environmental protection has reached a new level, and favourable policies have been frequently introduced, expanding room for further development of the industry. SIIC Environment will constantly seek new opportunities in the environmental protection sector, and facilitate the integration of its financing activities and business operations. It will further strengthen its strategic layout in the Yangtze River Delta region and other key regions and basins, build additional high-standard and modern environmental protection projects to achieve steady and sustainable high-quality development, and maintain its leading position among the top-tier players in China's water and environmental protection industries. The toll roads business will continue to enhance operational efficiency and maintain steady business development. Through investments in comprehensive healthcare operations and new business arenas, the Group's investments in the pharmaceuticals and healthcare, environmental-protection and green-energy segments are expected to make new contributions.

In the second half of the year, the Group's real estate business will closely monitor changes in industry policies, adjust its operating strategy in a timely manner, and strengthen sales and operations. It will continue to promote the progress of existing project constructions, speed up the return of funds, strengthen internal management and prevent operating risks. As the central Government gradually relaxes control and launches policies to support economic growth, the industry outlook is expected to remain positive.

Nanyang Tobacco will continue to adhere to the development policy of "Ensuring healthy internal operation and external development; strengthening business growth and pursuing excellence", and continue to conduct in-depth research on technology transformation and application to ensure that its equipment and technology are at the forefront of the industry. In the second half of the year, it will closely monitor changes in the market, strengthen promotional and marketing activities, focus on developing new products, promote business transformation and pursue internationalization. The company also plans to launch innovative tobacco products in overseas markets to enhance its overall competitiveness by broadening its market coverage and global presence.

Wing Fat Printing will actively embrace changes brought to its business operations and adapt to the industry's development cycle, adhere to established strategies to secure market presence, and comprehensively optimize internal processes to empower the company to develop core competitiveness. Relying on technological innovation, it will continue to seek breakthroughs in the blue ocean market of environmentally-friendly packaging. Passing on the heritage, the company will strictly control systemic operational risks, make unremitting efforts to achieve the established annual performance targets and realise sustainable development.

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, 30 August 2023

# Group Business Structure

As at 30 August 2023

SIIC

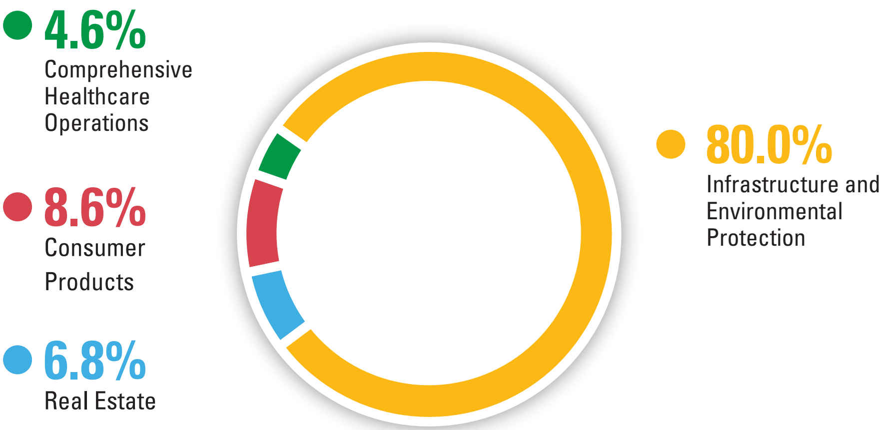
- **INFRASTRUCTURE AND ENVIRONMENTAL PROTECTION**
  - **TOLL ROADS/ BRIDGE**
    - 100% Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd.
    - 100% Shanghai Luqiao Development Co., Ltd.
    - 100% Shanghai Shen-Yu Development Co., Ltd.
    - 23.0584% Ningbo Hangzhou Bay Bridge Development Co., Ltd.
  - **WATER SERVICES/ CLEAN ENERGY**
    - 49.25% SIIC Environment Holdings Ltd. (BHK SGX; 807 HKSE)
    - 45% General Water of China Co., Ltd.
    - 19.48% Canvest Environmental Protection Group Company Limited (1381 HKSE)
    - 14.17% Shanghai SUS Environment Co., Ltd.
- **COMPREHENSIVE HEALTHCARE OPERATIONS**
  - 20% Shanghai Pharmaceutical (Group) Co., Ltd.
    - 19.38% (A shares) Shanghai Pharmaceuticals Holding Co., Ltd. (601607 SSE; 2607 HKSE)
- **REAL ESTATE**
  - 48.60% Shanghai Industrial Development Co., Ltd. (600748 SSE)
  - 43.02% Shanghai Industrial Urban Development Group Limited (563 HKSE)
- **CONSUMER PRODUCTS**
  - **TOBACCO**
    - 100% Nanyang Brothers Tobacco Company, Limited
  - **PRINTING**
    - 94.29% The Wing Fat Printing Company, Limited

# Business Review, Discussion and Analysis

For the six months ended 30 June 2023, the Group's unaudited revenue amounted to HK$12,791 million, representing a decrease of 16.0% over the same period last year. Profit attributable to shareholders was HK$1,376 million, an increase of 24.6% over the same period last year. The increase in profit was mainly due to significant increases in overall revenue and traffic flow of the Group's toll road business as well as improved operating results of our real estate business.

Focusing on the Group's strategic goals, the Company strived to further strengthen its core business and continued to explore market opportunities during the period. It also accelerated technological innovation, expanded financing channels, improved internal management, and pushed forward development and profit contributions of our overall business. Going ahead, the Group will continue to uphold reform and innovation, make unwavering efforts to pursue ESG (Environmental, Social and Governance) values and promote a long-term sustainable development pattern for the future.

**Profit contribution from the Group's core business**




## INFRASTRUCTURE AND ENVIRONMENTAL PROTECTION

During the period, the infrastructure and environmental protection business recorded a profit of HK$1,195 million, representing an increase of 21.4% over the corresponding period last year and accounting for approximately 80.0% of the Group's Net Business Profit. The increase in profit was mainly due to the significant increase in overall traffic flow and toll revenues for the toll road business, which well exceeded forecasts, following the relaxation of pandemic controls in Mainland China. Closely aligned with national policies, the Group was fully committed to building key water projects during the period and accelerated the development and construction of solid waste benchmark projects in the Yangtze River Delta region.

### Toll Roads/Bridge

Benefiting from the rapid receding of the pandemic since the beginning of the year, various industries began to recover and people were more willing to travel, resulting in strong demand for road usage during the first half of the year. The overall traffic flow and toll revenue of the Group's three toll roads and the Hangzhou Bay Bridge rebounded significantly over the corresponding period last year, exceeding our expectations. During the period, following the implementation of the "Class B Classification and Class B Controls" policy, in order to cope with traffic peaks during major festivals and holidays and potential traffic diversions due to the occurrence of congestion points arising from recovery of traffic flow, the project companies formulated plans to ensure smooth road passage, strengthened personnel training and facilities maintenance and continued to improve the toll-collection system software. Toll collection contests were also held to enhance road passage efficiency, ensuring road safety and orderly operations. In the second half of the year, the road service plan for the 6th China International Import Expo will be implemented. Consolidating past experience and actual situations of the road sections, we will conduct road-improvement work as scheduled, strengthen the service quality of toll counters and enhance the overall condition of roads, in an effort to secure high-quality and high-standard operation for the Import Expo. We will also make every effort to implement flood and typhoon controls to secure road safety.

## Business Review, Discussion and Analysis

In response to the requirements of the Shanghai Municipal Transportation Commission, preliminary work for the widening and alteration project of the Hu-Yu Expressway (Shanghai Section) proceeded smoothly. The Hangzhou Bay Bridge and the "two districts and one island" were generally running in a safe and orderly manner, with a safe and sound bridge structure. During the period, Green Energy Company, in which our project company holds a 30% equity interest, fully engaged in the completion acceptance work for the Fengxian offshore wind power project and the Donghai Phase II expansion project. A consortium was formed again to participate in bidding for the Hangzhou Bay offshore wind power project with a capacity of 800 MW, and was finally awarded development rights for the operations of four projects in March this year, including the Jingshan Phase II, Fengxian Phase IV, Donghai Bridge Phase III and Fengxian Phase II projects.

The key operating figures of the respective toll roads/bridge under the Group as at 30 June 2023 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$192 million | +105.8% | HK$291 million | +92.8% | 20.03 million | +123.5% |
| Hu-Kun Expressway (Shanghai Section) | 100% | HK$294 million | +99.1% | HK$453 million | +82.3% | 35.89 million | +87.9% |
| Hu-Yu Expressway (Shanghai Section) | 100% | HK$89 million | +86.6% | HK$260 million | +65.0% | 18.70 million | +66.7% |
| Hangzhou Bay Bridge | 23.0584% | HK$111 million | +50.2% | HK$1,171 million | +27.7% | 9.71 million | +66.3% |
| **Total** | | **HK$686 million** | **+89.2%** | **HK$2,175 million** | **+47.5%** | **84.33 million** | **+86.9%** |

### Water Services/Clean Energy

The Group will continue to strengthen development in the water service market and promote integrated ecological and green development in the Yangtze River Delta region. We will also closely follow national strategies, explore new opportunities in the environmental-protection sector and build additional high-standard and modern environmental-protection projects.

*SIIC Environment*

In the first half of 2023, total revenue of SIIC Environment grew by 9.0% year-on-year to RMB4,019 million, and net profit attributable to shareholders rose by 3.1% to RMB377 million. During the period, the company's construction revenue was slightly higher than that of the corresponding period last year, and operating and maintenance income and financial income from service concession arrangements recorded a year-on-year increase of 12.1%, as the Shanghai Baoshan Renewable Energy Utilization Center project commenced operation in early 2023 and the average unit price and volume of sewage and water supply increased. Gross profit for the period increased by 15.5% year-on-year, driven mainly by new service concession arrangements. Overall gross profit margin for the first half of the year recorded an increase of approximately 2.0%, mainly benefitting from the higher gross profit contributed by the Baoshan project from the commencement of operation since the beginning of the year.

During the period, the volume of sewage treated by SIIC Environment grew by 2.7% year-on-year to 1,239,585,000 tonnes, while the volume of water supply rose by 2.7% to 155,761,000 tonnes. In terms of treatment tariffs, the average sewage treatment tariff was RMB1.80/tonne, representing an increase of 4.5% year-on-year. The average water supply tariff increased by 1.1% year-on-year to RMB2.50/tonne.

In terms of new projects, SIIC Environment was awarded three sewage treatment projects in Macau for the first time during the period, namely the Macau Taipa sewage treatment plant project, the sewage treatment project at the Macau International Airport and the temporary sewage treatment project at Avenida Marginal do Lam Mau in Macau, with a planned daily capacity of 69,000 tonnes, 685 tonnes and 20,000 tonnes respectively. In the second quarter, SIIC Environment secured a new sewage treatment plant phase I project in the Beihai Economic Development Zone with a planned daily capacity of 45,000 tonnes, and an upgrade and expansion project – the sewage treatment project in Hegang City (western district expansion phase II), with a planned daily capacity of 30,000 tonnes. In addition, two projects commenced commercial operation, which are the urban sewage treatment plant project in Mudanjiang City and the sewage treatment plant phase II project in Mudanjiang City, with a planned daily capacity of 100,000 tonnes each.

SIIC Environment actively responded to national policies, and capitalized on development opportunities arising from the green industry. The company continued to deepen its strategic development in the Yangtze River Economic Belt and the Guangdong-Hong Kong-Macao Greater Bay Area, and fostered the stable development of its various businesses. The Xicen water-purification plant in Qingpu, Shanghai under construction adopts an all-underground design and implements the surface quasi-Class III water effluent standard, striving to set a national benchmark for similar sewage treatment plants. The plant is expected to greatly improve the local water environment upon completion. In addition, in the first half of the year, SIIC Environment took over the operation and management of the Macau Taipa sewage treatment plant project and the sewage treatment project at the Macau International Airport, and effectively enhanced the local water environment.

For solid waste treatment, SIIC Environment's key solid-waste project, the Shanghai Baoshan Renewable Energy Utilization Center, had two sets of waste biogas generating units connected to the power-generating grid in the second quarter. As a benchmark solid waste project in the Yangtze River Delta, the Baoshan project has a daily capacity of 3,800 tonnes, and is expected to play a leading role in the industry when it becomes fully operational. This new plant will be able to effectively solve the waste-disposal issues in the area it serves, playing a key role in raising harmless waste treatment and resources utilization rates in Shanghai. Looking ahead, the company will continue to pay close attention to high-quality new projects and business M&A opportunities, and expand its market share in the environmental-protection industry. The company will also drive its steady and high-quality development with technological innovation, strengthen the practice of ESG development concepts, improve environmental governance, and actively participate in the construction of a beautiful China.

*General Water of China*

Since the beginning of this year, General Water of China has remained committed to the general principle of seeking progress while maintaining stability, persisted in new development concepts and upheld the requirements of high-quality development. In addition, the company also strengthened execution of its strategies, expanded market exploration and strived to improve quality and efficiency. Scientific and technological innovations were also emphasized and the foundation of management consolidated. All these efforts were made to accomplish the annual work target. For the first half of the year, General Water of China recorded revenue of HK$1,065 million, representing a year-on-year decrease of 6.9%. Net profit amounted to HK$178 million, representing a year-on-year decrease of 2.3%.

