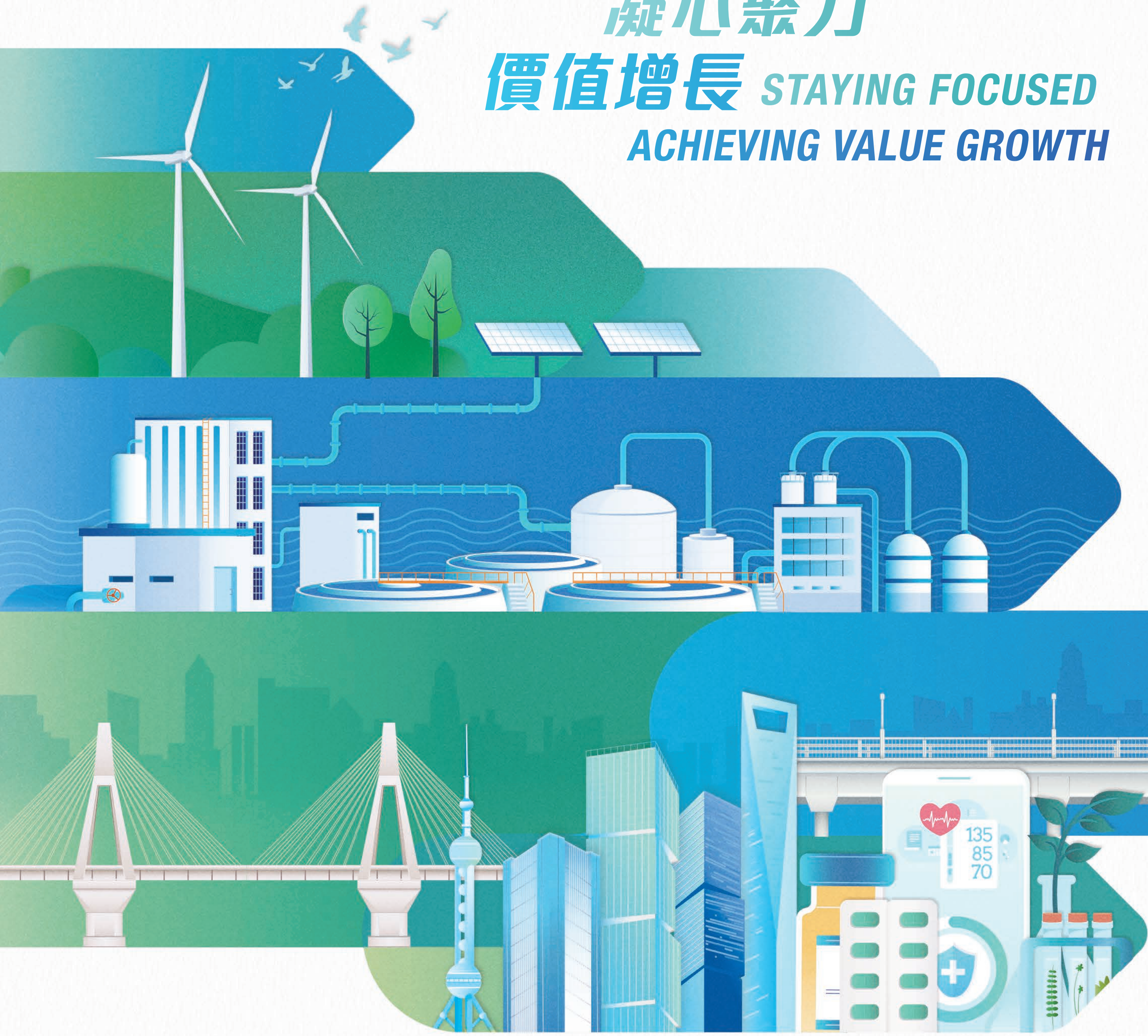
上海實業控股有限公司
SHANGHAI INDUSTRIAL HOLDINGS LIMITED
(Stock Code : 363)

凝心聚力 價值增長
STAYING FOCUSED ACHIEVING VALUE GROWTH



ANNUAL REPORT 2023

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Shen Xiao Chu *(Chairman)*
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. 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 REPRESENTATIVE

Mr. Yee Foo Hei

REGISTERED OFFICE

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39 Gloucester Road
Wanchai, Hong Kong
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COMPANY STOCK CODE

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

COMPANY WEBSITE

www.sihl.com.hk

AUDITOR

Deloitte Touche Tohmatsu
Registered 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 39 Gloucester Road Wanchai, Hong Kong
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Company Secretarial

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Facsimile	:	(852) 2863 0408
Email	:	csdept@sihl.com.hk

Investor Relations

Telephone	:	(852) 2821 3936
Facsimile	:	(852) 2529 5067
Email	:	ir@sihl.com.hk

Share Registrar

Tricor Secretaries Limited

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

Our Website

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

DIVIDEND

Proposed 2023 final dividend of HK52 cents per Share (2022: HK50 cents per Share) will be paid to Shareholders on or about Friday, 14 June 2024 subject to Shareholders' approval.

Subject to approval by Shareholders of the final dividend and together with the interim dividend of HK42 cents per Share (2022: HK42 cents per Share) paid during the year, total dividends for the year amounted to HK94 cents per Share (2022: HK92 cents per Share).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining Shareholders' eligibility to attend and vote at the Annual General Meeting, the register of members of the Company will be closed on Tuesday, 14 May 2024 and Thursday, 16 May 2024, both days inclusive, during which period no transfer of Shares will be effected. As such, all transfers accompanied by the relevant share certificate(s) must be lodged with the Company's share registrar, Tricor Secretaries Limited, by 4:30 p.m. on Monday, 13 May 2024.

For the purpose of determining Shareholders' entitlement to the final dividend, the register of members of the Company will be closed on Monday, 3 June 2024, on which no transfer of Shares will be effected. As such, all transfers accompanied by the relevant share certificate(s) must be lodged with the Company's share registrar, Tricor Secretaries Limited, by 4:30 p.m. on Friday, 31 May 2024.

FINANCIAL CALENDAR

2023 interim results announced	30 August 2023
2023 final results announced	27 March 2024
Despatch of 2023 annual report	on or about 16 April 2024
2024 annual general meeting	23 May 2024
Ex-dividend date for 2023 final dividend	30 May 2024
Record date for 2023 final dividend	3 June 2024
Despatch of notice of 2023 final dividend	on or about 14 June 2024

CHAIRMAN'S STATEMENT

Shen Xiao Chu
Chairman

I am pleased to report to our Shareholders the Group's results for the year 2023.

While China and Hong Kong's economy continued to improve in 2023, the international geopolitical situation remained tense and the global economic environment continued to be volatile. Under the leadership of the Board of Directors and the management and the concerted efforts of staff at all levels, the Group continued to strive for growth and innovation and overcame challenges from all fronts. With strengthened internal control and integration of financing activities and business operations, the Group has been able to maintain stable operation and development of its core businesses, achieving satisfactory results and profitability.

For the year ended 31 December 2023, the Group's audited turnover amounted to HK$32,698 million, representing an increase of 4.3% over the previous year. Audited net profit increased 48.0% year-on-year to HK$3,424 million.

The Board of Directors has recommended a final dividend of HK52 cents per Share (2022: HK50 cents per Share) for 2023, and together with an interim dividend of HK42 cents per Share (2022: HK42 cents per Share) paid during the year, total dividends for the year amounted to HK94 cents per Share (2022: HK92 cents per Share). The dividend payout ratio for the year is 30%.

During the year, the Group's core businesses remained stable. For the infrastructure and environmental protection segments (comprising toll roads, bridge, water and clean energy businesses) recorded profit of HK$2,321 million, representing an increase of 20.5% over the previous year. The traffic flow and revenue of the toll road business increased significantly during the year due to the tapering off of the adverse impacts following the lifting of pandemic-control restrictions. For water services and the clean energy segments, the Group, in accordance with national policies, further strengthened its strategic footprint in the Yangtze River Delta and other key regions and basins, and built additional high-standard and modernized infrastructure and environmental protection projects to promote the high-quality development of related businesses, maintaining its leadership position among the top-tier players in China's water and environmental protection industries.

The Group's comprehensive healthcare operations business made a profit contribution of HK$79.71 million during the year.

In the real estate sector, the business recorded a profit of HK$839 million for the year, representing an increase of 180.1% over the previous year. SI Urban Development's revenue for 2023 was HK$7,954 million, representing a decrease of 27.8% over the previous year; profit attributable to shareholders was HK$495 million, a year-on-year increase of 21.6%. SI Development's revenue for the year amounted to RMB9,855 million, representing an increase of 87.8% over the previous year; profit attributable to shareholders was RMB129 million, representing a year-on-year increase of 5.2%.

As the impact of the pandemic subsided, the consumer products business segment regained its momentum and recorded a net profit of HK$375 million, representing a year-on-year increase of 20.8%.

The toll road business recovers rapidly while the environmental protection and clean energy segments closely followed national policies

As the impact of the pandemic gradually subsided during the year, a variety of industries have regained their vigor, and more people are willing to travel. The Group's three toll roads and Hangzhou Bay Bridge experienced a significant increase in overall traffic flow, especially during major festivals. Toll road project companies formulated specific plans in advance to facilitate traffic flows and collaborated with respective government transportation departments to secure smooth road passage, hence improving traffic flow capacity and effectively alleviating traffic pressure. During the year, meticulous plans were deployed to ensure steady traffic flow during major festivals and events, maintaining orderly traffic flows throughout the 6th Import Expo and the Asian Games held in Hangzhou. In response to the requirements of the Shanghai Municipal Transportation Commission, preliminary work for the widening and alteration project of the main line of the Shanghai Section of the Hu-Yu Expressway progressed smoothly during the year. The project company was also evaluating the plans to first proceed with the project of adding the Xicen East entrance and exit.

The turnover and net profit for SIIC Environment for 2023 were RMB7,573 million and RMB604 million respectively, declining by 8.8% and 22.6% year on year. With the completion of the Shanghai Baoshan Project at the end of 2022 and its subsequent commencement of operation in 2023, the construction revenue of SIIC Environment for the year decreased by 37.1% year on year while the total operating and maintenance income and financial income from service concessions recorded a year-on-year increase of 10.1%. In respect of finance costs, the company's overseas borrowing costs rose significantly, due to changes in the international financial-markets environment, including US dollar interest-rate hikes. The company has made considerable efforts to replace such borrowings with low-interest loans, and continued to streamline its financing structure.