During the period, General Water of China secured/signed seven new projects with a total investment amount of approximately RMB433 million and a contract sum of approximately RMB312 million for the provision of entrusted operation-and-management service. The projects will have a total daily water treatment capacity of 267,700 tonnes and a pipe network of 49.3 kilometers. These new projects include: (1) the reclaimed water and waste water zero emission project of Xinjiang Xinye Energy Chemical; (2) the operating franchise project of six sewage treatment plants (stations) of Jinneng Holding Group; (3) the old system renewal and upgrading project of Guzhen Zhonghuan Sewage Treatment Co., Ltd; (4) the old water pipeline replacement and alteration project of Bengbu Zhonghuan Co., Ltd.; (5) the Xiamen Qianchang sewage treatment plant phase II project; (6) the emergency standby water source construction project in Xiangtan city; and (7) the laying of urban water distribution network in the urban areas and construction of a new water-supply booster pumping station in Xiangyang city. In March this year, General Water of China was named one of the Top 10 Most Influential Enterprises in China's Water Industry for the 20th consecutive year, and was ranked among the top three water treatment companies for the fifth consecutive year.

*Canvest Environmental*

In the first half of 2023, the revenue of Canvest Environmental dropped by 27.5% year-on-year to HK$2,981 million, mainly due to a year-on-year decrease of 53.8% in construction revenue generated from project construction as most of the company's waste-to-energy projects have been put into operation. The net profit of the company for the period decreased by 18.2% year-on-year to HK$641 million. The decrease was mainly attributable to the significant increase in interest rates and the depreciation of RMB during the period. Excluding such factors, the net profit for the period would have decreased by 1.6%. During the period, revenues from waste-to-energy operation and environmental hygiene services of Canvest Environmental, which have higher gross profit margins, partially compensated for the decrease in construction revenue.

As at 30 June 2023, Canvest Environmental had secured a total of 36 waste-to-energy projects spanning 12 provinces and 26 cities with a daily municipal-solid-waste processing capacity of 54,540 tonnes and a daily processing capacity of 42,690 tonnes from projects in operation. During the period, 8,082,573 tonnes of waste were innocuously treated and 3,079,463,000 kWh of green energy were generated. During the period, Canvest – Paul Y. Joint Venture, which was led by Canvest Environmental, was awarded the Hong Kong North Lantau Transfer Station and Outlying Islands Transfer Facilities Second Follow-on Contract with an awarded sum amounted to HK$2,818 million.

*SUS Environment*

SUS Environment recorded revenue of RMB3,984 million for the period, representing a year-on-year increase of 10.06% and a net profit of RMB633 million, a year-on-year increase of 0.47%. During the period, the company's waste incineration projects had a total daily capacity of 36,300 tonnes. The total amount of household waste entering the plants for the first half of the year was 6,095,000 tonnes, representing a year-on-year increase of 15.0%. The amount of on-grid electricity sold was 2,460,000,000 kWh, representing a year-on-year increase of 12.0%. During the period, the company accelerated the construction progress of its waste-to-energy projects securing a total of 21 projects. The performance quality in project construction was remarkable. In terms of market development, 5 BOT projects were signed during the period with a total daily capacity of 3,150 tonnes, and bids for 10 projects in the equipment-sales sector were successively won with a total contract sum of approximately RMB730 million. Going forward, the company plans to focus on promoting collaborative operations and overseas business, such as heat supply and sludge-treatment for projects already in operation.

Overview of the geographic distribution of the water development projects under the Group as at 30 June 2023 are as follows:


Note: Please refer to the 2023 Interim Report of SIIC Environment for an overview of SIIC Environment's water development projects as at 30 June 2023.

### Anhui

| Total no. of projects | Daily capacity (tonnes) | Total no. of projects | Daily capacity (tonnes) |
|---|---|---|---|
| 2 | 60,000 | 2 | 425,000 |
| | | 3 | 1,035,000 |
| | | 1 | 160,000 |

### Fujian

| Total no. of projects | Daily capacity (tonnes) | Total no. of projects | Daily capacity (tonnes) |
|---|---|---|---|
| 3 | 50,000 | 1 | 2,450,500 |

### Guangdong

| Total no. of projects | Daily capacity (tonnes) | Total no. of projects | Daily capacity (tonnes) |
|---|---|---|---|
| 14 | 1,180,000 | 1 | 150,000 |
| 1 | 50,000 | | |

### Guangxi

| Total no. of projects | Daily capacity (tonnes) |
|---|---|
| 5 | 345,000 |

### Heilongjiang

| Total no. of projects | Daily capacity (tonnes) | Total no. of projects | Daily capacity (tonnes) |
|---|---|---|---|
| 64 | 3,908,450 | 1 | 20,000 |
| 5 | 615,000 | 1 | 305,000 |
| 4 | 125,000 | | |
| 6 | 1,330 | | |

### Henan

| Total no. of projects | Daily capacity (tonnes) |
|---|---|
| 7 | 240,000 |
| 2 | 40,000 |
| 6 | 1,500 |

### Hubei

| Total no. of projects | Daily capacity (tonnes) | Total no. of projects | Daily capacity (tonnes) |
|---|---|---|---|
| 11 | 1,050,000 | 1 | 950,000 |
| 5 | 430,000 | | |
| 1 | 325 | | |

### Hunan

| Total no. of projects | Daily capacity (tonnes) | Total no. of projects | Daily capacity (tonnes) |
|---|---|---|---|
| 8 | 290,000 | 1 | 200,000 |
| 4 | 520,000 | 1 | 495,000 |

### Inner Mongolia

| Total no. of projects | Daily capacity (tonnes) |
|---|---|
| 2 | 43,500 |

### Jiangsu

| Total no. of projects | Daily capacity (tonnes) |
|---|---|
| 15 | 463,000 |
| 2 | 6,000 |
| 1 | 20,000 |

### Jiangxi

| Total no. of projects | Daily capacity (tonnes) |
|---|---|
| 16 | 251,500 |

### Jilin

| Total no. of projects | Daily capacity (tonnes) |
|---|---|
| 7 | 122,500 |

### Liaoning

| Total no. of projects | Daily capacity (tonnes) |
|---|---|
| 9 | 385,000 |

### Macau

| Total no. of projects | Daily capacity (tonnes) |
|---|---|
| 3 | 89,685 |

### Ningxia Hui Autonomous Region

| Total no. of projects | Daily capacity (tonnes) |
|---|---|
| 4 | 250,000 |

### Shandong

| Total no. of projects | Daily capacity (tonnes) |
|---|---|
| 11 | 610,000 |
| 4 | 420,000 |
| 1 | 38,500 |
| 2 | 600 |

### Shanghai

| Total no. of projects | Daily capacity (tonnes) |
|---|---|
| 10 | 490,000 |
| 2 | 4,850 |

### Shanxi

| Total no. of projects | Daily capacity (tonnes) |
|---|---|
| 1 | 55,000 |

### Sichuan

| Total no. of projects | Daily capacity (tonnes) |
|---|---|
| 3 | 37,500 |

### Xinjiang

| Total no. of projects | Daily capacity (tonnes) |
|---|---|
| 1 | 5,800 |

### Zhejiang

| Total no. of projects | Daily capacity (tonnes) | Total no. of projects | Daily capacity (tonnes) |
|---|---|---|---|
| 19 | 863,000 | 3 | 275,000 |
| 2 | 40,000 | 2 | 219,500 |
| 1 | 1,100 | | |

## COMPREHENSIVE HEALTHCARE OPERATIONS

Comprehensive healthcare operations business recorded a profit of HK$69.16 million for the period, accounting for approximately 4.6% of the Group's Net Business Profit. Shanghai SI Yangtze River Delta, an indirectly held 50-50 joint venture of the Company, completed the acquisition of 40% equity interest in Shanghai Pharmaceutical Group in November 2022. Currently, Shanghai Pharmaceutical Group holds 19.38% of the A shares of Shanghai Pharmaceuticals Holding, dually listed in Shanghai and Hong Kong, and is the single largest shareholder of its A shares. Shanghai Pharmaceutical Group recorded operating revenues of RMB129,129 million for the period. As the impact of the pandemic gradually subsided, the company's business operations continued in an orderly manner with steady and improving progress. Net profit amounted to RMB490 million.

## NEW BUSINESS ARENA

As at the end of the first half of 2023, the photovoltaic asset capacity of Shanghai Galaxy and Galaxy Energy, its subsidiary, reached 740 MW. The photovoltaic team continued to strengthen its work related to macro policies, industry dynamics, capital market research and project acquisition. The total amount of on-grid electricity sold during the first half of the year from its 15 photovoltaic power stations was approximately 556,000,000 kWh. As affected by the severe sandy and dusty weather and decrease in solar radiation, the amount of on-grid electricity sold decreased by 5.9% over the same period last year.

In May, the National Development and Reform Commission and the National Energy Administration jointly issued a circular on accelerating the construction of charging infrastructure to better support the promotion of new-energy vehicles in rural areas, which included the provision of photovoltaic charging infrastructure. In June, the General Office of the Ministry of Natural Resources issued a circular on the promotion of securing three-dimensional rights in sea areas, which encourages the establishment of three-dimensional rights in sea areas for offshore photovoltaic and other facilities. With the support of these policies, it is expected that the photovoltaic power-generation industry will achieve steady growth.

## REAL ESTATE

In the first half of 2023, the Group's real estate business recorded a profit contribution of HK$102 million, representing a year-on-year increase of 155.6% and accounting for approximately 6.8% of the Group's Net Business Profit. The increase was mainly due to the gradual recovery of the real estate market in Mainland China and year-on-year growth of operating results. In the second half of the year, the Group will closely monitor changes in industry policies and adjust operating strategies accordingly, promote the progress of existing project constructions, speed up the return of funds, strengthen internal management, and prevent operating risks.

### SI Development

During the period, SI Development was committed to the goals of "integrating financing with operations, pursuing innovative development". Based on its strategic presence in the Yangtze River Delta region with Shanghai as the core, the company pooled resources, strengthened internal management and sought external development. It also strived to promote marketing of projects ready for sale, accurately solicit customers, accelerate inventory turnover, and maintain stable operation of its core business. For the first half of the year, SI Development recorded revenue of RMB3,449 million, representing a year-on-year increase of 149.6%. Net profit amounted to RMB397 million, a turnaround from year-on-year loss to profit. Contract sales of real estate projects for the period amounted to RMB441 million, including such projects as Shanghai Bay (Phase 5) in Qingpu, Shanghai, with a gross floor area of 8,538 square meters. Of which, properties of the villa project of the Shanghai Bay (Phase 5) in Qingpu, Shanghai were totally sold out. Properties delivered in the first half of the year mainly included such projects as Sea Palace (Phase 3) in Quanzhou and Era of Elites in Baoshan, Shanghai, with a gross floor area of 156,259 square meters. During the period, 5 projects were under construction with an area of approximately 412,300 square meters, and two projects were completed, covering an area of approximately 320,200 square meters.

SI Development initiated full exit from the project in relation to the land lot No. 89, North Bund. The transaction was completed in mid-January 2023, and realised a return of capital to SI Development, enabling it to strengthen its cash flow and stay focused on its key projects, thus ensuring smooth business operation of the company. The construction of the project located at land lot No. 91 on the North Bund in Hongkou District, Shanghai was officially inaugurated in March. The land lot was acquired by SI Development through a consortium, with a planned total gross floor area of 454,000 square meters and a planned building height of 480 meters. In addition, the company is currently pushing forward with the development and construction plan for the land lot No. 90 on the North Bund in Hongkou District, Shanghai. Efforts will be made to coordinate the overall development and construction of other projects in the region. The development pace of the project will be accelerated and the standard of project management will be enhanced to further improve the company's comprehensive management capability for project development. In July, SI Development won the bid for the land parcels numbered 03-02 and 04-02, 15 Renewal Unit, Wusong Chuangxincheng, Baoshan District, Shanghai. The development of the land parcels will be expedited, taking into account characteristics of respective land lots and meeting the demand for city-industry integration in the region.

SI Development emphasized optimizing operation for its real estate business and enhanced asset-management efficiency. Capitalizing on a mild recovery of the retail and office markets, and taking a market-demand orientation approach, the company also focused its efforts to retain existing tenants. As a result, the leasing business in the first half of the year remained stable with an upward trend. Benefiting from the release of cultural and tourism consumption demands, the revenue from Crowne Plaza Huzhou Hotel increased significantly. Diaoyutai Hotel Qingdao and MGM Hotel Qingdao held respective opening ceremonies in June this year, with sales exceeding RMB20.00 million in five days of pre-sales. During the period, the property management business achieved diversified development and its service capability was further enhanced, with 310 projects under its management covering a contract area of approximately 28,180,000 square meters. The bids for 18 key projects were successfully renewed this year. The company will try to develop business contacts in more new areas to further expand its business.