Against a background of the dual-carbon strategy, the national policy framework of "carbon peaking" and "carbon neutrality" has continued to improve while the social and economic development of China has entered a high-quality development stage of accelerated greening and low-carbon transformation. With the active layout deployment of high-quality projects by SIIC Environment, the sewage treatment business has been further expanded under the support of favourable policies. The company expanded its business footprints in the Guangdong-Hong Kong-Macao Greater Bay Area through the operation of the Macao Taipa Sewage Treatment Plant, representing its first overseas sewage treatment project. As a benchmark project for sewage treatment, the Xicen water purification plant in Qingpu was well underway. In terms of green finance, the encouragement and support of national policies have provided increasing opportunities and advantages for corporate financing activities for the company. In terms of solid waste treatment, SIIC Environment will continue to pursue high-quality development of its solid waste business, and the Baoshan project, its benchmark project for solid waste treatment, has been put into commercial operation, effectively improving the level of harmless waste treatment and resource utilization in Shanghai, which is of paramount importance in fostering the sustainability of the city's social and environmental development.

General Water of China recorded revenue of HK$2,076 million, representing a decline of 3.3% over last year; while net profit amounted to HK$265 million, representing a year-on-year increase of 6.8%. Committed to the general principle of seeking progress while maintaining stability, General Water of China made significant progress in a number of areas in 2023, with steady improvement in its principle business operations. The company 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.

In 2023, the total revenue of Canvest Environmental dropped by 39.6% year-on-year to HK$4,980 million, mainly due to a year-on-year decrease of 76.7% in construction revenue as most of the company's waste-to-energy projects have been put into operation. Despite the increase in waste-disposal volume and power generation, net

profit for the entire year dropped by 24.9% to HK$1,001 million over the previous year, mainly due to the combined impact of a decline in construction revenue, a sharp increase in interest rates and the decline of the RMB exchange rate, along with other factors. Operating revenue and environmental health-service income of projects with higher gross profit margins have offset part of the decrease in construction revenue.

In October 2023, the Company subscribed exchangeable bonds with a principal amount of approximately HK$1,637 million in respect of the shares in Canvest Environmental with a term of seven years. The exchange price of HK$6.71 per share shall allow exchange of not more than 244 million shares in Canvest Environmental, representing approximately 10% of the equity interests of Canvest Environmental as at the issue date. Based on the Company's current indirect holding of approximately 19.48% equity interests in Canvest Environmental, assuming the above exchangeable bonds are exercised in full, the Company will then own approximately 29.48% equity interests in Canvest Environmental, which is favourable to the Company's plan of increasing its shareholding in Canvest Environmental. The transaction is expected to promote the close business cooperation between the Company's solid-waste business and Canvest Environmental, which is expected to contribute to the Group's development of its solid-waste integrated platform in the future, and enables it to build a business consortium with leading scale, strength, technological advantages and operational efficiency in China's waste-to-energy industry.

As at the end of 2023, SUS Environment's waste-incineration projects had a total daily capacity of 38,325 tonnes. The amount of household waste entering the plants for the year was 14,850,000 tonnes, representing a year-on-year increase of 13%. The amount of on-grid electricity sold was 5,050,000,000 kWh, representing a year-on-year increase of 11%. During the year, SUS Environment expedited the construction progress of its waste-to-energy projects.

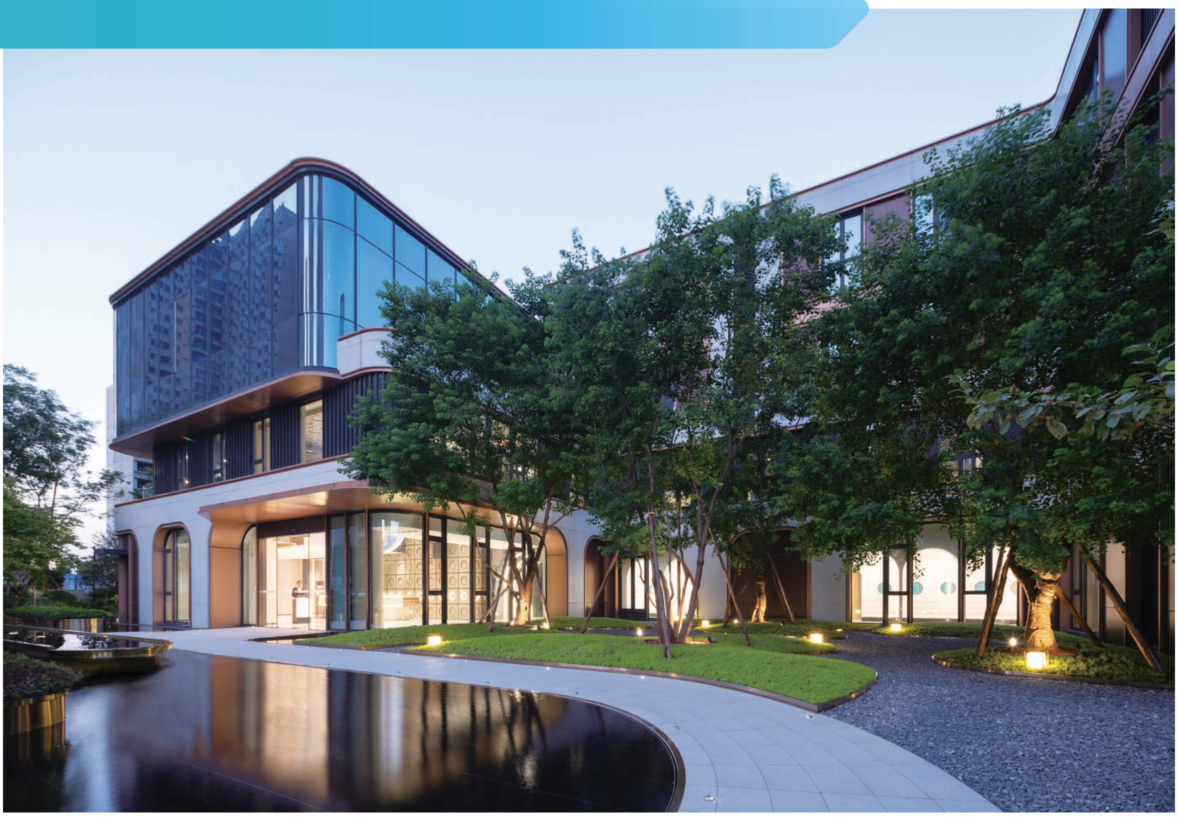
As at the end of 2023, the photovoltaic assets capacity of Shanghai Galaxy and Galaxy Energy, its subsidiary, reached 740 MW. The total amount of on-grid electricity sold during the year from their 15 photovoltaic power stations was approximately 1,081 million kWh. Affected by the severe sandy and dusty weather conditions resulting in a reduction in solar radiation, the volume of on-grid electricity sold during the year decreased by 4.38% over last year. The photovoltaic team continued to strengthen its work related to macro policies, industry dynamics, capital market research and project acquisition. During the year, Shanghai Galaxy further focused on expanding green-energy projects, continued to increase its market presence in the field of photovoltaic power generation, wind power and energy storage, and has met the annual electricity generation targets. Moving forward, the company will pay close attention to related industry dynamics such as energy storage, hydrogen energy and carbon-emission rights trading, participate in the investment of independent energy-storage projects at an appropriate time, increase its investments in the field of wind power, and actively explore investment opportunities for deep-sea and far-sea offshore wind-power projects.

Comprehensive healthcare operations business performed steadily, creating new profit contributions to the Company

The Company holds 40% equity interests in Shanghai Pharmaceutical Group through a 50-50 joint venture. Shanghai Pharmaceutical Group holds 19.348% 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. As the impact of the pandemic gradually subsided, Shanghai Pharmaceuticals Holding's business operations continued in an orderly manner with steady and improving progress. This investment will continue to create new profit contributions to the Group.

The real estate business took multiple initiatives to respond to market changes

In light of significant changes in the supply-and-demand relationship of the real estate market in the Mainland, along with the other factors locally and abroad, the industry experienced a downturn during the year. SI Development overcame the situation through a number of measures such as asserting financial control through cost reduction and efficiency enhancement, hence securing the stability of the company's operating results. In addition, the company leveraged on major projects, focused on its resources and mitigated risks so as to lay a good foundation for its stable and healthy development. The land lot No. 91 at the North Bund of Shanghai in which



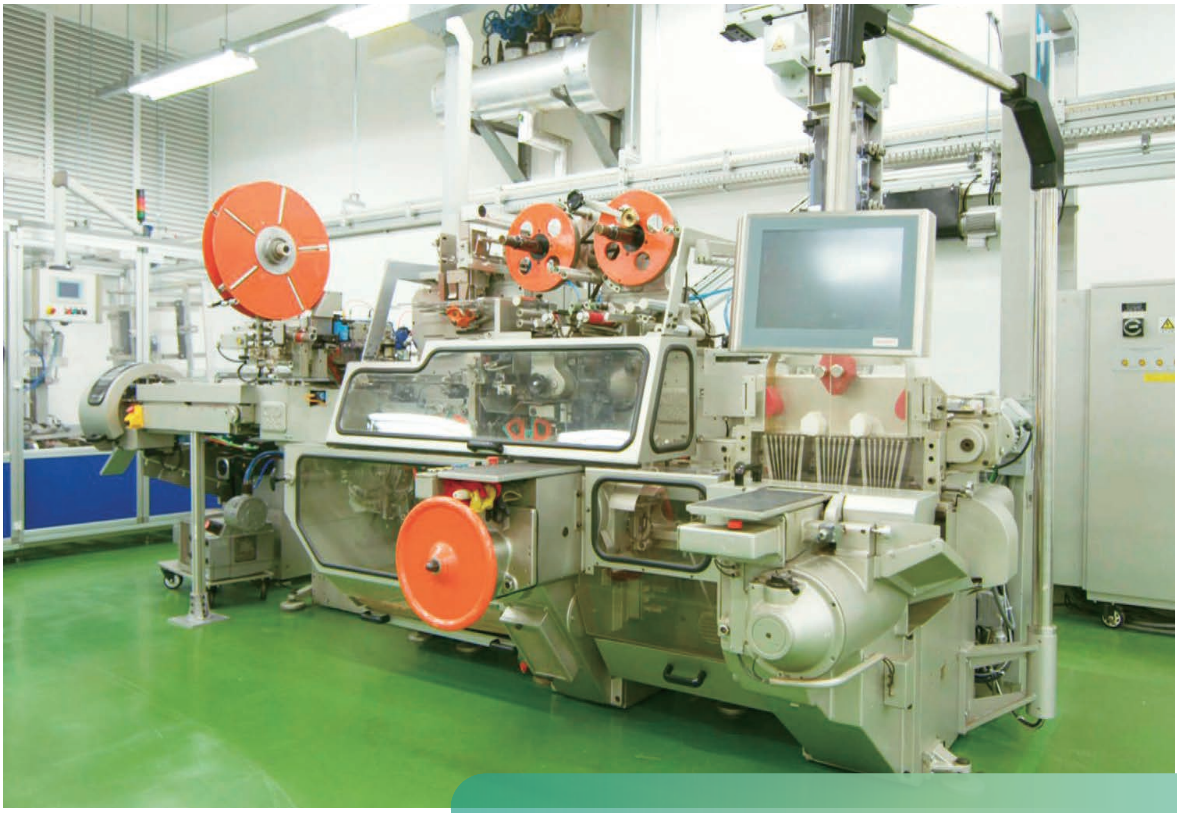
SI Development maintained a 50% interest, with a height of approximately 480 meters and a total site area of approximately 34,585 square meters, is developed jointly with two independent investors into the tallest building in Puxi, Shanghai, comprising commercial and office facilities. The integrated development is expected to become a new landmark in the North Bund area.

During the year, SI Urban Development ensured the construction of its key projects as scheduled, strived to meet the construction timeline of its entrusted construction projects, and enhanced its construction plans.

Consumer products business benefited from market recovery with favourable business development

In 2023, the global and mainland economy entered a post-pandemic period. In light of this, the management team of Nanyang Tobacco made great efforts to maintain the stable operation of the company, carefully monitored the pace of production and sales, upheld the strategic policy of "inventory de-stocking and price stabilization", and leading the respective markets to reduce inventory. The timely and effective targeted adjustment measures have generated encouraging market response and started to positively affect its operating performance. Nanyang Tobacco is committed to developing its production project in Malaysia to expand its business in international markets.

Following market turmoil and rapid declines experienced in the previous year, Wing Fat Printing faced the challenge of a contrasting divergence between the goal of a surging business and the reality of a decrease in end-customer demand, after the pandemic subsided. The new management team of Wing Fat Printing forged its centennial legacy with perseverance and determination and pursued concerted efforts to prudently review fluctuations and industry trends in the market, and adjusted its business strategies in a timely manner. The company made strong efforts to consolidate its core customer-service competencies and tap the potential utilisation efficiency of existing assets, and strived to promote cost reduction, efficiency enhancement and cost control. Actions were also taken to strengthen inventory management and control, and to dispose slow-moving goods to effectively de-stock long-held inventory. Leveraging on technological innovation, the company promoted the incubation of new environmental-protection products and promoted the cultivation of the blue-ocean market. In addition, the company also promoted equipment conversions, enhancement of production efficiency of overseas production bases, and upgrade of digital information systems.



PROSPECTS

Looking forward in 2024, many uncertainties in global economic development still prevail, but opportunities and challenges coexist. The management of the Group will continue to keep a clear mind, to pursue its reform and innovation programs, step up efforts in upgrading our core businesses, and further enhance precision and management efficiency. We will also strive to consolidate our resources, 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, following China's establishment of the "carbon peaking" and "carbon neutrality" targets, the emphasis on environmental protection has reached a new level, and favourable policies have been introduced from time to time, 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. The company will further strengthen its strategic footprints in the Yangtze River Delta 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 road business will continue to enhance operational efficiency and maintain stable business development. Through investments in comprehensive healthcare operations and new business arenas, the investments in the pharmaceuticals and healthcare, environmental protection and green energy segments are expected to make new contributions to the Group.

In the year ahead, the Group's real estate business will closely monitor changes in industry policies and market trends, modify its operating strategies in a timely manner, optimize its strategic layout, further explore market opportunities, revitalize existing assets, seek new financing methods and channels, and accelerate the collection of receivables in order to improve operating efficiency. At the same time, we will further strengthen overall risk controls, prevent operating risks and promote healthy, stable and high-quality development. As the central Government gradually relaxes control and launches policies to support economic growth, the industry outlook is expected to remain positive.

The coming year is critical for the development of Nanyang Tobacco. The company will adhere to the development policy of "ensuring healthy internal operation and external development; strengthening business growth and pursuing excellence", continue to invest resources in research and development, launch innovative products to meet different market needs, improve product quality and creativity by introducing new technologies, new processes and new materials, and actively explore market opportunities to open up new channels and new businesses so as to expand market share and enhance competitiveness, actively expand overseas markets, promote the company's long-term and stable development, to become the pioneer of technology reform and creative marketing in the Chinese cigarette industry, and strive to achieve the goal of becoming a regional industry leader.

In the highly uncertain and complex operating environment, Wing Fat Printing will remain on the right track and pursue innovation in order to seek progress while maintaining stability, comprehensively restructure its system with value-management perspective, make breakthroughs in the market, protect high-quality development with risk aversion, promote orderly efficiency planning and effective implementation, and prudently act according to the situation to enable the continuity of the century-old printing business.

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, 27 March 2024

SIHL AT A GLANCE

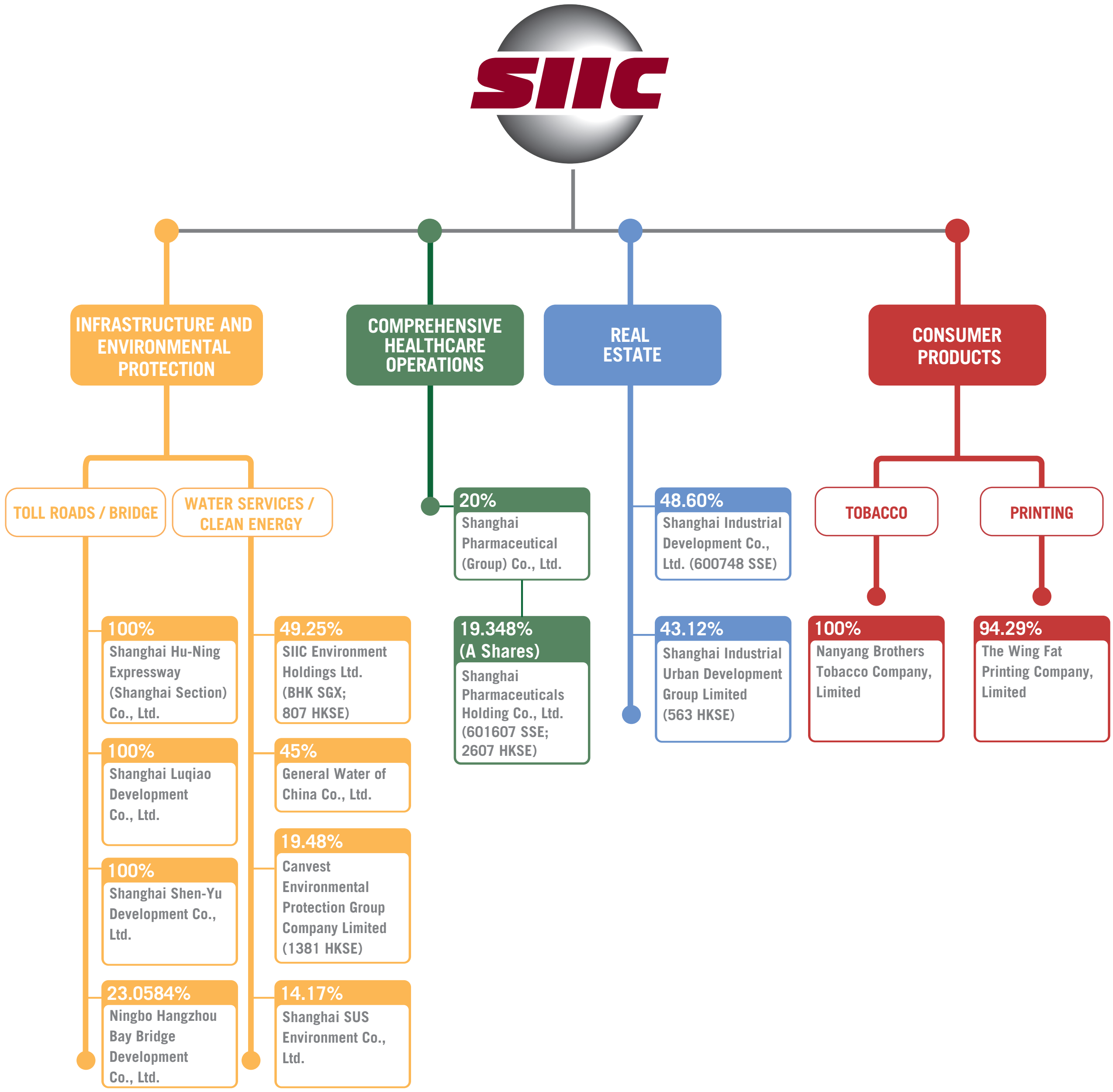
Shanghai Industrial Holdings Limited ("SIHL", HKSE Stock Code: 363) was incorporated in Hong Kong in January 1996, and on 30 May of the same year was listed on the Stock Exchange of Hong Kong. SIHL is a constituent stock of the MSCI China Index and Hang Seng Composite Index, and an eligible stock of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect. At the end of 2023, the company's total assets reached HK$179.3 billion.