### SI Urban Development

SI Urban Development recorded revenue of HK$1,798 million for the first half of 2023, representing a decrease of 73.6% over the same period last year. Loss attributable to shareholders for the period amounted to HK$303 million, a turnaround from year-on-year profit to loss. The above decreases were mainly attributable to the depreciation of Renminbi against Hong Kong dollar during the period, which resulted in exchange losses on bank and other borrowings denominated in foreign currencies, as well as the impact of the real estate cycle with fewer properties completed and delivered to customers in the first half of the year, resulting in decreased revenue and profit. Contract sales for the period amounted to RMB5,010 million, representing a year-on-year increase of 9.7%, with a gross floor area of approximately 169,000 square meters, which mainly included Originally in Xi'an, University Project in Tianjin and Ocean One and Cloud Vision in Shanghai. Property sales booked during the period amounted to HK$1,272 million, with a gross floor area of approximately 20,000 square meters, which mainly included Jade Villa in Shanghai, West Diaoyutai • Emperor Sea in Beijing, Shanghai Jing City in Shanghai and Originally in Xi'an. Rental income for the first half of the year was approximately HK$376 million. A total of 12 projects were under construction during the period, covering an area of 2,630,000 square meters.

Set out below is a summary of the major property development projects of the Group as at 30 June 2023:

*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 | – | 22,673 | Completed |
| 2 | Chenghua District, Chengdu | Hi-Shanghai | Residential and commercial | 100% | 61,506 | 254,885 | 357 | 196,668 | Completed |
| 3 | Beibei District, Chongqing | Hi-Shanghai | Residential and commercial | 100% | 30,845 | 74,935 | 35 | 60,398 | Completed |
| 4 | Yuhang District, Hangzhou | Hi-Shanghai (Phase I) | Residential and commercial | 85% | 74,864 | 230,484 | – | 176,408 | Completed |
| 5 | Yuhang District, Hangzhou | Hi-Shanghai (Phase II) | Residential and commercial | 85% | 59,640 | 198,203 | 50 | 144,628 | Completed |
| 6 | Wuxing District, Huzhou | Hurun Commercial Plaza | Commercial | 100% | 13,661 | 27,322 | – | – | Under Planning |
| 7 | Wuxing District, Huzhou | SIIC Tianlan Bay | Residential and commercial | 100% | 115,647 | 193,292 | 78 | 128,887 | Completed |
| 8 | Wuxing District, Huzhou | SIIC Yungjing Bay | Residential | 100% | 68,471 | 207,906 | 341 | 151,712 | Completed |
| 9 | Shilaoren National Tourist Resort, Qingdao | International Beer City | Composite | 100% | 227,675 | 806,339 | – | 89,488 | Completed |
| 10 | Fengze District, Quanzhou | Sea Palace | Residential and commercial | 100% | 170,133 | 1,064,099 | -1,518 | 446,761 | 2017 to 2025, in phases |
| 11 | Baoshan District, Shanghai | Era of Elites (Phase I) | Residential | 100% | 26,600 | 73,798 | – | 41,127 | Completed |
| 12 | Baoshan District, Shanghai | Era of Elites (Phase II) | Residential | 100% | 32,130 | 86,692 | 86 | 49,507 | Completed |
| 13 | Hongkou District, Shanghai | North Bund Lot No. 91 | Commercial and office | 50% | 34,585 (including underground area) | 453,958 | – | – | 2030 |
| 14 | Jiading District, Shanghai | Sea Garden | Residential and commercial | 100% | 58,949 | 163,351 | 305 | 88,218 | Completed |
| 15 | Jiading District, Shanghai | Essence of Shanghai | Residential and commercial | 100% | 32,991 | 75,559 | 75 | 39,247 | Completed |
| 16 | Jing'an District, Shanghai | Territory Shanghai | Residential | 100% | 32,512 | 114,737 | 124 | 16,301 | Completed |
| 17 | Qingpu District, Shanghai | Belle Rive | Villa | 51% | 315,073 | 59,577 | – | 25,985 | Phase II north land lot commenced construction in the latter half of 2021, and is expected to be completed in 2024 |
| 18 | Qingpu District, Shanghai | Shanghai Bay | Residential | 51% | 808,572 | 631,199 | 8,580 | 394,223 | Completed |
| 19 | Qingpu District, Shanghai | He Villa/Sea County | Residential | 51% | 162,708 | 121,683 | 26 | 85,563 | Completed |
| 20 | Wuzhong District, Suzhou | Sudi Lot 2017-WG-10 | Residential | 100% | 40,817 | 126,881 | – | – | Completed |
| **Sub-total** | | | | | **2,372,847** | **5,035,466** | | | |

| | 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 | Youngman Point | Residential and commercial | 100% | 112,700 | 348,664 | – | 258,814 | Completed |
| 2 | Haidian District, Beijing | West Diaoyutai • Emperor Seal | Residential | 97.5% | 42,541 | 250,930 | 1,324 | 220,503 | Completed |
| 3 | Jiulongpo District, Chongqing | Top City | Residential, commercial and office | 100% | 120,014 | 786,233 | – | 376,424 | Completed |
| 4 | Baoshan District, Shanghai | Shangtou Baoxu | Residential | 71.3% | 118,880 | 306,167 | 11,546 | 227,906 | Completed |
| 5 | Minhang District, Shanghai | Urban Cradle | Residential and commercial | 53.1% | 943,000 | 1,226,298 | 4,968 | 816,517 | Completed |
| 6 | Minhang District, Shanghai | Shanghai Jing City (including "晶秀坊") | Residential and commercial | 59% | 301,908 | 772,885 | 609 | 600,490 | Completed |
| 7 | Minhang District, Shanghai | TODTOWN | Residential, commercial, hotel, office and apartment office | 20.7% | 117,825 | 605,000 | – | 77,673 | 2020 to 2024, in phases |
| 8 | Minhang District, Shanghai | Contemporary Art Villa • Jade Villa | Residential | 100% | 116,308 | 80,777 | – | 80,448 | Completed |
| 9 | Minhang District, Shanghai | Contemporary Splendour Villa • Courtyard Villa | Residential | 100% | 120,512 | 191,636 | 281 | 67,286 | Completed |
| 10 | Minhang District, Shanghai | Shangtou Xinhong • Uplaza Xinhonghui | Residential and commercial | 90% | 89,432 | 289,271 | – | 150,294 | 2021 to 2023, in phases |
| 11 | Minhang District, Shanghai | Chenghang Project • Uplaza Meilong Lane | Commercial and office | 80% | 20,572 | 60,195 | 3,390 | 7,331 | Completed |
| 12 | Minhang District, Shanghai | Shenzhicheng Project • Utime Xinzhuang | Rental housing | 29.5% | 47,435 | 125,879 | – | – | Completed |
| 13 | Minhang District, Shanghai | Chenglong Project • Cheng Kai Chuanxinqu | Rental housing | 59% | 47,383 | 118,458 | – | – | 2024 |
| 14 | Qingpu District, Shanghai | Qingpu Project • Cloud Vision | Residential | 59% | 30,052 | 65,085 | 16,363 | 26,756 | 2023 |
| 15 | Qingpu District, Shanghai | Ocean One | Residential | 47.2% | 41,961 | 156,533 | 32,071 | 52,202 | 2024 |
| 16 | Pudong New District, Shanghai | Ocean Times | Residential and commercial | 80% | 119,545 | 439,971 | – | – | 2025 to 2026, in phases |
| 17 | Songjiang District, Shanghai | Shanghai Youth City | Commercial and office | 100% | 57,944 | 212,130 | – | 139,840 | Completed |
| 18 | Xuhui District, Shanghai | Jingxiang Project • Utime Xuhui | Rental housing | 59% | 17,161 | 44,927 | – | – | Completed |
| 19 | Xuhui District, Shanghai | Guilin Road Aerospace Project | Scientific research and design and residential leasing | 21.2% | 91,160 | 590,165 | – | – | 2025 to 2026, in phases |
| 20 | Heping District, Shenyang | Shenyang U Center | Commercial, office and serviced apartment | 100% | 22,651 | 228,768 | – | 71,660 | Completed |
| 21 | Futian District, Shenzhen | China Phoenix Tower | Residential, commercial and office | 91% | 11,038 | 106,190 | – | 78,343 | Completed |
| 22 | Hedong District, Tianjian | Summitopia | Residential and commercial | 100% | 42,146 | 122,200 | 28,456 | 35,445 | 2024 |

| | 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 |
|---|---|---|---|---|---|---|---|---|---|
| 23 | Nankai District, Tianjian | Laochengxiang | Residential, commercial and office | 100% | 244,252 | 752,883 | – | 582,737 | Completed |
| 24 | Yangtze River New Area, Wuhan | Xiang Kai Chang Long | Residential and commercial | 28.9% | 257,600 | 452,000 | 8,081 | 18,999 | 2024 to 2027, in phases |
| 25 | Binghu District, Wuxi | Urban Development International Center | Commercial, hotel, office and serviced apartment | 59% | 24,041 | 193,368 | – | 41,900 | Completed |
| 26 | Chanba Ecotope, Xi'an | Originally | Residential, commercial and hotel | 100% | 2,101,967 | 3,899,867 | 40,506 | 2,739,737 | 2008 to 2025, in phases |
| 27 | Chanba Ecotope, Xi'an | Qiyuan | Residential | 100% | 51,208 | 102,418 | – | 188 | 2024 to 2025, in phases |
| 28 | Zhifu District, Yantai | Felicity Mansion | Residential and commercial | 100% | 77,681 | 159,100 | 27,245 | 39,926 | 2022 to 2024, in phases |
| **Sub-total** | | | | | **5,388,917** | **12,687,998** | | | |

| | 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 GFA sold (square meters) | Expected date of completion |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Qingpu District, Shanghai | Belle Rive | Villa | 49% | 315,073 | 59,577 | – | 25,985 | Phase II north land lot commenced construction in the latter half of 2021, and is expected to be completed in 2024 |
| 2 | Qingpu District, Shanghai | Shanghai Bay | Residential | 49% | 808,572 | 631,199 | 8,580 | 394,223 | Completed |
| 3 | Qingpu District, Shanghai | He Villa/Sea County | Residential | 49% | 162,708 | 121,683 | 26 | 85,563 | Completed |
| **Sub-total** | | | | | **1,286,353**[1] | **812,459**[1] | | | |
| **Total** | | | | | **9,048,117**[1] | **18,535,923**[1] | | | |

*Major Future Development Projects*

| | City | Projects of SI Development | Project type | Interest attributable to SI Development | Approximate site area (square meters) | Planned total GFA (square meters) | Expected date of completion |
|---|---|---|---|---|---|---|---|
| 1 | Hongkou District, Shanghai | North Bund Lot No. 90 | Commercial and office | 100% | 12,725 | 110,932 | Under Planning |
| 2 | Qingpu District, Shanghai | Zhujiajiao Lot D2 | Residential and commercial | 51% | 349,168 | 177,954 | Under Planning |
| **Sub-total** | | | | | **361,893**[1] | **288,886**[1] | |

# 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 | Under planning |
| 2 | Qingpu District, Shanghai | Shanghai Lot F | Villa | 10% | 350,533 | 175,267 | Under planning |
| 3 | Qingpu District, Shanghai | Shanghai Lot G | Villa | 10% | 401,274 | 200,637 | Under planning |
| **Sub-total** | | | | | **1,100,975**[1] | **553,858**[1] | |
| **Total** | | | | | **1,462,868**[1] | **842,744**[1] | |

*Major Investment Properties*

| | 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% | 28,799 |
| 4 | Fengze District, Quanzhou | Sea Palace (Phase I of Linghai Yuan) | Commercial | 100% | 1,393 |
| 5 | Changning District, Shanghai | Super Ocean Finance Center | Office | 100% | 2,182 |
| 6 | Changning District, Shanghai | United 88 | Office<br>Commercial<br>Parking lot | 100%<br>100%<br>100% | 43,237<br>25,494<br>28,457 |
| 7 | Hongkou District, Shanghai | Gao Yang Commercial Centre | Office | 100% | 12,168 |
| 8 | Huangpu District, Shanghai | Golden Bell Plaza | Office<br>Office<br>Parking lot | 100%<br>90%<br>90% | 9,801<br>39,937<br>4,870 |
| 9 | Huangpu District, Shanghai | Huangpu Estate | Commercial | 100% | 20,918 |
| 10 | Huangpu District, Shanghai | No. 108 Haichao Road | Commercial | 100% | 474 |
| 11 | Jiading District, Shanghai | Sea Garden | Serviced apartment and commercial | 100% | 19,926 |
| 12 | Jiading District, Shanghai | Essence of Shanghai | Commercial | 100% | 12,729 |
| 13 | Jing'an District, Shanghai | Territory Shanghai | Commercial<br>Parking lot | 100%<br>100% | 1,559<br>148 units |
| 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<br>Office<br>Parking lot | 100%<br>74%<br>74% | 9,483<br>10,174<br>8,692 |
| 17 | Xuhui District, Shanghai | Yonglong Building | Office | 100% | 798 |
| 18 | Yangpu District, Shanghai | Hi-Shanghai | Commercial<br>Parking Lot | 100%<br>100% | 22,027<br>22,000 |
| **Sub-total** | | | | | **387,934** |

| | 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[2] | 100% | 19,768[1] |
| 2 | Jiulongpo District, Chongqing | Top City | Commercial[2], office and parking lot | 100% | 317,405[1] |
| 3 | Changning District, Shanghai | ShanghaiMart | Exhibition hall, stores and mart, office and parking lot | 51% | 284,651 |
| 4 | Minhang District, Shanghai | Block A, Urban Cradle | Commercial[2] and office | 53.1% | 57,286[1] |
| 5 | Minhang District, Shanghai | Utime Xinzhuang | Commercial and affordable rental residential housing | 59% | 125,879[1] |
| 6 | Songjiang District, Shanghai | Shanghai Youth City | Commercial[2] | 100% | 16,349[1] |
| 7 | Xuhui District, Shanghai | Urban Development International Tower | Office | 59% | 45,239 |
| 8 | Xuhui District, Shanghai | YOYO Tower | Commercial[2] | 59% | 13,839 |
| 9 | Xuhui District, Shanghai | Jinxiang Project • Utime Xuhui | Commercial and affordable rental residential housing | 59% | 44,927[1] |
| 10 | Heping District, Shenyang | Shenyang U Center | Commercial[2] and office | 100% | 93,059[1] |
| 11 | Futian District, Shenzhen | China Phoenix Tower | Office building | 91% | 1,048[1] |
| 12 | Chanba Ecotope, Xi'an | Originally | Commercial[2] | 100% | 31,319[1] |
| 13 | Shanghai, Tianjin | Others | Commercial[2], office and parking lot | – | 67,133 |
| **Sub-total** | | | | | **1,117,902** |
| **Total** | | | | | **1,505,836** |

Notes:
1. Such total GFAs are duplicate figures, which have been included in the Major Development Properties table.
2. Mainly includes shopping malls.