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

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

GROUP BUSINESS STRUCTURE

As at 27 March 2024

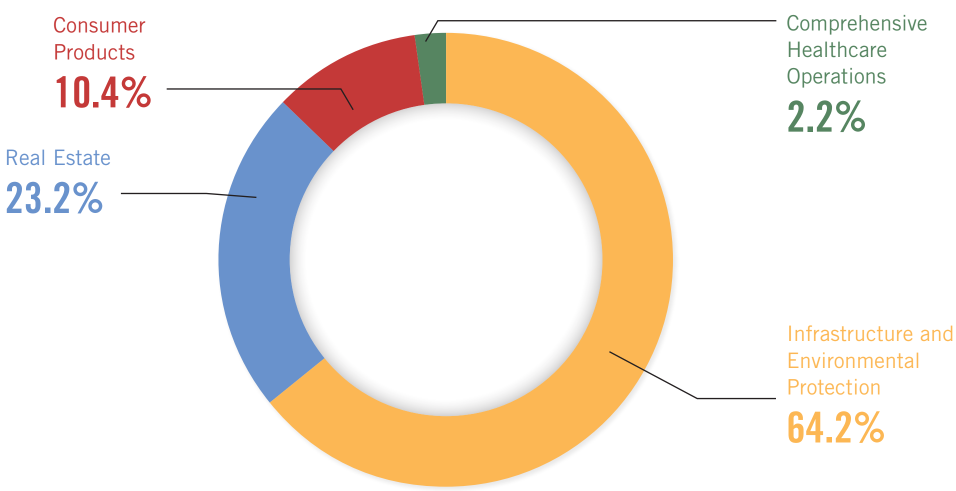


BUSINESS REVIEW, DISCUSSION AND ANALYSIS

For the year ended 31 December 2023, the Group's audited revenue amounted to HK$32,698 million, representing an increase of 4.3% over last year. Profit attributable to shareholders was HK$3,424 million, representing a year-on-year increase of 48.0%. The increase in profit was mainly due to a significant rebound in overall annual revenue and traffic flow of the Group's toll-road business as well as higher profits generated from sales revenue of the Shanghai Bay project which is under development by SI Development and in which the Company holds a 49% equity interest, resulting in improved operating earnings for our real estate business.

Adhering to the principle of seeking progress while maintaining stability, the Group has made considerable efforts to promote the construction of major projects in an orderly manner and engage continued expansion and consolidation of our core businesses while developing innovative ideas for our enterprises. The Group has continued to strengthen its asset allocation, risk management and control, and to fulfill its social responsibility in the areas of environmental, social and governance (ESG), aiming to ensure the high-quality development of the Company.

Profit contribution from the Group's core businesses



INFRASTRUCTURE AND ENVIRONMENTAL PROTECTION

During the year, the infrastructure and environmental protection business recorded a profit of HK$2,321 million, representing an increase of 20.5% over last year and accounting for approximately 64.2% of the Group's Net Business Profit. The increase in profit was mainly due to the tapering off of the adverse impacts following the lifting of pandemic-control restrictions since the beginning of the year, resulting in a significant increase in the traffic flow and toll revenue of toll roads. This, coupled with significant improvements in subsequent travel conditions led to a surge in travelling. In accordance with national policies, the Group has during the year further strengthened its strategic footprint in the Yangtze River Delta and other key regions and basins, and built additional high-standard and modernized environmental-protection projects, hence maintaining its leading position among the top-tier players in China's water and environmental protection industries.

Toll Roads/Bridge

With the tapering off of the pandemic since the beginning of 2023, a variety of industries have regained their vitality, and an increasing number of people are more willing to travel. Accordingly, the Group's three toll roads and Hangzhou Bay Bridge experienced a significant increase in overall traffic flow, especially during the Spring Festival, the Labour Day and National Day holidays. To facilitate traffic flows at congestion points, our toll-road project companies formulated prior specific plans. In addition, the companies also maintained close liaison with respective government transportation departments to secure smooth road passage. Personnel training and equipment maintenance were also strengthened, and collection contests were modified to further enhance traffic flow capacity, effectively alleviating traffic pressure. During the year, meticulous plans were deployed to ensure steady traffic flow during major festivals and events. Orderly traffic conditions were also maintained throughout the 6th Import Expo and the Asian Games held in Hangzhou Road while service quality was continuously improved. Along with this, the Company is committed to implementing specific plans for better road conditions and to strengthen maintenance quality. To enhance road quality, facilities along toll roads were renovated and rectified.

Preliminary work for the widening and alteration project of the main line of the Shanghai Section of the Hu-Yu Expressway was carried out during the year in response to the requirements of the Shanghai Municipal Transportation Commission. Plans were also made to first proceed with the project of adding the Xicen East entrance and exit to the road. The Hangzhou Bay Bridge and the "two districts and one island" were generally running in a safe and orderly manner. During the year, efforts were made to carry out different types of maintenance projects and to fully promote the intelligent digital construction of the bridge and service areas. Shanghai Green Environmental Protection Energy Co., Ltd., in which our project company holds a 30% equity interest, continued to facilitate the investment, production and operation of wind-power projects, accelerated the completion and acceptance of new projects, and took part in the preliminary work of deep-sea and far-sea projects.

The key operating figures of the respective toll roads/bridge under the Group for the year 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$442 million	+92.6%	HK$581 million	+45.3%	40.94 million	+58.8%
Hu-Kun Expressway (Shanghai Section)	100%	HK$529 million	+38.1%	HK$923 million	+41.5%	73.93 million	+43.8%
Hu-Yu Expressway (Shanghai Section)	100%	HK$262 million	+113.7%	HK$521 million	+33.7%	37.89 million	+31.8%
Hangzhou Bay Bridge	23.0584%	HK$221 million	+43.4%	HK$2,385 million	+22.5%	20.08 million	+45.6%
Total		**HK$1,454 million**	**+63.5%**	**HK$4,410 million**	**+30.1%**	**172.84 million**	**+44.3%**

Water Services/Clean Energy

The Group continued to expand its water and solid waste business, streamlined the development and construction of existing projects, strengthened investments in scientific research projects on an ongoing basis, and actively sought high-quality projects in other environmental protection areas, expanding its market share in the water and environmental-protection market in the PRC.

SIIC Environment

In 2023, the revenue of SIIC Environment amounted to RMB7,573 million, representing a year-on-year decline of 8.8%. Construction revenue decreased by 37.1% over the previous year, mainly due to the completion at the end of 2022 of the main construction component of the Shanghai Baoshan Renewable Energy Utilization Center Project (the "**Baoshan Project**"). The project was put into operation in 2023. The aggregate operating and maintenance income and financial income from service-concession arrangements recorded a year-on-year increase of 10.1%. This was mainly due to an increase in solid-waste business income as a result of the commencement of operation of the Baoshan Project during the year, higher sewage-treatment volume and water-supply volume, and the boost in water segment revenue due to increases in average sewage-treatment and water supply tariffs. Net profit attributable to shareholders was RMB604 million, a year-on-year decrease of 22.6%. The decline in profit was mainly due to an increase in finance costs, with considerable increases in the finance costs of overseas borrowings due to changes in the international financial market environment following US dollar interest-rate hikes. The company is currently making efforts to optimize its financing structure by replacing its portfolio with low-interest borrowings.

As at 31 December 2023, SIIC Environment had a total of almost 250 sewage treatment and water supply projects with a total daily capacity of 13,160,000 tonnes. During the year, five quality sewage-treatment projects were added in Guangxi Province, Heilongjiang Province and Macao with a total planned daily capacity of nearly 200,000 tonnes. In addition, 17 sewage-treatment projects with a total planned daily capacity of nearly 500,000 tonnes were awarded upgrades, expansion, tariff increases or extension of their operation and management (O&M) periods. In addition, three upgrading and expansion projects with a total planned daily capacity of 220,000 tonnes were completed and put into commercial operation. During the year, SIIC Environment's sewage-treatment volume grew 2.2% year-on-year to 2,525,000,000 tonnes, and water supply volume rose by 2.2% year-on-year to 324,000,000 tonnes. In terms of treatment tariffs, the average sewage treatment tariff increased by 7.8% to RMB1.87 per tonne and the average water supply tariff was RMB2.57 per tonne, representing an increase of 3.1% over the previous year.

In 2023, the "carbon peaking" and "carbon neutrality" policy framework has continued to improve following the implementation of the dual carbon strategy. Accordingly, the economic and social development of China has entered a high-quality development stage of accelerated greening and low-carbon transformation. With the active layout deployment of high-quality projects by SIIC Environment, the sewage treatment business has been further expanded under the support of favourable policies. During the year, the company commissioned the operation of the Macao Taipa Sewage Treatment Plant O&M Project, representing its first overseas sewage treatment project, and resulting in the expansion of its business footprints in the Guangdong-Hong Kong-Macao Greater Bay Area. As a benchmark project for sewage treatment, the Xicen water purification plant in Qingpu is also under active construction. In terms of green finance, the encouragement and support of national policies is expected to provide additional opportunities and advantages for the company to pursue its financing activities. In terms of solid-waste treatment, the company will continue to actively promote the high-quality development of solid waste, sludge and related business. The Baoshan Project, the company's guidepost project for solid waste treatment, has been put into commercial operation, and has been effectively improving harmless sewage treatment and turning waste into useful resources in Shanghai, successfully demonstrating its significance in fostering sustainable social and environmental development of the city.

During the year, SIIC Environment overcame challenges brought about by the macroeconomic downturn with positive actions. The company not only facilitated the upgrades of existing sewage-treatment projects, but also promoted the development of solid-waste treatment and other environmental-protection related projects. Going forward, the company will closely follow the direction of national policies, give full play to its experience and resource advantage in operating green and low-carbon projects, and actively participate in building a beautiful China. In addition, it will further promote the development of green and low-carbon technologies, empower corporate development with digitalization, scientific management and independent innovation, further consolidate its core competitiveness, enhance its comprehensive strengths, and embark on a high-quality and sustainable development path.

General Water of China

In light of a gradual economic recovery in the Mainland and a weakening supply-and-demand momentum, General Water of China was committed to seeking progress while maintaining stability during the year, and significant progress was made in a number of areas. As at the end of 2023, the company operated a total of 34 water-supply plants and 27 sewage treatment plants with a combined daily capacity of 6,530,800 tonnes. The daily capacity of water generation is 3,004,500 tonnes and the daily capacity of sewage treatment is 3,526,300 tonnes. The company operates two reservoirs with a total storage capacity of 182,320,000 tonnes and a pipe network of 6,248 kilometers. During the year, General Water of China recorded revenue of HK$2,076 million, representing a year-on-year decrease of 3.3%. Net profit amounted to HK$265 million, representing a year-on-year increase of 6.8%.

During the year, General Water of China acquired/signed 11 new projects with a total investment amount of approximately RMB524 million and a contract sum of approximately RMB332 million for the provision of entrusted operation-and-management services. The projects will have a total daily water treatment capacity of 512,700 tonnes and a pipe network of 78.72 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; (7) the laying of urban water distribution networks in the urban areas and construction of a new water supply booster pumping station in Xiangyang city; (8) Huangle sewage treatment plant project in Xining City; (9) the franchise TOT project of Xincheng water plant phase II expansion and new construction of ancillary pipe network in Huaiyuan County; (10) the upgrading and alteration project of the sewage treatment plant and entrusted operation project of integrated magnetic coagulation equipment in Suifenhe Free Trade Zone; and (11) entrusted operation project of tail water diversion at the sewage treatment plant in eastern Wenzhou City.

General Water of China was named one of the Top 10 Most Influential Enterprises in China's Water Industry for the 20th year, and was ranked among the top three water-treatment companies in the past five years. In December 2023, the photovoltaic power generation project of No. 4 Sewage Plant of Bengbu Zhonghuan Sewage was connected to the grid. This has significantly improved enterprise energy utilization efficiency, reduced the cost of electricity, achieved enhancement in both economic and environmental benefits, and made positive contributions to meeting the strategic targets of "carbon peaking" and "carbon neutrality".

Canvest Environmental

In 2023, the total revenue of Canvest Environmental dropped by 39.6% year-on-year to HK$4,980 million, mainly due to a year-on-year decrease of 76.7% in construction revenue generated from project construction as most of the company's waste-to-energy projects have been put into operation. Despite the increase in waste-disposal volume and power generation, net profit for the entire year decreased by 24.9% to HK$1,001 million over the previous year, mainly attributable to the combined effect of a decline in construction revenue, a sharp increase in interest rates and the drop of the RMB exchange rate during the year. Net profit fell less than revenue, reflecting the fact that operating revenue and environmental health service income of projects with higher gross profit margins have offset part of the decrease in construction revenue.

As at 31 December 2023, Canvest Environmental secured a total of 36 waste-to-energy projects spanning 12 provinces and 26 cities with a total daily processing capacity of 54,540 tonnes and a daily operating capacity of 43,690 tonnes. During the year, 16,615,728 tonnes of waste were innocuously treated, a year-on-year increase of 18.7%, and 6,217,594,000 kWh of energy were generated, a year-on-year increase of 18.4%. During the year, 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 amounting to HK$2,818 million. In addition, its wholly-owned subsidiaries won the bidding for the environmental-sanitation project in Quyang County, Baoding City, Hebei Province, and the urban-housekeeping services in Dangshan County, Suzhou City, Anhui Province, with awarded amounts of RMB3,256 million and RMB1,795 million respectively.

In October 2023, the Company announced the subscription of exchangeable bonds with a principal amount of approximately HK$1,637 million in respect of the shares in Canvest Environmental with a term of seven years. The initial exchange price is HK$6.71 per share. The bonds are exchangeable for not more than 244 million shares in Canvest Environmental, representing approximately 10% of the equity interest of Canvest Environmental as at the issue date. Based on the Company's current indirect holding of approximately 19.48% equity interest in Canvest Environmental, and assuming the above exchangeable bonds are exercised in full, the Company will own approximately 29.48% equity interest in Canvest Environmental, increasing its shareholding in Canvest Environmental. The bonds bear an interest rate of 2.8% per annum (subject to adjustment to between 2.3% and 3.3% according to the adjustment mechanism). The transaction is expected to promote the close business cooperation between the Group's solid-waste business and Canvest Environmental. This is expected to contribute to the Group's development of its solid-waste integrated platform in the future, and enables it to build a business consortium with leading scale, strength, technological advantages and operational efficiency in China's waste-to-energy industry.

SUS Environment

As at the end of 2023, the waste incineration projects of SUS Environment had a total daily capacity of 38,325 tonnes. The amount of household waste entering the plants for the year was 14,850,000 tonnes, representing a year-on-year increase of 13%. The amount of on-grid electricity sold was 5,050,000,000 kWh, representing a year-on-year increase of 11%. In 2023, eight waste-to-energy projects were acquired, with a daily capacity of 5,650 tonnes, while the construction progress of waste-to-energy projects expedited amounted to 22 projects being put forward. In addition, the company was awarded seven new equipment-turnkey projects and 14 equipment-supply projects with a total daily capacity of 16,495 tonnes.

In terms of new business, new projects of RMB272 million were added to the sludge disposal business, and seven projects were secured for the heating business, which will help improve the profitability of the projects. The company will adhere to its "one axis and two wings" strategy. On the basis of consolidating and expanding its existing core businesses, the company will actively cultivate and explore new businesses and develop international markets.

Overview of the geographic distribution of the water development projects under the Group as at 31 December 2023 are as follows:

SIIC Environment

General Water of China

Sewage treatment

Reclaimed water treament

Water supply

Waste incineration

Sludge treatment

Note: Please refer to the 2023 annual report of SIIC Environment for an overview of its water development projects as at 31 December 2023.

Anhui

Total no. of projects	Daily capacity (tonnes)	Total no. of projects	Daily capacity (tonnes)
2	60,000	2	400,000
		3	1,282,800

Fujian

Total no. of projects	Daily capacity (tonnes)	Total no. of projects	Daily capacity (tonnes)
3	50,000	1	2,696,500

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)
65	3,958,450	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)
17	251,500

Jilin

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

Liaoning

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

Macao

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)
12	640,000
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	224,500
1	1,100		

COMPREHENSIVE HEALTHCARE OPERATIONS

Comprehensive healthcare operations business recorded a profit of HK$79.71 million for the year, accounting for approximately 2.2% of the Group's Net Business Profit. Currently, Shanghai Pharmaceutical Group holds 19.348% 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. Benefiting from the gradual tappering off of the pandemic impact, Shanghai Pharmaceuticals Holding's business operations progressed smoothly with improving and steady growth. Shanghai Pharmaceutical Group recorded revenue of RMB255,173 million for the year, representing a year-on-year increase of 9.9%. Net profit amounted to RMB960 million, representing a drop of 26.76% over the previous year, mainly due to the once-off provisions made for extraordinary loss from the company's associated companies during the year.

NEW BUSINESS ARENA

As at the end of 2023, the photovoltaic asset capacity of Shanghai Galaxy and Galaxy Energy, its subsidiary, reached 740 MW. The total amount of on-grid electricity sold during the year from their 15 photovoltaic power stations was approximately 1,081,000,000 kWh. Affected by the severe sandy and dusty weather conditions causing reduction in solar radiation, the volume of on-grid electricity sold during the year decreased by 4.38% over last year. The photovoltaic team continued to strengthen its scope of work, which is associated with macro policies, industry dynamics, capital market research and project acquisitions.

During the year, Shanghai Galaxy continued to expand its green energy projects, building a stronger presence in the field of photovoltaic power generation, wind power and energy storage, and accomplishing its electricity generation target for the year. Going forward, the company will pay close attention to such industry dynamics as energy storage, hydrogen energy and carbon emission rights trading. The company will also participate in the investment of independent energy-storage projects and increase its investments in the field of wind power where opportunities arise. Further investment opportunities for deep-sea and far-sea offshore wind power projects will also be actively explored.

REAL ESTATE

In 2023, the real estate business recorded a profit of HK$839 million, representing a year-on-year increase of 180.1% and accounting for approximately 23.2% of the Group's Net Business Profit, mainly due to the year-on-year growth in operating results. Sales revenue generated from the Shanghai Bay project which is under development by SI Development and in which the Company holds a 49% interest, made a significant contribution to the Company's profitability for the year.

SI Development

In view of the complicated and critical international environment, SI Development upheld its principle of seeking progress while maintaining stability. During the year, the company stepped up its efforts in the construction of a new development landscape, placing greater emphasis on macro developments and focusing its attention on the expansion of domestic demand. The company continued to streamline its structures and initiated plans to prevent and mitigate risks. In the real estate market, the supply-and-demand relationship during the year changed considerably. Affected by a number of factors locally and abroad, the industry experienced a downturn throughout the year. To combat the situation, the company adopted a number of financial control measures, including reducing costs and enhancing efficiency in order to maintain its operating results. In addition, the company placed emphasis on major projects, focused its attention on the use of resources and made great efforts to mitigate risk so as to lay a strong foundation for the stable and healthy development of the company.

For the year, SI Development recorded revenue of RMB9,855 million, representing a year-on-year increase of 87.8%. Net profit amounted to RMB129 million, a year-on-year increase of 5.2%. During the year, the company closely followed the real estate market dynamics and policy orientation of those places where its projects are located, accurately retained its customers, optimized sales solutions, and ensured the efficient de-stocking of projects for sale. Contract sales for the year exceeded RMB551 million with a gross floor area of 15,562 square meters, among which properties of the villa project of Shanghai Bay (Phase 5) in Qingpu, Shanghai were totally sold out in the first half of 2023. The contracted projects include Shanghai Bay (Phase 5) in Qingpu, etc. Property sales booked during the year amounted to HK$9,208 million. Properties delivered mainly included the villa project of Shanghai Bay (Phase 5) in Qingpu, Sea Palace in Quanzhou (Phase 3), Era of Elites in Baoshan, Shanghai, and International Beer City in Qingdao. Rental income for the year amount to approximately HK$428 million. During the year, four projects were under construction, consisting of a combined area of approximately 412,300 square meters, and three projects were completed, covering an area of approximately 392,700 square meters. During the year, land parcels numbered 03-02 and 04-02, 15 Renewal Unit, Wusong Innovation City, Baoshan District, Shanghai were acquired, and development plans for these projects will take into account the characteristics of the respective land lots, enabling the company to actively explore the possibility of participation in the city-industry integration in the region as well as urban renewal.