## CONSUMER PRODUCTS

The consumer products business made a profit contribution of HK$128 million to the Group, representing a decrease of 45.7% over the corresponding period last year and accounting for approximately 8.6% of the Group's Net Business Profit. The global economy is on a downward trend this year. In the first half of the year, the Group's tobacco business mainly focused on inventory de-stocking in overseas markets, boosting sales through various channels for different products. The company also continued to strengthen its production-and-sales base in Malaysia, developing the international market in collaboration with large cigarette companies. As end-consumer demand was weak in the latter period of the pandemic, the paper packaging industry as a whole was on a downward trend, and competition was increasingly severe. The results of Wing Fat Printing also declined significantly year-on-year. Driven by its "1+1+1" strategy, Wing Fat Printing sought breakthroughs in the market and strived to address the downside challenges of end-market demand. Through product innovation and capacity optimization, the moulded-fibre business accelerated the exploration of the blue ocean market in the application area to expand its core customer base. The printing and packaging business tapped into the demand of existing customers for incremental business. The medicine-packing business maintained a constant proportion in the company's business portfolio with stable growth.

### Tobacco

In the first half of 2023, while China gradually re-opened its borders, Nanyang Tobacco was still facing such challenges as product expiry and the decline of brand status due to huge stockpiling in overseas markets, in addition to weakening consumer sentiment in the Mainland market. To overcome the subsequent impact of the COVID-19 pandemic, Nanyang Tobacco adhered to the strategic policy of "Inventory de-stocking and price stabilization first" and led market distributors to reduce inventory and adjust the status of sales. For the first half of the year, turnover and profit after tax amounted to HK$648 million and HK$103 million respectively, representing a year-on-year decrease of 24.7% and 46.4% respectively while the extent of decline narrowed compared to that of the first quarter.

A significant downward trend was seen in sales in the Hong Kong market in March due to the raising of tobacco tax by the Hong Kong government in late February. The company has since then launched a series of marketing activities to maintain the activity and competitiveness of its products. Since the second quarter, the duty-paid market in the Mainland has experienced consumption downgrade in many regions. Nevertheless, the company has overcome difficulties and kept up its service in the end-market, and was able to maintain the market status and sales progress of its various brands. The recovery of the China, Hong Kong and Macau duty-free markets showed a low and then high trend, and the inventory issue was basically resolved in the second quarter and overall orders increased. The overseas markets are expected to require more time to recover as the cumulative inventory remained high due to intermittent market activities in recent years and export generally stagnated in the first quarter of the year. The company has communicated closely with distributors on sales and was making great efforts to restore the market.

During the period, Nanyang Tobacco continued to push ahead the production project in Malaysia, and seek complementary advantages through collaboration with large cigarette companies to develop the international market. Currently, the company is conducting research on the market of blended cigarettes, while the first production of blended products in Malaysia was executed in May this year and achieved sales in June, with South America as the target sales market.

### Printing

Wing Fat Printing recorded a turnover of HK$724 million during the period, representing a decrease of 17.2% over the same period last year, mainly due to a significant downturn in the moulded-fibre business and the tobacco- and wine-packaging business. Net profit for the period amounted to HK$29.10 million, representing a decrease of 27.1% over the same period last year. The decrease was mainly due to fluctuations in total revenue and business structure.

Amid the overall economic downturn and downward trends in the paper packaging industry and performance of its key enterprises, all of the company's business segments, except for medicine packaging, experienced significant declines during the period, which, coupled with the fact that the overseas factory business arising from the transfer of its production chain for major core customers needed time for setting up. The idling of production capacity of certain factories in Mainland China also caused heavy cost. All these posed big challenges to the company's overall profitability. The S-customer series of moulded-fibre packaging business developed in recent years has become a bright spot amidst the gloomy outlook.

Facing such a challenging time, Wing Fat Printing will continue to stabilize its business and adhere to established strategies. It will thoroughly address value-creation orientation based on the current market situation. The company's internal operation process will be reviewed to ensure its core competitiveness, and to achieve breakthroughs in the market. The company will also continue to expand the application of environment-friendly packaging products to its business based on technological innovation, strive to open up incremental demands in the blue ocean frontier market with technological innovations under the concept of environmental protection, and realize established annual targets with unremitting efforts.

# Financial Review

## KEY FIGURES

| | 2023 unaudited | 2022 | Change % |
|---|---|---|---|
| | Six months ended 30 June | | |
| **Results** | | | |
| Revenue (HK$'000) | **12,791,180** | 15,220,233 | -16.0 |
| Profit attributable to owners of the Company (HK$'000) | **1,375,697** | 1,103,688 | 24.6 |
| Earnings per share – basic (HK$) | **1.265** | 1.015 | 24.6 |
| Dividend per share – interim (HK cents) | **42** | 42 | |
| Dividend payout ratio | **33.2%** | 41.4% | |
| Interest cover (note (a)) | **4.2 times** | 4.9 times | |

| | unaudited 30 June | audited 31 December | Change % |
|---|---|---|---|
| **Financial Position** | | | |
| Total assets (HK$'000) | **178,339,130** | 193,933,752 | -8.0 |
| Equity attributable to owners of the Company (HK$'000) | **44,548,436** | 45,524,021 | -2.1 |
| Net assets per share (HK$) | **40.97** | 41.87 | -2.1 |
| Net debt ratio (note (b)) | **64.90%** | 61.25% | |
| Gearing ratio (note (c)) | **43.68%** | 43.35% | |
| Number of shares in issue (shares) | **1,087,211,600** | 1,087,211,600 | |

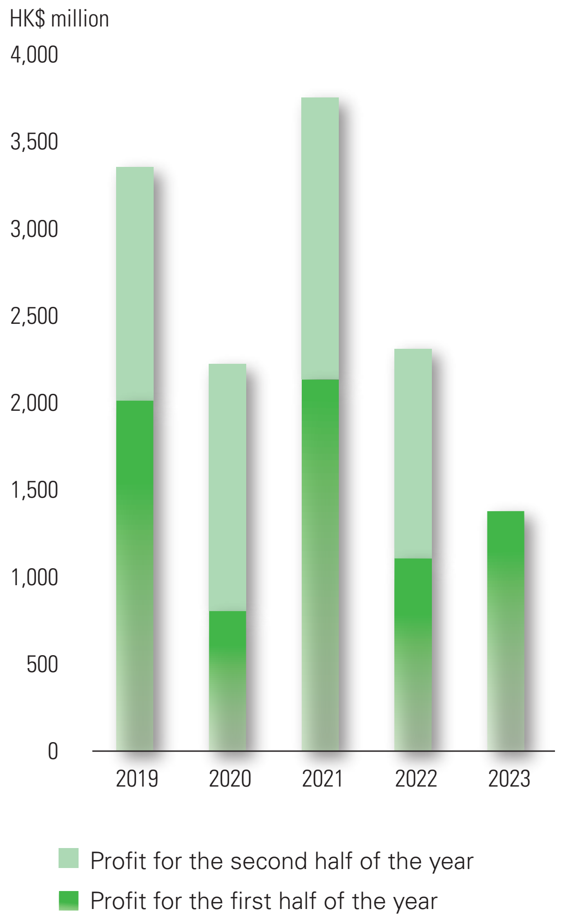
Note (a):(profit before taxation, interest expenses, depreciation and amortisation)/interest expenses
Note (b):(interest-bearing loans – cash)/equity attributable to owners of the Company
Note (c):interest-bearing loans/(equity attributable to owners of the Company + non-controlling interests + interest-bearing loans)

# Financial Review

## I ANALYSIS OF FINANCIAL RESULTS

### 1 Profit attributable to owners of the Company

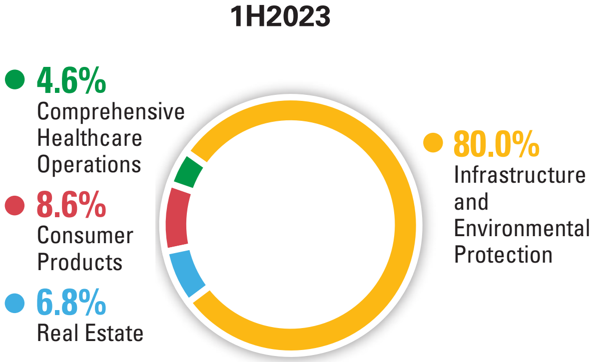
For the six months ended 30 June 2023, the Group recorded a profit attributable to owners of the Company of HK$1,375.70 million, an increase of HK$272.01 million or approximately 24.6% as compared to the same period of 2022.

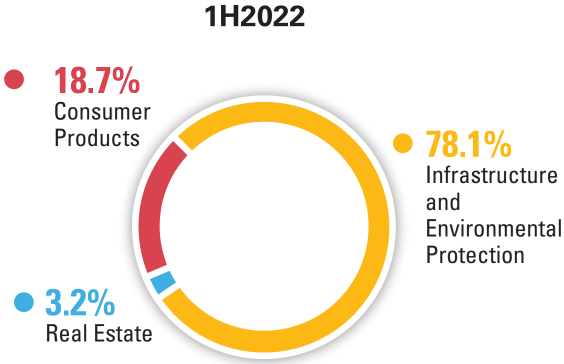



### 2 Profit Contribution from Each Business

The profit contributed by each business in the Group for the first half of 2023 and the comparative figures of the same period last year was summarized as follows:

| | **2023** | 2022 | Change |
|---|---|---|---|
| | **Unaudited** | | % |
| | **Six months ended 30 June** | | |
| | **HK$'000** | HK$'000 | |
| Infrastructure and Environmental Protection | **1,194,663** | 984,256 | 21.4 |
| Real Estate | **101,519** | 39,721 | 155.6 |
| Consumer Products | **127,887** | 235,717 | -45.7 |
| Comprehensive Healthcare Operations | **69,158** | – | N/A |
| | **1,493,227** | 1,259,694 | 18.5 |




Net profit from the infrastructure and environmental protection business for the period amounted to approximately HK$1,194.66 million, accounting for 80.0% of Net Business Profit, and representing a year-on-year increase of 21.4%.

The increase was mainly due to toll road business was affected by the pandemic in Shanghai and surrounding provinces and cities in the same period last year with travelling being restricted and a significant decrease in traffic flow, whereas the willingness of travel and traffic flow recovered after the pandemic has passed the peak rapidly in the period with corresponding increase in toll revenue and net profit.

The profit of water services and clean energy business decreased by 18.1% year-on-year. The decrease was mainly due to the year-on-year increase in finance costs and the impact on the decline of RMB exchange rate by 6.3% year-on-year.

The real estate business recorded a profit of approximately HK$101.52 million, accounting for 6.8% of the Net Business Profit, an increase of approximately HK$61.80 million over the same period in 2022. The increase was mainly due to the gain on disposal of the project company related to the land lot No.89, North Bund by SI Development during the period, as well as the rent relief provided by real estate companies to tenants at the request of local government during the pandemic last year. However, the increase in profit of the real estate business was partly offset by the turnaround to loss recorded by SI Urban Development due to a significant decrease in its sales revenue as a result of fewer properties delivered during the period.

The consumer products business recorded a net profit of HK$127.89 million for the period, accounting for 8.6% of Net Business Profit, and representing a year-on-year decrease of 45.7%. The cigarette sales of Nanyang Tobacco decreased by 24.7% year-on-year, mainly due to the general downward trend of the global economy and a declining consumer sentiment in the Mainland market this year. Tobacco sales also faced problems such as expiry of products and decline of the sales status of its brands caused by a huge inventory in overseas markets. As a result, both sales and profit decreased. Wing Fat Printing recorded a year-on-year decrease in sales by 17.2% and a corresponding decline in net profit due to lower revenue as a result of the impact of the pandemic and sluggish downstream demand, as well as the idling of factory capacity due to the transfer of the industrial chain of major downstream customers of the moulded-fibre business.