During the year, SI Development added to its immovable-property business the Diaoyutai Hotel Qingdao and MGM Qingdao project, and the Gucun, Baoshan, Shanghai project for the construction of serviced apartments, covering an additional area of 103,000 square meters. In terms of its traditional commercial office-leasing business, the company orientated to market demand by focusing its efforts on retaining existing high-quality customers, adjusting its customer structure in an orderly way and improving the leasing rate of core assets, thereby achieving leasing revenue of more than RMB400 million during the year. In terms of hotels, the Diaoyutai Hotel Qingdao and MGM Qingdao officially opened in June as the company's flagship hotel operation project. In terms of serviced apartments, the leasing rate of serviced apartments in Jiading project reached 95%, and the serviced-apartment project in Gucun, Baoshan also progressed steadily and was put into trial operation. In terms of property services, the company has continuously expanded its business scale through market competition. For the first time in the company's history, the area under management exceeded 30,000,000 square meters.

SI Urban Development

SI Urban Development recorded revenue of HK$7,954 million in 2023, representing a decrease of 27.8% over last year. Profit attributable to shareholders for the year amounted to HK$495 million, an increase of 21.6% over last year. The above increases were mainly attributable to commercial properties delivering higher gross profit during the year. Contract sales for the year amounted to RMB8,229 million, representing a year-on-year increase of 4.1%, with a gross floor area of approximately 270,000 square meters, which mainly included Originally in Xi'an, University Project in Tianjin, Ocean One and Cloud Vision in Shanghai. Property sales booked during the year amounted to HK$6,871 million, with a gross floor area of approximately 191,000 square meters, which mainly included Originally in Xi'an, Contemporary Art Villa (Jade Villa) in Shanghai, Urban Cradle in Shanghai and West Diaoyutai•Emperor Sea in Beijing. Rental income for the year was approximately HK$773 million. A total of 12 projects were under construction during the year, covering an area of 2,499,000 square meters.

Set out below is a summary of the major property development projects of the Group as at 31 December 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 for the year (square meters)	Total GFA sold (square meters)	Expected date of completion
1	Kaifu District, Changsha	Fengsheng Building	Residential and commercial	90%	5,468	70,566	–	32,542	Completed
2	Chenghua District, Chengdu	Hi-Shanghai	Residential and commercial	100%	61,506	254,885	424	201,156	Completed
3	Beibei District, Chongqing	Hi-Shanghai	Residential and commercial	100%	30,845	74,935	140	60,338	Completed
4	Yuhang District, Hangzhou	Hi-Shanghai (Phase I)	Residential and commercial	85%	74,864	230,484	25	150,579	Completed
5	Yuhang District, Hangzhou	Hi-Shanghai (Phase II)	Residential and commercial	85%	59,640	198,203	150	140,236	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	246	129,055	Completed
8	Wuxing District, Huzhou	SIIC Yungjing Bay	Residential	100%	68,471	207,906	856	152,227	Completed
9	Shilaoren National Tourist Resort, Qingdao	International Beer City	Composite	100%	227,675	806,339	-	417,319	Completed
10	Fengze District, Quanzhou	Sea Palace	Residential and commercial	100%	170,133	1,064,099	(1,672)	264,364	2017 to 2025, in phases
11	Baoshan District, Shanghai	Era of Elites (Phase I)	Residential	100%	26,600	73,798	172	41,299	Completed
12	Baoshan District, Shanghai	Era of Elites (Phase II)	Residential	100%	32,130	86,692	259	49,679	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	836	87,814	Completed
15	Jiading District, Shanghai	Essence of Shanghai	Residential and commercial	100%	32,991	75,559	222	40,976	Completed
16	Jing'an District, Shanghai	Territory Shanghai	Residential	100%	32,512	114,737	1,620	86,768	Completed
17	Qingpu District, Shanghai	Belle Rive	Villa	51%	315,073	59,577	–	25,985	2024
18	Qingpu District, Shanghai	Shanghai Bay	Residential	51%	808,572	631,199	12,258	334,248	Completed
19	Qingpu District, Shanghai	He Villa / Sea County	Residential	51%	162,708	121,683	26	85,246	Completed
20	Wuzhong District, Suzhou	The Metropolis	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 for the year (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	11,977	228,337	Completed
5	Minhang District, Shanghai	Urban Cradle	Residential and commercial	53.1%	943,000	1,226,298	10,554	822,103	Completed
6	Minhang District, Shanghai	Shanghai Jing City (including "晶秀坊")	Residential and commercial	59%	301,908	772,885	1,396	601,277	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	329	80,777	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 2024, 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	26,512	36,681	2024
15	Pudong New District, Shanghai	Ocean One	Residential	47.2%	41,961	156,533	41,039	60,305	2024
16	Pudong New District, Shanghai	Ocean Times	Residential and commercial	80%	119,545	439,971	2,483	2,483	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 Centre	Commercial, office and serviced apartment	100%	22,651	228,768	-	71,660	Completed

	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 for the year (square meters)	Total GFA sold (square meters)	Expected date of completion
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	48,869	55,858	2024
23	Nankai District, Tianjian	Laochengxiang	Residential, commercial and office	100%	244,252	752,883	–	582,737	Completed
24	Yangtze River New District, Wuhan	Xiang Kai Chang Long	Residential and commercial	28.9%	257,600	452,000	14,082	25,000	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	81,640	2,780,871	2008 to 2025, in phases
27	Chanba Ecotope, Xi'an	Qiyuan	Residential	100%	51,208	102,418	2,311	2,499	2024 to 2025, in phases
28	Zhifu District, Yantai	Felicity Mansion	Residential and commercial	100%	77,681	159,100	32,077	44,758	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 for the year (square meters)	Total GFA sold (square meters)	Expected date of completion
1	Qingpu District, Shanghai	Belle Rive	Villa	49%	315,073	59,577	–	25,985	2024
2	Qingpu District, Shanghai	Shanghai Bay	Residential	49%	808,572	631,199	12,258	334,248	Completed
3	Qingpu District, Shanghai	He Villa / Sea County	Residential	49%	162,708	121,683	26	85,246	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
3	Baoshan District, Shanghai	Wusong Innovation City Renewal Unit 15, Lot 03-02, 04-02	Residential, office and scientific research	51%	40,771	141,467	Under Planning
Sub-total					**402,664**[1]	**430,353**[1]	

	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
Total					**751,832**[1]	**608,307**[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%	768
2	Qingdao Economic Development Zone	Dali Plaza	Commercial	76%	21,495
3	Laoshan District, Qingdao	Shanghai Industrial Investment Centre	Office	100%	29,219
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 Commercial Parking lot	100% 100% 100%	43,237 25,494 28,457
7	Hongkou District, Shanghai	Gao Yang Commercial Centre	Office	100%	12,168
8	Huangpu District, Shanghai	Golden Bell Plaza	Office Office Parking lot	100% 90% 90%	9,801 39,937 4,870
9	Huangpu District, Shanghai	Huangpu Estate	Commercial	100%	20,917
10	Huangpu District, Shanghai	No. 108 Haichao Road	Commercial	100%	474
11	Jiading District, Shanghai	Sea Garden	Serviced apartment and commercial	100%	21,384
12	Jiading District, Shanghai	Essence of Shanghai	Commercial	100%	13,198
13	Jingan District, Shanghai	Territory Shanghai	Commercial Parking lot	100% 100%	1,455 148 units

	City	Projects of SI Development (continued)	Project type	Interest attributable to SI Development	Total GPA for investment properties (square meters)
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 Office Parking lot	100% 74% 74%	9,483 10,174 8,692
17	Xuhui District, Shanghai	Yonglong Building	Office	100%	798
18	Yangpu District, Shanghai	Hi-Shanghai	Commercial Parking lot	100% 100%	22,027 22,000
Sub-total					**390,175**

	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	Utime Xinzhuang	Commercial and affordable rental housing	59%	125,879[1]
5	Minhang District, Shanghai	Block A, Urban Cradle	Commercial[2] and office	53.1%	57,286[1]
6	Songjiang District, Shanghai	Shanghai Youth City	Commercial[2]	100%	17,665[1]
7	Xuhui District, Shanghai	Urban Development International Tower	Office and parking lot	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 housing	59%	44,927[1]
10	Heping District, Shenyang	Shenyang U Centre	Commercial[2] and office	100%	98,706[1]
11	Futian District, Shenzhen	China Phoenix Tower	Office	91%	1,048[1]
12	Chanba Ecotope, Xi'an	Originally	Commercial[2]	100%	31,319[1]
13	Shanghai, Tianjin and Kunshan	Others	Commercial[2], office and parking lot	–	68,095
Sub-total					**1,125,827**
Total					**1,516,002**

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$375 million to the Group, representing an increase of 20.8% over the previous year and accounting for approximately 10.4% of the Group's Net Business Profit. Since the beginning of 2023, as China and countries abroad gradually re-opened their ports, the sales revenue of Nanyang Tobacco recovered steadily. During the year, the company made considerable efforts to expand its international market, and officially put into operation the production project in Malaysia. During the year, the performance of Wing Fat Printing was greatly affected by fragile demand in the downstream market. The company upheld its century-long resilience and responded actively to the situation, taking effective measures, particularly in the implementation and enhancement of value-management strategy in a timely manner in the middle of the year, to tackle challenges during the downward cycle. Remarkable results were achieved from this move, thereby stabilizing and improving the development of its core business.

Tobacco

The global and mainland economies entered a post-pandemic era in 2023. To overcome the new situation, the management team of Nanyang Tobacco made great efforts to maintain the stable operation of the company, monitoring carefully the pace of production and sales, stressing the priority of the company's strategic policy of "de-stocking inventory and stabilizing prices", which helped lower the inventories of the respective markets. The timely and effective adjustment measures received an excellent market response and positively impacted its operating performance. Nanyang Tobacco recorded revenue and net profit for the year of HK$1,815 million and HK$301 million, respectively, representing an increase of 26.8% and 65.3% over last year.

During the year, the duty-free and export markets of Nanyang Tobacco rebounded, but sales have yet to be fully resumed. Against this, Nanyang Tobacco pursued different marketing measures, including (1) gaining market share with innovative products by way of drawing market attention with the timely launch of innovative products; (2) exploring sales channels by way of broadening market share, deploying overseas duty-free markets and increasing business presence in an orderly manner; (3) securing market share by way of developing targeted marketing activities in response to consumer needs and purchasing habits of the different markets; (4) paying attention to the mutual benefits of the company and its customers by way of proactively maintaining effective communication and better cooperation with customers.