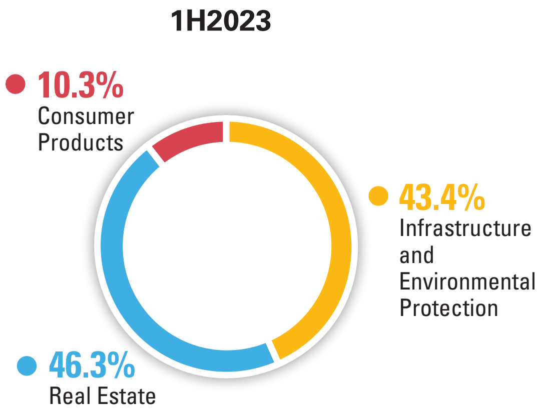
Comprehensive healthcare operations business recorded net profit of HK$69.16 million for the period, and accounting for 4.6% of Net Business Profit. The net profit of the comprehensive healthcare operations segment is a new profit contribution arising from the 40% equity interest in Shanghai Pharmaceutical Group, the acquisition of which was completed by Shanghai SI Yangtze River Delta, a joint venture of the Company, in October last year.

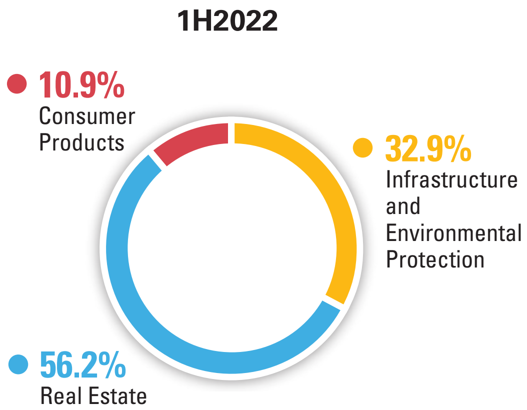
# Financial Review

### 3 Revenue

The Group's revenue by principal businesses for the first half of 2023 and the comparatives of the same period last year was summarized as follows:

| | **2023** | 2022 | Change |
|---|---|---|---|
| | **Unaudited** | | % |
| | **Six months ended 30 June** | | |
| | **HK$'000** | HK$'000 | |
| Infrastructure and Environmental Protection | **5,550,188** | 5,010,583 | 10.8 |
| Real Estate | **5,925,737** | 8,546,026 | -30.7 |
| Consumer Products | **1,315,255** | 1,663,624 | -20.9 |
| | **12,791,180** | 15,220,233 | -16.0 |




For the six months ended 30 June 2023, revenue of approximately HK$12,791.18 million was recorded, down 16.0% year-on-year. The decrease was mainly due to the year-on-year decrease in booked revenue upon delivery of properties of the real estate business, and the consumer products business was impacted by the general downward trend of the global economy and a declining consumer sentiment in the Mainland market this year. Tobacco sales also faced problems such as expiry of products and decline of the sales status of its brands caused by a huge inventory in overseas markets. In addition, the sales of tobacco and wine packaging and moulded-fibre business also decreased significantly comparing to the same period last year. Nevertheless, the decrease in revenue was partly offset by the increase in revenue of the infrastructure and environmental protection business due to the commencement of operation of the Shanghai Baoshan Renewable Energy Utilization Center Project of SIIC Environment in the beginning of 2023, the higher sewage treatment and water supply volume, and higher average sewage and water supply price, as well as the year-on-year increase in the revenue of toll roads as they resumed normal operation during the period.

## 4 Profit before Taxation

*(1) Gross profit margin*

Compared to the first half of 2022, the overall gross profit margin for the period increased by 6.7 percentage points. The increase was mainly due to the increase in the proportion of delivery of properties with relatively higher margin in the real estate business as compared to the same period last year. In addition, the gross profit margin of toll roads was lower in the same period last year due to the significant year-on-year decrease in toll road traffic and toll revenue as a result of prevention and control measures implemented during April and May last year due to the outbreak of the pandemic in Shanghai. During the period, the toll road gross profit margin increased year-on-year as traffic flow and revenue resumed normal.

*(2) Other income, gains and losses*

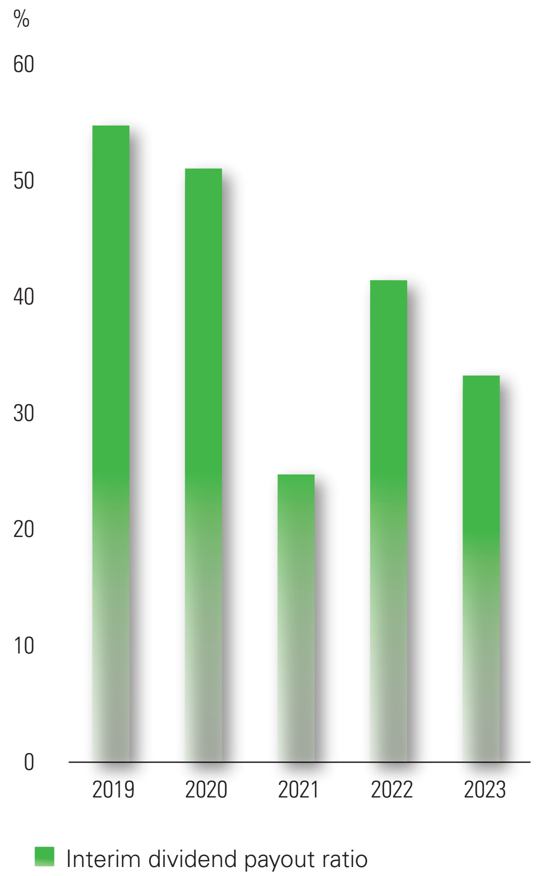
Other income, gains and losses increased, which was mainly due to the compensation income arising from the Fengsheng Project in Hunan.

*(3) Gain on disposal of subsidiaries*

For the period, gain on disposal represents mainly the disposal of the project company related to the land lot No.89, North Bund. There was no gain on disposal in the same period last year.

## 5 Dividend

The Board of Directors of the Group has resolved to declare an interim dividend of HK42 cents per share, which is the same as 2022 interim dividend of HK42 cents per share. The interim dividend payout ratio is 33.2% (2022 interim: 41.4%).



## II FINANCIAL POSITION OF THE GROUP

### 1 Capital and Equity attributable to owners of the Company

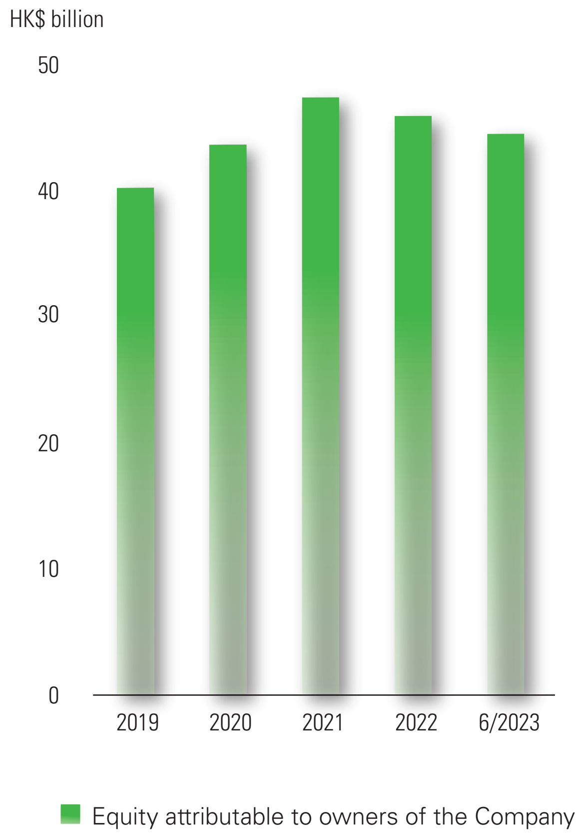
The Company had a total of 1,087,211,600 shares in issue as at 30 June 2023. There is no change compared with 1,087,211,600 shares as at the end of 2022.

Equity attributable to owners of the Company reached HK$44,548.44 million as at 30 June 2023, 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*

As at 30 June 2023, the total borrowings of the Group including bank borrowings and other borrowings amounted to approximately HK$57,533.29 million (31 December 2022: HK$58,766.88 million), of which 79.2% (31 December 2022: 75.9%) was unsecured credit facilities. The proportions of US dollars and other currencies, Renminbi and HK dollars of total borrowings were 4%, 81% and 15% (31 December 2022: 3%, 87% and 10%) respectively.



*(2) Pledge of assets*

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

(a) investment properties with an aggregate carrying value of HK$11,084,696,000 (31 December 2022: HK$11,498,680,000);
(b) leasehold land and buildings with an aggregate carrying value of HK$7,733,000 (31 December 2022: HK$8,959,000);
(c) plant and machineries with an aggregate carrying value of HK$108,759,000 (31 December 2022: HK$150,424,000);
(d) receivables under service concession arrangements/intangible assets with an aggregate carrying value of HK$15,636,445,000 (31 December 2022: HK$16,748,624,000);
(e) properties under development held for sale with an aggregate carrying value of HK$18,288,367,000 (31 December 2022: HK$6,814,317,000);
(f) properties held for sale with an aggregate carrying value of HK$494,933,000 (31 December 2022: HK$265,745,000);
(g) trade receivables with an aggregate carrying value of HK$149,944,000 (31 December 2022: HK$170,359,000);
(h) bank deposits with an aggregate carrying value of HK$195,812,000 (31 December 2022: HK$228,583,000);
(i) equity interests of subsidiaries with aggregate carrying value of HK$280,838,000 (31 December 2022: HK$169,511,000); and
(j) land use rights with aggregate carrying value of HK$662,000 (31 December 2022: HK$759,000).

*(3) Contingent liabilities*

As at 30 June 2023, the guarantees given to banks by the Group in respect of banking facilities utilised by property buyers, associates and joint ventures amounted to approximately HK$4,317.91 million, HK$626.31 million and HK$1,896.87 million (31 December 2022: HK$4,736.23 million, HK$713.70 million and HK$1,908.99 million) respectively.

## 3 Commitments

As at 30 June 2023, the Group had commitments mainly contracted for business development and investments in fixed assets of HK$7,470.95 million (31 December 2022: HK$14,686.11 million). The Group had sufficient internal resources and/or through loan markets for the finance of its capital expenditures.

## 4 Bank Balances and Short-term Investments

As at 30 June 2023, bank balances, pledged bank deposits and short-term investments held by the Group amounted to HK$28,622.54 million (31 December 2022: HK$30,885.38 million) and HK$282.03 million (31 December 2022: HK$275.74 million) respectively. The proportions of US dollars and other currencies, Renminbi and HK dollars of bank balances were 2%, 85% and 13% (31 December 2022: 3%, 84% and 13%) respectively. Short-term investments mainly consisted of investments such as Hong Kong and PRC listed shares.

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

## III MANAGEMENT POLICIES FOR FINANCIAL RISK

### 1 Currency Risk

The Group mainly operates in China and the Hong Kong Special Administrative Region and the exposure in exchange rate risks mainly arise from fluctuations in the US dollar, Singapore dollar, HK dollar and Renminbi exchange rates. The management monitors foreign currency exposure and will 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, cash and cash equivalents, 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 minimize 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 31 to 54, which comprise the condensed consolidated statement of financial position as of 30 June 2023, 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

**Deloitte Touche Tohmatsu**
Certified Public Accountants
Hong Kong
30 August 2023

# Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2023

| | NOTES | Six months ended 30 June 2023 HK$'000 (unaudited) | 2022 HK$'000 (unaudited) |
|---|---|---|---|
| Revenue | 3 | **12,791,180** | 15,220,233 |
| Cost of sales | | **(8,521,164)** | (11,159,923) |
| Gross profit | | **4,270,016** | 4,060,310 |
| Net investment income | | **293,122** | 159,004 |
| Other income, gains and losses | | **507,044** | 302,779 |
| Selling and distribution costs | | **(445,496)** | (515,755) |
| Administrative and other expenses | | **(1,230,656)** | (1,020,294) |
| Finance costs | | **(1,172,635)** | (823,919) |
| Share of results of joint ventures | | **225,501** | 222,929 |
| Share of results of associates | | **228,653** | 108,428 |
| Gain on disposal of subsidiaries | 15 | **254,982** | – |
| Profit before taxation | | **2,930,531** | 2,493,482 |
| Income tax expense | 4 | **(1,086,623)** | (1,002,605) |
| Profit for the period | 5 | **1,843,908** | 1,490,877 |
| Profit for the period attributable to | | | |
| – Owners of the Company | | **1,375,697** | 1,103,688 |
| – Non-controlling interests | | **468,211** | 387,189 |
| | | **1,843,908** | 1,490,877 |
| Earnings per share | 7 | | |
| | | **HK$** | HK$ |
| – Basic | | **1.265** | 1.015 |
| – Diluted | | **1.265** | 1.015 |

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

For the six months ended 30 June 2023

| | Six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | **HK$'000** | HK$'000 |
| | **(unaudited)** | (unaudited) |
| Profit for the period | **1,843,908** | 1,490,877 |
| **Other comprehensive expense** | | |
| *Items that may be subsequently reclassified to profit or loss* | | |
| Exchange differences arising on translation of foreign operations | | |
| – subsidiaries | **(2,786,384)** | (3,141,731) |
| – joint ventures | **(498,807)** | (267,865) |
| – associates | **(218,097)** | (292,749) |
| Reclassification adjustment for realisation of revaluation reserve upon disposal of related properties held for sale | **–** | (22,176) |
| *Items that will not be reclassified to profit or loss* | | |
| Fair value change on equity instruments at fair value through other comprehensive income held by subsidiaries, net of tax | **(6,390)** | (16,704) |
| Other comprehensive expense for the period | **(3,509,678)** | (3,741,225) |
| Total comprehensive expense for the period | **(1,665,770)** | (2,250,348) |
| Total comprehensive expense for the period attributable to | | |
| – Owners of the Company | **(406,620)** | (877,206) |
| – Non-controlling interests | **(1,259,150)** | (1,373,142) |
| | **(1,665,770)** | (2,250,348) |

# Condensed Consolidated Statement of Financial Position

At 30 June 2023

| | NOTES | 30 June 2023 HK$'000 (unaudited) | 31 December 2022 HK$'000 (audited) |
|---|---|---|---|
| Non-Current Assets | | | |
| Investment properties | 8 | **29,456,930** | 29,798,401 |
| Property, plant and equipment | 8 | **6,252,011** | 5,488,970 |
| Right-of-use assets | | **580,265** | 640,693 |
| Toll road operating rights | | **4,969,281** | 5,554,329 |
| Goodwill | | **524,846** | 547,196 |
| Other intangible assets | 8 | **8,482,123** | 8,078,995 |
| Interests in joint ventures | | **11,227,668** | 11,564,005 |
| Interests in associates | | **7,467,784** | 7,479,568 |
| Investments | 9 | **451,234** | 387,502 |
| Receivables under service concession arrangements | | **25,029,499** | 25,974,842 |
| Deposits paid on acquisition of non-current assets | | **4,375,541** | 4,677,435 |
| Deferred tax assets | | **172,519** | 155,184 |
| | | **98,989,701** | 100,347,120 |
| Current Assets | | | |
| Inventories | 10 | **36,532,628** | 40,666,892 |
| Trade and other receivables | 11 | **11,820,530** | 11,471,641 |
| Contract assets | | **95,340** | 87,882 |
| Investments | 9 | **282,027** | 275,739 |
| Receivables under service concession arrangements | | **858,196** | 840,367 |
| Prepaid taxation | | **1,138,168** | 932,579 |
| Pledged bank deposits | | **195,812** | 228,583 |
| Short-term bank deposits | | **442,071** | 1,786,601 |
| Cash and cash equivalents | | **27,984,657** | 28,870,193 |
| | | **79,349,429** | 85,160,477 |
| Assets classified as held for sale | 15 | **–** | 8,426,155 |
| | | **79,349,429** | 93,586,632 |

# Condensed Consolidated Statement of Financial Position

At 30 June 2023

| | NOTES | 30 June 2023 HK$'000 (unaudited) | 31 December 2022 HK$'000 (audited) |
|---|---|---|---|
| Current Liabilities | | | |
| Trade and other payables | 12 | **17,041,806** | 19,495,221 |
| Lease liabilities | | **63,305** | 85,724 |
| Contract liabilities | 13 | **15,593,542** | 15,568,956 |
| Deferred income | | **458,406** | 446,198 |
| Taxation payable | | **3,191,334** | 3,589,367 |
| Bank and other borrowings | 14 | **16,250,720** | 17,902,765 |
| | | **52,599,113** | 57,088,231 |
| Liabilities associated with assets classified as held for sale | 15 | **–** | 8,307,647 |
| | | **52,599,113** | 65,395,878 |
| Net Current Assets | | **26,750,316** | 28,190,754 |
| Total Assets less Current Liabilities | | **125,740,017** | 128,537,874 |
| Capital and Reserves | | | |
| Share capital | | **13,649,839** | 13,649,839 |
| Reserves | | **30,898,597** | 31,874,182 |
| Equity attributable to owners of the Company | | **44,548,436** | 45,524,021 |
| Non-controlling interests | | **29,631,192** | 31,269,890 |
| Total Equity | | **74,179,628** | 76,793,911 |
| Non-Current Liabilities | | | |
| Provision for major overhauls | | **76,493** | 80,484 |
| Deferred income | | **2,441,745** | 2,785,847 |
| Bank and other borrowings | 14 | **41,253,539** | 40,828,228 |
| Deferred tax liabilities | | **7,694,951** | 7,924,365 |
| Lease liabilities | | **93,661** | 125,039 |
| | | **51,560,389** | 51,743,963 |
| Total Equity and Non-Current Liabilities | | **125,740,017** | 128,537,874 |

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

| | 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$'000 | Translation reserve HK$'000 | PRC statutory reserves HK$'000 (Note iv) | Retained profits HK$'000 | Sub-total HK$'000 | Share of net assets of subsidiaries HK$'000 | Total HK$'000 |
| At 1 January 2022 (audited) | 13,649,839 | 46,698 | (763,707) | (5,912,547) | 142,396 | 3,131,110 | 3,114,486 | 34,031,179 | 47,439,454 | 33,918,247 | 81,357,701 |
| Profit for the period | – | – | – | – | – | – | – | 1,103,688 | 1,103,688 | 387,189 | 1,490,877 |
| Fair value change on equity investments at fair value through other comprehensive income held by subsidiaries, net of tax | – | – | – | – | (4,691) | – | – | – | (4,691) | (12,013) | (16,704) |
| Reclassification adjustment for realisation of revaluation reserve upon disposal of related properties | – | (9,511) | – | – | – | – | – | – | (9,511) | (12,665) | (22,176) |
| Exchange differences arising on translation of foreign operations | | | | | | | | | | | |
| – subsidiaries | – | – | – | – | – | (1,569,704) | – | – | (1,569,704) | (1,572,027) | (3,141,731) |
| – joint ventures | – | – | – | – | – | (180,478) | – | – | (180,478) | (87,387) | (267,865) |
| – associates | – | – | – | – | – | (216,510) | – | – | (216,510) | (76,239) | (292,749) |
| Total comprehensive (expense) income for the period | – | (9,511) | – | – | (4,691) | (1,966,692) | – | 1,103,688 | (877,206) | (1,373,142) | (2,250,348) |
| Transfers | – | – | – | – | – | – | 26,828 | (26,828) | – | – | – |
| Contribution from non-controlling interests upon additional capital injection into subsidiaries | – | – | – | – | – | – | – | – | – | 160,283 | 160,283 |
| Dividend recognised as distribution (note 6) | – | – | – | – | – | – | – | (587,094) | (587,094) | – | (587,094) |
| Dividends paid to non-controlling interests | – | – | – | – | – | – | – | – | – | (303,344) | (303,344) |
| At 30 June 2022 (unaudited) | 13,649,839 | 37,187 | (763,707) | (5,912,547) | 137,705 | 1,164,418 | 3,141,314 | 34,520,945 | 45,975,154 | 32,402,044 | 78,377,198 |

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

| | 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$'000 | Translation reserve HK$'000 | PRC statutory reserves HK$'000 (Note iv) | Retained profits HK$'000 | Sub-total HK$'000 | Share of net assets of subsidiaries HK$'000 | Total HK$'000 |
| At 1 January 2023 (audited) | 13,649,839 | 34,829 | (783,445) | (5,922,094) | 147,419 | (28,077) | 3,301,354 | 35,124,196 | 45,524,021 | 31,269,890 | 76,793,911 |
| Profit for the period | - | - | - | - | - | - | - | 1,375,697 | 1,375,697 | 468,211 | 1,843,908 |
| Fair value change on equity investments at fair value through other comprehensive income held by subsidiaries, net of tax | - | - | - | - | (1,622) | - | - | - | (1,622) | (4,768) | (6,390) |
| Exchange differences arising on translation of foreign operations | | | | | | | | | | | |
| – subsidiaries | - | - | - | - | - | (1,324,445) | - | - | (1,324,445) | (1,461,939) | (2,786,384) |
| – joint ventures | - | - | - | - | - | (294,200) | - | - | (294,200) | (204,607) | (498,807) |
| – associates | - | - | - | - | - | (162,050) | - | - | (162,050) | (56,047) | (218,097) |
| Total comprehensive (expense) income for the period | - | - | - | - | (1,622) | (1,780,695) | - | 1,375,697 | (406,620) | (1,259,150) | (1,665,770) |
| Transfers | - | - | - | - | - | - | 106,696 | (106,696) | - | - | - |
| Contribution from non-controlling interests upon additional capital injection into subsidiaries | - | - | - | - | - | - | - | - | - | 18,102 | 18,102 |
| Transfer upon liquidation of a subsidiary | - | - | - | - | - | 18,629 | (37,025) | (6,393) | (24,789) | 24,789 | - |
| Repurchases of their own shares by a listed subsidiary | - | - | (570) | - | - | - | - | - | (570) | (754) | (1,324) |
| Dividend recognised as distribution (note 6) | - | - | - | - | - | - | - | (543,606) | (543,606) | - | (543,606) |
| Dividends paid to non-controlling interests | - | - | - | - | - | - | - | - | - | (421,685) | (421,685) |
| At 30 June 2023 (unaudited) | 13,649,839 | 34,829 | (784,015) | (5,922,094) | 145,797 | (1,790,143) | 3,371,025 | 35,843,198 | 44,548,436 | 29,631,192 | 74,179,628 |

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

Notes:

(i) Other revaluation reserve is comprised of i) 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, which will be recognised in profit or loss upon the earlier of the disposal of that subsidiaries or the disposal by that subsidiaries of the assets to which it relates and ii) 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 recorded in other reserve.

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

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

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

| | NOTE | Six months ended 30 June<br>2023<br>HK$'000<br>(unaudited) | <br>2022<br>HK$'000<br>(unaudited) |
|---|---|---|---|
| Net cash from (used in) operating activities | | **1,807,808** | (8,062,520) |
| Net cash from investing activities: | | | |
| Decrease in pledged/short-term bank deposits | | **1,350,609** | 593,185 |
| Proceeds from disposal of subsidiaries | 15 | **359,114** | – |
| Interest received | | **274,089** | 196,891 |
| Repayment from (advance to) associates | | **66,491** | (9,413) |
| Dividend received from joint venture | | **63,031** | – |
| Dividend received from associates | | **22,340** | 202,365 |
| Proceeds from disposal of property, plant and equipment | | **9,945** | 10,862 |
| Dividend received from investments | | **1,610** | 237,779 |
| Addition of service concession rights | | **(1,130,678)** | (211,625) |
| Advance to joint ventures | | **(228,115)** | (30,873) |
| Development costs paid for investment properties | | **(190,531)** | (193,223) |
| Purchase of property, plant and equipment | | **(89,920)** | (210,748) |
| Deposits paid for property, plant and equipment/ intangible assets/interest in a joint venture | | **(67,968)** | (291,353) |
| Purchases of financial assets at fair value through other comprehensive income ("FVTOCI") | | **(56,567)** | (9,060) |
| Capital injection in an associate | | **–** | (32,617) |
| | | **383,450** | 252,170 |

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

| | Six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | **HK$'000** | HK$'000 |
| | **(unaudited)** | (unaudited) |
| Net cash (used in) from financing activities: | | |
| Repayment of bank and other borrowings | **(7,539,661)** | (10,802,649) |
| Interest paid | **(1,363,006)** | (793,514) |
| Settlement of acquisition of an additional interest in a non-wholly owned subsidiary through acquisition of a subsidiary | **(576,337)** | – |
| Dividends paid | **(522,342)** | (326,800) |
| Dividends paid to non-controlling interests | **(421,685)** | (303,344) |
| Repayment of lease liabilities | **(47,937)** | (50,322) |
| Transaction cost attributable to the issue of other borrowings | **(2,613)** | (3,009) |
| Repurchases of their own shares by a listed subsidiary | **(1,324)** | – |
| Bank and other borrowings raised | **7,950,490** | 15,533,582 |
| Repayment from related parties | **682,726** | 1,895,715 |
| Contribution from non-controlling interests upon additional capital injection of subsidiaries | **18,102** | 160,283 |
| | **(1,823,587)** | 5,309,942 |
| Net increase (decrease) in cash and cash equivalents | **367,671** | (2,500,408) |
| Cash and cash equivalents at beginning of the period | **28,870,193** | 38,152,829 |
| Effect of foreign exchange rate changes | **(1,253,207)** | (1,863,650) |
| Cash and cash equivalents at end of the period | **27,984,657** | 33,788,771 |
| Represented by | | |
| Cash and cash equivalents | **27,984,657** | 33,638,612 |
| Cash and cash equivalents classified as held for sale | **–** | 150,159 |
| | **27,984,657** | 33,788,771 |

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 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 2022 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 2022 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 those financial statements. 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.

## 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 stated at fair values at the end of each reporting period, as appropriate.