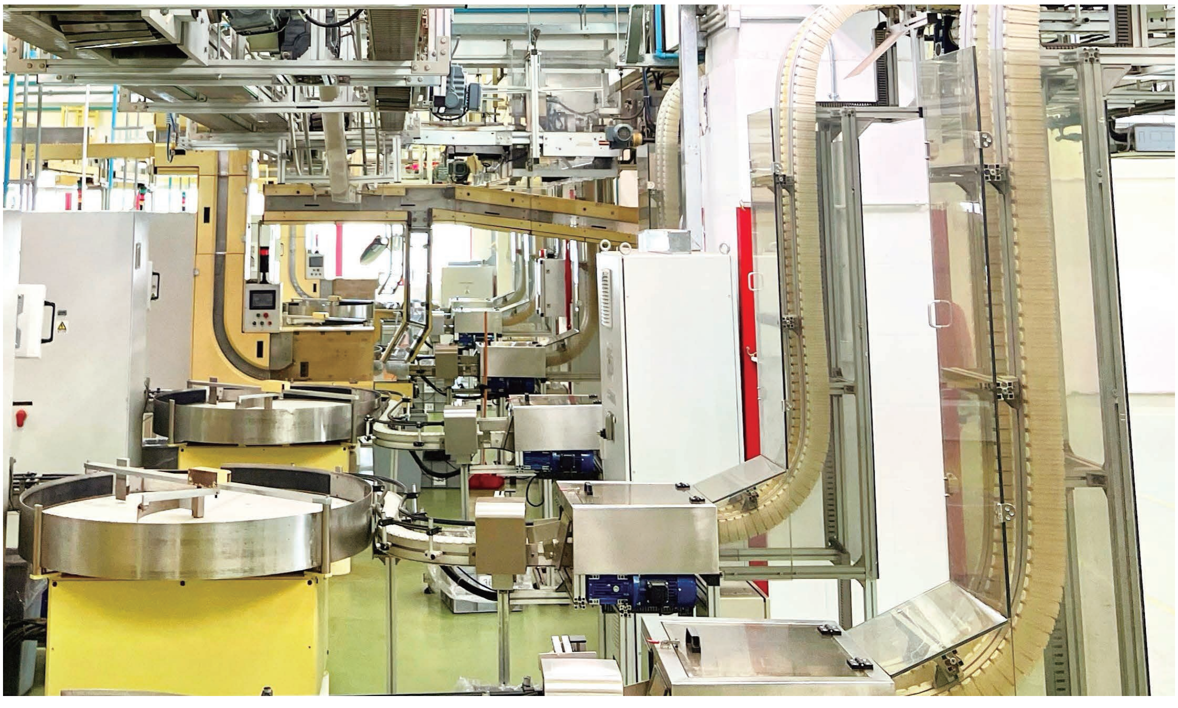
Nanyang Tobacco is committed to developing its production projects in Malaysia and actively expanding its international markets to increase the scale of its operations in overseas business. In 2023, the Malaysia factory branch was officially put into operation, representing the company's first move to establish a production-and-sales factory overseas, in collaboration with large cigarette enterprises to complement each other's strengths, and hence laying a strong foundation for the subsequent increment of its production.

Nanyang Tobacco insisted on customer-focus orientation, continued to promote production capacity with new technologies, constantly improved production technologies and processes, ensured production efficiency and quality, and enhanced customer satisfaction. By introducing advanced production equipment, automated systems and digital technologies for its production lines, the company adapts to and meets market requirements more quickly and efficiently.

Printing

Wing Fat Printing recorded a turnover of HK$1,549 million for the year 2023, a decrease of 12.2% over the previous year. The decline was mainly attributable to the overall contraction of the end-consumer market and weakening demands from core customers of the paper-packaging and moulded-fibre businesses following the pandemic. Net profit for the year was HK$84.91 million, representing a year-on-year decrease of 31.4%, mainly affected by declining revenue and structural fluctuations, intensified price competition in a weak economy and the impact of idle-capacity costs.

Following market turmoil and rapid declines experienced in the previous year, and as the gloomy sentiment from the pandemic subsided at the beginning of the year, the company faced the challenge of a contrasting divergence between the anxiety for a surging business and the reality of a decrease in demand from the end-customer market. The new management team of Wing Fat Printing forged its centennial legacy with perseverance and determination and pursued concerted efforts to prudently review fluctuations in the market and industry trends, closely examine the competitive disadvantages from a value-management perspective, identify key conflicts and adjust business strategies in a timely manner, and managed to offset declines of its core business in the first half of the year to a certain extent through consolidating service quality for its core customers. In addition, the company analyzed thoroughly expenditures and efficiency levels of each business unit in relation to their contributions to the company, made strong efforts to tap the potential utilization efficiency of existing assets, and strived to promote cost reduction, efficiency enhancement and cost control. Actions were also taken to strengthen inventory management and control, and to dispose of slow-moving goods to effectively de-stock long-held inventory. Leveraging on technological innovation, the company promoted the incubation of new environmental protection products and promoted the cultivation of the blue-ocean market. In addition, the company also promoted equipment conversions, enhancement of production efficiency of overseas production bases and digital information systems.



KEY FIGURES

	2023	2022	Change %
Results			
Revenue (HK$'000)	32,697,955	31,348,592	4.3
Profit attributable to owners of the Company (HK$'000)	3,423,695	2,313,924	48.0
Earnings per share – basic (HK$)	3.149	2.128	48.0
Dividend per share (HK cents)	94	92	
– Interim (paid)	42	42	
–Final (proposed)	52	50	
Dividend payout ratio	30%	43%	
Interest cover (note (a))	5.5 times	4.8 times	

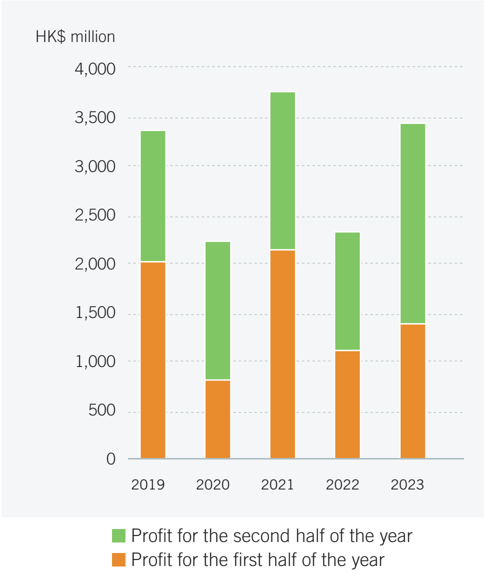
	2023	2022	Change %
Financial Position			
Total assets (HK$'000)	179,311,612	193,933,752	-7.5
Equity attributable to owners of the Company (HK$'000)	46,603,040	45,524,021	2.4
Net assets per share (HK$)	42.86	41.87	2.4
Net debt ratio (note (b))	66.30%	61.25%	
Gearing ratio (note (c))	43.11%	43.35%	
Number of shares in issue (shares)	1,087,211,600	1,087,211,600	

Note (a): (profit before taxation, interest expenses, depreciation and amortization)/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)

I ANALYSIS OF FINANCIAL RESULTS

1 Profit attributable to owners of the Company

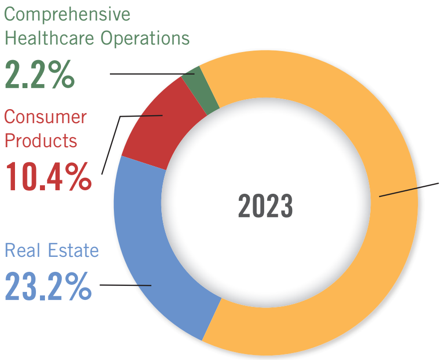
For the year ended 31 December 2023, the Group recorded a profit attributable to owners of the Company of HK$3,423.70 million, an increase of HK$1,109.77 million or approximately 48.0% as compared to 2022.

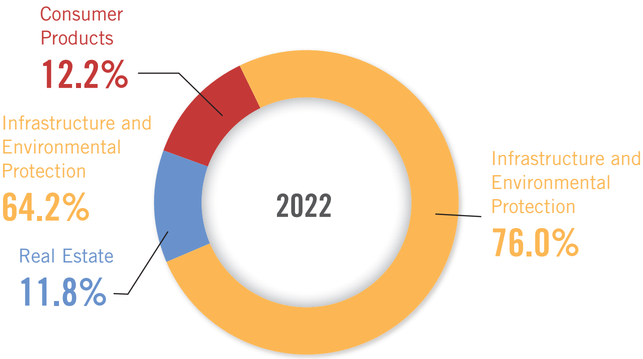


2 Profit Contribution from Each Business

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

	2023 HK$'000	2022 HK$'000	Change %
Infrastructure and Environmental Protection	2,320,827	1,926,086	20.5
Real Estate	838,886	299,505	180.1
Consumer Products	374,553	310,183	20.8
Comprehensive Healthcare Operations	79,712	–	N/A
	3,613,978	2,535,774	42.5





Net profit from the infrastructure and environmental protection business for the year amounted to approximately HK$2,320.83 million, accounting for 64.2% of Net Business Profit, and representing a year-on-year increase of 20.5%.

The increase was mainly due to toll road business was affected by the pandemic in Shanghai and surrounding provinces and cities in 2022 with travelling being restricted and a significant decrease in traffic flow, whereas the traffic flow recovered since the beginning of this year as the rapid unlock of the pandemic manage and control measures, with corresponding increase in toll revenue and net profit.

The profit of water services and clean energy business decreased by 16.4% year-on-year, which partially offset the profit increase in the infrastructure and environmental protection segment, mainly due to the year-on-year increase in finance costs and the 5.0% year-on-year decrease in the exchange rate of RMB of this year, of which SIIC Environment recorded a decrease in profit contribution due to the decrease in construction revenue in 2023 as a result of SIIC Environment Shanghai Baoshan Renewable Energy Utilization Center being completed and put into operation in 2023, and an increase in interest expenses as a result of higher overseas interest rates.