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

### Application of new and amendments to HKFRSs

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

| | |
|---|---|
| HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17) | Insurance Contracts |
| Amendments to HKAS 8 | Definition of Accounting Estimates |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |

The directors of the Company consider that the application of the new and amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

## 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 of the Group.

During the interim period ended 30 June 2023, management of the Group renamed infrastructure facilities segment to infrastructure and environmental protection segment to better reflect the nature of the business activities of the segment and established a new operating segment, comprehensive healthcare operations, in accordance with future development of the Group, as follows:

| | | |
|---|---|---|
| Infrastructure and environmental protection | – | investment in toll road/bridge projects and water services/clean energy business |
| Real estate | – | property development and investment and hotel operation |
| Consumer products | – | manufacture and sale of cigarettes, packaging materials and printed products |
| Comprehensive healthcare operations | – | manufacture and sales of pharmaceutical and healthcare products, provision of distribution and supply chain solutions services and operation and franchise of a network of retail pharmacies |

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

### Disaggregation of Revenue

| | Six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | **HK$'000** | HK$'000 |
| | **(unaudited)** | (unaudited) |
| Sales of goods and services | | |
| – Sales of properties | **4,497,950** | 7,423,628 |
| – Sales of goods | **1,315,255** | 1,663,624 |
| Income from infrastructure facilities, other than financial income from service concession arrangements | | |
| – toll road operation | **1,003,465** | 556,759 |
| – water-related service | | |
| – operating, maintenance and other income | **2,210,767** | 2,048,263 |
| – construction income from construction contracts | **1,609,401** | 1,663,751 |
| Ancillary facilities, property services and management income | **640,589** | 610,831 |
| Income from hotel operations | **170,423** | 94,762 |
| Revenue from goods and services | **11,447,850** | 14,061,618 |
| Financial income from service concession arrangements | **726,555** | 741,810 |
| Rental income | **616,775** | 416,805 |
| | **12,791,180** | 15,220,233 |
| Timing of revenue recognition of revenue from goods and services | | |
| A point in time | **8,023,972** | 11,135,515 |
| Overtime | **3,423,878** | 2,926,103 |
| | **11,447,850** | 14,061,618 |

## 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 2023 (unaudited)**

| | Infrastructure and environmental protection HK$'000 | Real estate HK$'000 | Consumer products HK$'000 | Comprehensive healthcare operations HK$'000 | Elimination and unallocated HK$'000 | Consolidated HK$'000 |
|---|---|---|---|---|---|---|
| REVENUE | | | | | | |
| Segment revenue – external sales | 5,550,188 | 5,925,737 | 1,315,255 | – | – | 12,791,180 |
| Segment operating profit (loss) | 2,060,292 | 1,193,452 | 165,045 | – | (24,759) | 3,394,030 |
| Finance costs | (470,349) | (667,564) | (855) | – | (33,867) | (1,172,635) |
| Share of results of joint ventures | 161,549 | (5,206) | – | 69,158 | – | 225,501 |
| Share of results of associates | 252,307 | (23,654) | – | – | – | 228,653 |
| Gain on disposal of subsidiaries | – | 254,982 | – | – | – | 254,982 |
| Segment profit (loss) before taxation | 2,003,799 | 752,010 | 164,190 | 69,158 | (58,626) | 2,930,531 |
| Income tax expense | (407,860) | (591,474) | (28,385) | – | (58,904) | (1,086,623) |
| Segment profit (loss) after taxation | 1,595,939 | 160,536 | 135,805 | 69,158 | (117,530) | 1,843,908 |
| Less: segment profit attributable to non-controlling interests | (401,276) | (59,017) | (7,918) | – | – | (468,211) |
| Segment profit (loss) after taxation attributable to owners of the Company | 1,194,663 | 101,519 | 127,887 | 69,158 | (117,530) | 1,375,697 |

**Six months ended 30 June 2022 (unaudited)**

| | Infrastructure and environmental protection HK$'000 | Real estate HK$'000 | Consumer products HK$'000 | Elimination and unallocated HK$'000 | Consolidated HK$'000 |
|---|---|---|---|---|---|
| REVENUE | | | | | |
| Segment revenue – external sales | 5,010,583 | 8,546,026 | 1,663,624 | – | 15,220,233 |
| Segment operating profit (loss) | 1,548,117 | 1,156,951 | 299,212 | (18,236) | 2,986,044 |
| Finance costs | (385,182) | (391,731) | (1,372) | (45,634) | (823,919) |
| Share of results of joint ventures | 225,948 | (3,019) | – | – | 222,929 |
| Share of results of associates | 237,053 | (128,625) | – | – | 108,428 |
| Segment profit (loss) before taxation | 1,625,936 | 633,576 | 297,840 | (63,870) | 2,493,482 |
| Income tax expense | (266,320) | (590,049) | (54,100) | (92,136) | (1,002,605) |
| Segment profit (loss) after taxation | 1,359,616 | 43,527 | 243,740 | (156,006) | 1,490,877 |
| Less: segment profit attributable to non-controlling interests | (375,360) | (3,806) | (8,023) | – | (387,189) |
| Segment profit (loss) after taxation attributable to owners of the Company | 984,256 | 39,721 | 235,717 | (156,006) | 1,103,688 |

## 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 2023 (unaudited)**

| | Infrastructure and environmental protection HK$'000 | Real estate HK$'000 | Consumer products HK$'000 | Comprehensive healthcare operations HK$'000 | Elimination and unallocated HK$'000 | Consolidated HK$'000 |
|---|---|---|---|---|---|---|
| Segment assets | 66,258,027 | 99,539,644 | 7,125,736 | 91,012 | 5,324,711 | 178,339,130 |
| Segment liabilities | 32,705,806 | 63,286,456 | 735,616 | – | 7,431,624 | 104,159,502 |

**At 31 December 2022 (audited)**

| | Infrastructure and environmental protection HK$'000 | Real estate HK$'000 | Consumer products HK$'000 | Elimination and unallocated HK$'000 | Consolidated HK$'000 |
|---|---|---|---|---|---|
| Segment assets | 67,879,416 | 112,917,882 | 7,412,234 | 5,724,220 | 193,933,752 |
| Segment liabilities | 32,881,244 | 74,706,343 | 794,206 | 8,758,048 | 117,139,841 |

## 4. INCOME TAX EXPENSE

| | Six months ended 30 June | |
|---|---|---|
| | 2023 HK$'000 (unaudited) | 2022 HK$'000 (unaudited) |
| Current tax | | |
| – Hong Kong | 20,127 | 38,583 |
| – PRC Land Appreciation Tax ("LAT") | 326,088 | 387,930 |
| – PRC Enterprise Income Tax ("EIT") (including PRC withholding tax of HK$49,266,000 (six months ended 30 June 2022: HK$9,136,000)) | 660,735 | 466,165 |
| | 1,006,950 | 892,678 |
| Under(over) provision in prior periods | | |
| – Hong Kong | 1,949 | (608) |
| – PRC EIT | 2,020 | (20,281) |
| | 3,969 | (20,889) |
| Deferred taxation for the current period | 75,704 | 130,816 |
| | 1,086,623 | 1,002,605 |

## 4. INCOME TAX EXPENSE (continued)

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

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

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

## 5. PROFIT FOR THE PERIOD

| | Six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | **HK$'000** | HK$'000 |
| | **(unaudited)** | (unaudited) |
| Profit for the period has been arrived at after charging (crediting) the following items: | | |
| Amortisation of other intangible assets (included in cost of sales) | **221,216** | 190,636 |
| Amortisation of toll road operating rights (included in cost of sales) | **355,770** | 192,411 |
| Depreciation of property, plant and equipment | **247,367** | 266,736 |
| Depreciation of right-of-use assets | **32,465** | 39,352 |
| Dividend income from investments (included in net investment income) | **(1,076)** | (5,500) |
| Government compensation of toll road operating rights (included in other income, gains and losses) (Note) | **(198,074)** | (105,037) |
| Impairment loss on trade receivables (included in other income, gains and losses) | **28,581** | 5,744 |
| (Increase) decrease in fair value of financial assets at FVTPL (included in net investment income) | **(6,965)** | 55,076 |
| Interest expenses for lease liabilities | **6,096** | 7,063 |
| Interest income (included in net investment income) | **(283,395)** | (193,386) |
| Net foreign exchange loss (included in other income, gains and losses) | **88,156** | 145,034 |
| Net loss (gain) on disposal of property, plant and equipment (included in other income, gains and losses) | **289** | (365) |
| Net increase in fair value of investment properties (included in other income, gains and losses) | **(33,242)** | (15,704) |
| Share of PRC EIT of associates (included in share of results of associates) | **62,077** | 47,990 |
| Share of PRC EIT of joint ventures (included in share of results of joint ventures) | **83,113** | 49,665 |

Note: The amount is transferred from deferred income to other income on a units-of-usage basis, calculated based on the proportion of actual traffic volume for a particular period to the projected total traffic volume over the periods for which the Group is granted the rights to operate the toll roads. This policy has resulted in a credit to other income in the current interim period of approximately HK$198 million (six months ended 30 June 2022: approximately HK$105 million). As at 30 June 2023, an amount of approximately RMB2,685 million (equivalent to approximately HK$2,900 million) (31 December 2022: approximately RMB2,860 million (equivalent to approximately HK$3,232 million)) remains to be amortised.

## 6. DIVIDENDS

| | Six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | **HK$'000** | HK$'000 |
| | **(unaudited)** | (unaudited) |
| 2022 final dividend paid of HK50 cents (six months ended 30 June 2022: 2021 final dividend paid of HK54 cents) per share | **543,606** | 587,094 |

Subsequent to the end of the current interim period, the directors of the Company have determined that a 2023 interim cash dividend of HK42 cents (2022 interim: HK42 cents) per share will be paid to the shareholders of the Company whose names appear on the Company's register of members on 26 September 2023.

## 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 | |
|---|---|---|
| | **2023** | 2022 |
| | **HK$'000** | HK$'000 |
| | **(unaudited)** | (unaudited) |
| **Earnings for the purpose of basic and diluted earnings per share:** | | |
| Profit for the period attributable to owners of the Company | **1,375,697** | 1,103,688 |
| **Number of shares:** | | |
| 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 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.

## 8. 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$33 million in profit or loss (six months ended 30 June 2022: HK$16 million). During the six months ended 30 June 2023, the Group has development cost paid for investment properties of approximately HK$191 million (six months ended 30 June 2022: HK$193 million). In addition, properties held for sale included in inventories with an aggregate carrying amount of approximately HK$827 million (six months ended 30 June 2022: HK$111 million) were transferred to investment properties during the period.

During the current interim period, the Group incurred costs for construction in progress of approximately HK$4 million (six months ended 30 June 2022: HK$30 million) and acquired other property, plant and equipment at an aggregate cost of approximately HK$86 million (six months ended 30 June 2022: HK$191 million) for the purpose of expanding the Group's operations and businesses. During the six months ended 30 June 2023, properties under development included inventories with aggregate carrying amount of approximately HK$1,138 million (six months ended 30 June 2022: HK$nil) were transferred to property, plant and equipment as management arranged for own use and served as hotel property of the Group.

In addition, the Group has addition of other intangible assets of approximately HK$1,131 million (six months ended 30 June 2022: HK$212 million).

## 9. INVESTMENTS

| | **30 June 2023 HK$'000 (unaudited)** | 31 December 2022 HK$'000 (audited) |
|---|---|---|
| Equity instruments at FVTPL | | |
| Listed equity securities | **275,000** | 268,387 |
| Unlisted equity securities | **7,589** | 7,939 |
| | **282,589** | 276,326 |
| Equity instruments at FVTOCI | | |
| Listed equity securities | **45,564** | 46,780 |
| Unlisted equity securities | **405,108** | 340,135 |
| | **450,672** | 386,915 |
| Total investments | **733,261** | 663,241 |
| Analysed for reporting purposes as: | | |
| Current portion | **282,027** | 275,739 |
| Non-current portion | **451,234** | 387,502 |
| | **733,261** | 663,241 |

## 10. INVENTORIES

Inventories mainly represent properties under development held for sale. Included in the amount is HK$12,289,617,000 (31 December 2022: HK$13,675,599,000) which is not expected to be realised within one year.

## 11. 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 2023 HK$'000 (unaudited)** | 31 December 2022 HK$'000 (audited) |
|---|---|---|
| Within 30 days | **1,446,613** | 1,304,312 |
| Within 31 – 60 days | **472,079** | 549,536 |
| Within 61 – 90 days | **430,425** | 438,491 |
| Within 91 – 180 days | **663,698** | 1,012,966 |
| Within 181 – 365 days | **1,144,828** | 726,332 |
| Over 365 days | **1,025,521** | 823,325 |
| | **5,183,164** | 4,854,962 |

Included in other receivables as at 30 June 2023 were (i) unsecured amounts of HK$974,703,000 (31 December 2022: HK$1,086,170,000) due from certain associates of which HK$816,916,000 (31 December 2022: HK$878,743,000) carried fixed interest at prevailing market interest rates which included amount of HK$280,838,000 (31 December 2022: HK$273,007,000) entrustment fund provided by the Group and (ii) amounts of HK$1,977,015,000 (31 December 2022: HK$1,840,535,000) due from certain joint ventures with amounts of HK$1,700,039,000 (31 December 2022: HK$1,536,568,000) carries interest at prevailing market interest rates.

## 12. TRADE AND OTHER PAYABLES

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

| | 30 June 2023 HK$'000 (unaudited) | 31 December 2022 HK$'000 (audited) |
|---|---|---|
| Within 30 days | **1,295,383** | 3,811,887 |
| Within 31 – 60 days | **120,635** | 244,481 |
| Within 61 – 90 days | **1,014,378** | 119,369 |
| Within 91 – 180 days | **211,927** | 289,039 |
| Within 181 – 365 days | **1,021,901** | 320,681 |
| Over 365 days | **1,898,009** | 1,756,286 |
| | **5,562,233** | 6,541,743 |

Included in other payables as at 30 June 2023 were (i) amounts of HK$42,092,000 (31 December 2022: HK$43,145,000) due to State-owned Assets Supervision and Administration Commission of Shanghai Xuhui District (the "Xuhui SASAC") and entities controlled by the Xuhui SASAC, (ii) amounts of HK$119,568,000 (31 December 2022: HK$125,737,000) due to certain fellow subsidiaries, which are unsecured and have no fixed terms of repayment, (iii) amounts of HK$895,097,000 (31 December 2022: HK$1,621,456,000) due to non-controlling interests, of which the amount of HK$nil (31 December 2022: HK$684,720,000) carried fixed interest at prevailing market interest rates, (iv) amounts of HK$175,133,000 (31 December 2022: HK$180,358,000) due to other related parties, which are unsecured and have no fixed terms of repayment and (v) accrued expenditure on properties under development of HK$2,922,797,000 (31 December 2022: HK$2,559,738,000).

## 13. CONTRACT LIABILITIES

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

## 14. BANK AND OTHER BORROWINGS

During the current interim period, the Group (i) obtained new borrowings in the amount of approximately HK$7,101 million (six months ended 30 June 2022: HK$14,503 million); (ii) completed the issuance of medium term notes in the PRC with an aggregate principal amount of RMB750 million (equivalent to approximately HK$810 million) by Shanghai Urban Development (Holdings) Co., Ltd with a term of 3 years at a coupon rate of 4.2% (six months ended 30 June 2022: RMB880 million (equivalents to approximately HK$1,031 million) with a term of 3 years at a coupon rate of 2.85%); (iii) had an addition of loans advance from non-controlling interests of approximately HK$707 million (six months ended 30 June 2022: HK$nil) which are unsecured with fixed interests at prevailing market interest rates and are transferred from other payables and (iv) repaid borrowings of approximately HK$7,540 million (six months ended 30 June 2022: HK$10,803 million). The borrowings carry interest at market rates.

## 15. DISPOSAL OF SUBSIDIARIES

(i) During the year ended 31 December 2022, management of Shanghai Industrial Development Co., Ltd. ("SI Development") resolved to disposal of its 90% equity interest in Shanghai Shisen Real Estate Co. Ltd ("Shanghai Shisen") for consideration of RMB291,432,000 (equivalent to HK$329,712,000) to an independent third party. The assets and liabilities attributable to subsidiary have been classified as a disposal group held for sales as at year ended 31 December 2022. For the remaining 10% equity interest in Shanghai Shisen transferred to financial assets at FVTOCI at fair value HK$36,634,000. The disposal was completed and the consideration was received in full during the period ended 30 June 2023.

(ii) In April 2023, management of SI Development completed the disposal of its 100% equity interest in 上海皇冠房地產有限公司 ("Shanghai Huangguan") to an independent third party for consideration of RMB48,000,000 (equivalent to HK$54,305,000) and the consideration is received in full.

| | Shanghai Shisen<br>HK$'000 | Shanghai Huangguan<br>HK$'000 | Total<br>HK$'000 |
|---|---|---|---|
| **The net assets of the subsidiaries being disposed of the disposal date are as follows:** | | | |
| **Consideration:** | | | |
| Cash received | 329,712 | 54,305 | 384,017 |
| Property, plant and equipment | 266 | 1 | 267 |
| Investment property | – | 32,081 | 32,081 |
| Inventories | 8,264,821 | – | 8,264,821 |
| Trade and other receivables | 168,686 | – | 168,686 |
| Cash and cash equivalents | 1,915 | 22,988 | 24,903 |
| Trade and other payables | (5,676,601) | (582) | (5,677,183) |
| Bank and other borrowings | (2,640,443) | – | (2,640,443) |
| Tax payable | – | (85) | (85) |
| Deferred tax liabilities | – | (7,378) | (7,378) |
| | 118,644 | 47,025 | 165,669 |
| **Gain on disposal:** | | | |
| Consideration | 329,712 | 54,305 | 384,017 |
| Net assets disposed of | (118,644) | (47,025) | (165,669) |
| Transfer to financial assets at FVTOCI | 36,634 | – | 36,634 |
| | 247,702 | 7,280 | 254,982 |
| **Net cash inflow arising on disposal:** | | | |
| Cash consideration received | 329,712 | 54,305 | 384,017 |
| Less: Cash and cash equivalents disposed of | (1,915) | (22,988) | (24,903) |
| | 327,797 | 31,317 | 359,114 |

## 16. COMMITMENTS

| | **30 June 2023 HK$'000 (unaudited)** | 31 December 2022 HK$'000 (audited) |
|---|---|---|
| Expenditure contracted for but not provided in the consolidated financial statements in respect of | | |
| – acquisition of property, plant and equipment and intangible assets | **36,832** | 20,133 |
| – additions in properties under development held for sale | **6,708,180** | 13,390,000 |
| – investments in joint ventures | **44,507** | 47,281 |
| – additions in construction in progress | **681,435** | 1,228,700 |
| | **7,470,954** | 14,686,114 |

## 17. FINANCIAL GUARANTEE CONTRACTS

| | **30 June 2023 HK$'000 (unaudited)** | 31 December 2022 HK$'000 (audited) |
|---|---|---|
| Guarantees given to banks in respect of banking facilities utilised by | | |
| – property buyers | **4,317,910** | 4,736,227 |
| – associates | **626,311** | 713,704 |
| – joint ventures | **1,896,868** | 1,908,988 |
| | **6,841,089** | 7,358,919 |

The Group entered into agreements with certain banks with respect to mortgage loans provided to buyers of the Group's property units and made deposits as security to and gave guarantees on mortgage loans provided to the buyers by these banks under the agreements. At the end of the current interim period, the management of the Group considers that the possibility of default by the relevant buyers is remote and, in case of default in payments, the net realisable value of the related properties can recover the repayment of the outstanding mortgage principals together with the accrued interest and penalty. Accordingly, no expected credit loss under HKFRS 9 has been made in the consolidated financial statements for these guarantees.

## 18. 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 2023 HK$'000 (unaudited) | Fair value as at 31 December 2022 HK$'000 (audited) | Fair value hierarchy | Valuation techniques and key inputs | Significant unobservable input(s) |
|---|---|---|---|---|---|
| **Financial assets at FVTPL** | | | | | |
| Listed equity securities | **275,000** | 268,387 | Level 1 | Quoted bid prices in an active market | N/A |
| Unlisted equity securities | **7,589** | 7,939 | Level 3 | Adjusted net asset value method under cost approach | Discount factor of lack of control, the higher the discount factor, the lower the fair value |
| **Financial assets at FVTOCI** | | | | | |
| Listed equity securities | **45,564** | 46,780 | Level 1 | Quoted bid prices in an active market | N/A |
| Unlisted equity securities | **405,108** | 340,135 | 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.

## 18. 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 2022 (Audited) | 635 | 367,999 | 368,634 |
| Acquisition | 7,859 | 9,060 | 16,919 |
| Fair value loss in other comprehensive income | – | (7,903) | (7,903) |
| Exchange loss | (265) | (16,719) | (16,984) |
| At 30 June 2022 (Unaudited) | 8,229 | 352,437 | 360,666 |
| At 1 January 2023 (Audited) | **7,939** | **340,135** | **348,074** |
| Acquisition | **–** | **93,201** | **93,201** |
| Fair value loss in other comprehensive income | **–** | **(9,410)** | **(9,410)** |
| Exchange loss | **(350)** | **(18,818)** | **(19,168)** |
| At 30 June 2023 (Unaudited) | **7,589** | **405,108** | **412,697** |

### 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. For instruments with significant unobservable inputs under Level 3, the Group engaged an independent qualified professional 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.

## 19. 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 2023 HK$'000 (unaudited) | Six months ended 30 June 2022 HK$'000 (unaudited) |
|---|---|---|---|
| Fellow subsidiaries | Expenses relating to short-term lease and lease of low-value assets | **26,655** | 27,247 |
| Joint venture | Interest income received by the Group | **43,917** | 362 |
| Associates | Interest income received by the Group | **19,308** | 17,597 |

Furthermore, the Company granted financial guarantees to the extent of approximately HK$9,420 million (31 December 2022: HK$9,420 million) to banks in respect of banking facilities granted to its subsidiaries, out of which approximately HK$6,012 million (31 December 2022: HK$7,409 million) were utilised. 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.

## 19. RELATED PARTY TRANSACTIONS AND BALANCES (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 | |
|---|---|---|
| | **2023** | 2022 |
| | **HK$'000** | HK$'000 |
| | **(unaudited)** | (unaudited) |
| Directors' fee and committee remuneration | **1,029** | 1,353 |
| Basic salaries and allowance | **4,580** | 9,284 |
| Retirement benefits scheme contributions | **377** | 235 |
| | **5,986** | 10,872 |

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

As at 30 June 2023, 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 | 360,000 | 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 2023.

## SHARE SCHEMES

The SI Urban Development Scheme was passed by the shareholders of SI Urban Development, a subsidiary of the Company, at its general meeting on 16 May 2013 and was adopted on 21 May 2013, for a period of 10 years. The SI Urban Development Scheme was expired on 21 May 2023. During the six months ended 30 June 2023, no options were granted or outstanding under the SI Urban Development Scheme.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2023, 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 | 685,410,748 *(Notes 1 and 2)* | 63.04% |

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, 33,083,000 shares and 10,000 shares of the Company respectively, and was accordingly deemed to be interested in the respective shares held by the aforementioned companies.

2. All interests stated above 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 2023.

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

Change in Directors' information since the date of the annual report 2022 up to the date of this report is set out below:

Mr. Zhou Jun
- appointed as a member of the Shanghai Municipal People's Congress.
- resigned as a member of the executive committee of the Chinese People's Political Consultative Conference in Shanghai.
- resigned as the president of Shanghai Association of Environmental Protection Industry.

Mr. Zhang Qian
- appointed as an executive director of The Hong Kong Chinese Enterprises Association.

## EMPLOYEES AND REMUNERATION POLICIES

During the six months ended 30 June 2023, the number of employees is 19,433. 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 2023.

# Other Information

## 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 2023.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2023, SI Urban Development, a subsidiary of the Company, bought back a total of 1,194,000 of SIUD Shares on the Stock Exchange for a total consideration of HK$726,960, and together with the remaining 1,000,000 SIUD Shares bought back in 2022, a total of 2,194,000 SIUD Shares were cancelled on 27 February 2023.

Save as disclosed above, during the six months ended 30 June 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities.

# Glossary of Terms

| Term used | Brief description |
|---|---|
| Canvest Environmental | Canvest Environmental Protection Group Company Limited (HKSE stock code: 1381) |
| Companies Ordinance | Companies Ordinance (Chapter 622) of the laws of Hong Kong |
| Company | Shanghai Industrial Holdings Limited (HKSE stock code: 363) |
| Director(s) | director(s) of the Company |
| Galaxy Energy | SIIC Aerospace Galaxy Energy (Shanghai) Co., Ltd. |
| General Water of China | General Water of China Co., Ltd. |
| Green Energy Company | Shanghai Green Environmental Protection Energy Co., Ltd. |
| Group | the Company and its subsidiaries |
| Listing Rules | Rules Governing the Listing of Securities on the Stock Exchange |
| Model Code | Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules |
| Nanyang Tobacco | Nanyang Brothers Tobacco Company, Limited |
| Net Business Profit | Net profit excluding net corporate expenses |
| PRC | The People's Republic of China |
| SFO | Securities and Futures Ordinance (Chapter 571) of the laws of Hong Kong |
| SGX | Singapore Stock Exchange |
| Shanghai Galaxy | Shanghai Galaxy Investment Co., Ltd. |
| Shanghai Pharmaceutical Group | Shanghai Pharmaceutical (Group) Co., Ltd. |
| Shanghai Pharmaceuticals Holding | Shanghai Pharmaceuticals Holding Co., Ltd. (SSE stock code: 601607; HKSE stock code: 2607) |
| Shanghai SI Yangtze | Shanghai S.I. Yangtze River Delta Ecological Development 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) |

# Glossary of Terms

| Term used | Brief description |
|---|---|
| SI Urban Development Scheme | A share option scheme passed by the shareholders of SI Urban Development at its general meeting held on 16 May 2013 |
| SIIC | Shanghai Industrial Investment (Holdings) Company Limited |
| SIIC Environment | SIIC Environment Holdings Ltd. (SGX stock code: BHK; HKSE stock code: 807) |
| 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 |
| SUS Environment | Shanghai SUS Environment Co., Ltd. |
| Wing Fat Printing | The Wing Fat Printing Company, Limited |

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