The real estate business recorded a profit of approximately HK$838.89 million, accounting for 23.2% of the Net Business Profit, a significant increase of approximately HK$539.38 million compared to 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 year and the compensation income arising from the Fengsheng Project in Hunan, as well as a portion of the properties of the Shanghai Bay project, in which the Company directly held an interest of 49%, was booked during the year and its share of the project's profit amounted to HK$462.61 million.

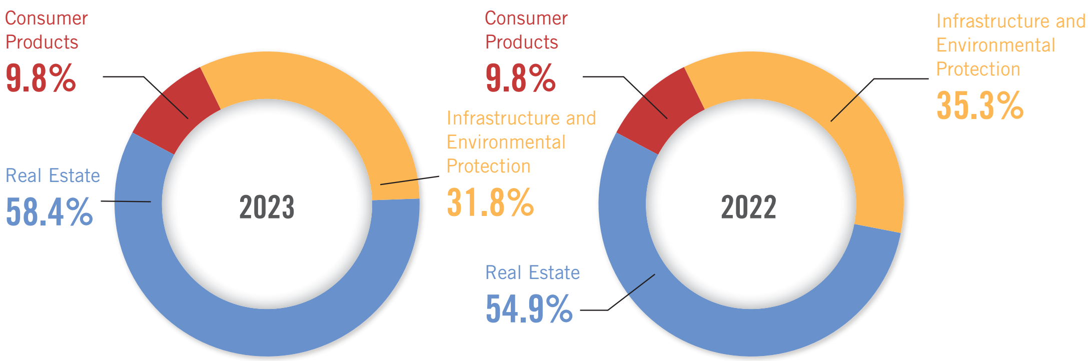
The consumer products business recorded a net profit of HK$374.55 million for the year, accounting for 10.4% of Net Business Profit, and representing a year-on-year increase of 20.8%. The cigarette sales of Nanyang Tobacco increased by 26.8% year-on-year. In this year, the global and Mainland economies entered the post-pandemic era, with consumption in the domestic market on a downward trend and the number of outbound travelers growing slowly, which had an obvious impact on the cigarette industry. Although the duty-free market and the export market have rebounded, they have yet to fully resume sales. Wing Fat Printing was mainly affected by the overall contraction of the post-pandemic end-consumer market and the weakening demand from its core customers in the paper and plastic business, resulting in a year-on-year decrease in sales of 12.2%, coupled with the impact of intensified price competition and the idling costs of its production capacity, resulting in a year-on-year decrease in net profit.

Comprehensive healthcare operations business recorded a net profit of HK$79.71 million for the year, and accounting for 2.2% 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 S.I. Yangtze River Delta, a joint venture of the Company, in October 2022.

3 Revenue

The Group's revenue by principal activities for the year 2023 and the comparatives of last year was summarized as follows:

	2023 HK$'000	2022 HK$'000	Change %
Infrastructure and Environmental Protection	10,398,628	11,076,906	-6.1
Real Estate	19,096,395	17,195,993	11.1
Consumer Products	3,202,932	3,075,693	4.1
	32,697,955	31,348,592	4.3



The revenue of 2023 was recorded amounted to approximately HK$32,697.96 million, increased 4.3% year-on-year, which was mainly attributable to the year-on-year increase in booked revenue upon delivery of properties of the real estate business. At the same time, revenue from sales of cigarettes in consumer products business increased due to the gradual rebound in the duty-free and export markets. However, the increase in turnover was partially offset by lower revenue from infrastructure and environmental protection business due to lower construction revenue of SIIC Environment in 2023 as a result of the completion and commencement of operation of SIIC Environment Shanghai Baoshan Renewable Energy Utilization Center in 2023.

4 Profit before Taxation

(1) Gross profit margin

Compared to 2022, the overall gross profit margin increased by 10.3 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 last year. In addition, the gross profit margin of toll roads was lower in 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 2022 due to the outbreak of the pandemic in Shanghai. During the year, the toll road gross profit margin increased year-on-year as traffic flow and revenue resumed normal.

(2) Other income, gains and losses

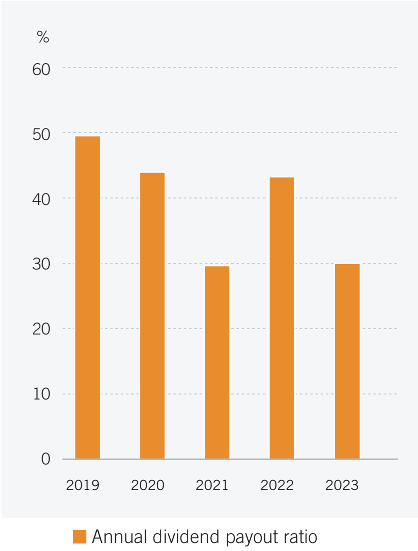
Other income, gains and losses for the year was a net loss mainly due to the impairment of certain real estate projects during the year.

(3) Net gain (loss) on disposal/liquidation of subsidiaries

For the year, gain on disposal represents mainly the disposal of the project company related to the land lot No.89, North Bund, whereas the loss for last year was mainly due to the loss on liquidation of a property project company.

5 Dividend

The Board of Directors of the Group has proposed to declare a final dividend of HK52 cents (2022: HK50 cents) per share, together with an interim dividend of HK42 cents (2022: HK42 cents) per share, the total dividend amounted to HK94 cents (2022: HK92 cents) per share for 2023. Annual dividend payout ratio is 30% (2022: 43%).

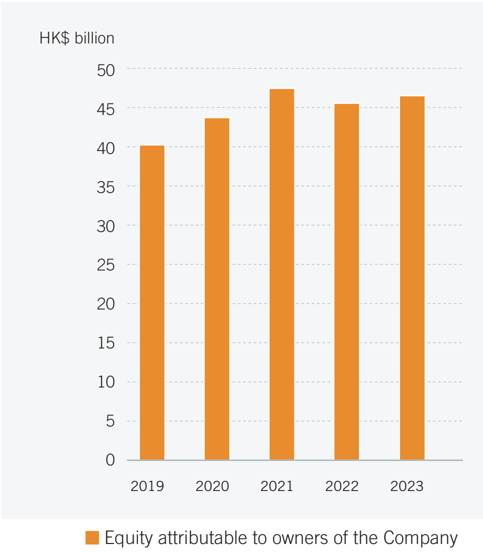


II FINANCIAL POSITION OF THE GROUP

1 Capital and Equity attributable to owners of the Company

The Company had a total of 1,087,211,600 shares in issue as at 31 December 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$46,603.04 million as at 31 December 2023, and was attributable to the net profit for the year after deducting the dividend actually paid during the year.



2 Indebtedness

(1) Borrowings

As at 31 December 2023, the total borrowings of the Group including bank borrowings and other borrowings amounted to approximately HK$58,686.93 million (31 December 2022: HK$58,766.88 million), of which 77.5% (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 6%, 84% and 10% (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$10,459,444,000 (31 December 2022: HK$11,498,680,000);

(b) leasehold land and buildings with an aggregate carrying value of HK$7,032,000 (31 December 2022: HK$8,959,000);

(c) plant and machineries with an aggregate carrying value of HK$629,392,000 (31 December 2022: HK$150,424,000);

(d) receivables under service concession arrangements/intangible assets with an aggregate carrying value of HK$16,437,625,000 (31 December 2022: HK$16,748,624,000);

(e) properties under development held for sale with an aggregate carrying value of HK$12,924,145,000 (31 December 2022: HK$6,814,317,000);

(f) properties held for sale with an aggregate carrying value of HK$129,973,000 (31 December 2022: HK$265,745,000);

(g) trade receivables with an aggregate carrying value of HK$187,245,000 (31 December 2022: HK$170,359,000);

(h) bank deposits with an aggregate carrying value of HK$183,023,000 (31 December 2022: HK$228,583,000);

(i) equity interests of subsidiaries with an aggregate carrying value of HK$286,029,000 (31 December 2022: HK$169,511,000); and

(j) land use rights with an aggregate carrying value of HK$610,000 (31 December 2022: HK$759,000).

(3) Contingent liabilities

As at 31 December 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$3,841.43 million, HK$468.54 million and HK$1,898.68 million (31 December 2022: HK$4,736.23 million, HK$713.70 million and HK$1,908.99 million) respectively.

3 Commitments

As at 31 December 2023, the Group had capital commitments mainly contracted for business developments and investments in fixed assets of HK$8,219.73 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 31 December 2023, bank balances, pledged bank deposits and short-term investments held by the Group amounted to HK$27,790.82 million (31 December 2022: HK$30,885.38 million) and HK$242.53 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%, 86% and 12% (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 developments, and will seek opportunities to optimize its capital structure should the need arises.

III MANAGEMENT POLICIES FOR FINANCIAL RISK

1 Currency Risk

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

2 Interest Rate Risk

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

3 Price Risk

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

4 Credit Risk

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

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

CORPORATE GOVERNANCE REPORT

The Company believes that good corporate governance promotes the long-term, sustainable and quality development of the Group. To achieve this, the Company has established a set of internal control and risk-management systems and follows closely the principles of transparency and accountability while regularly reviewing its existing policies and strengthening its corporate governance practice with a view to ultimately protecting the interests of our shareholders and investors.

CORPORATE GOVERNANCE STRUCTURE

Different functional committees and administrative units have been established to ensure that the principles of good governance are observed and that corporate governance measures formulated by the Board are properly implemented. In accordance with the requirements for the Corporate Governance Code, the Company consistently oversaw the risk management and internal control systems of the Company and relevant subsidiaries during the year to ensure the effectiveness and appropriateness of the systems, in addition to internal audits annually conducted for subsidiaries within the Group. The scope of such reviews covered financial, operational and compliance controls.

COMPLIANCE WITH CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the principals set out in the Corporate Governance Code for the year ended 31 December 2023. Details of the principles and practices of governance of the Company and all major work and relevant changes during the year are set out in this report.

STRATEGIC OBJECTIVES AND BUSINESS MODEL

In accordance with its work plans, the Group has strategically positioned itself as a Hong Kong based company that counts on the support of Mainland China. Through effective allocation of resources outside the Mainland as well as integration of capital and business operations, the Group has successfully turned itself into an enterprise that has built its foundation on four core areas of business, including infrastructure and environmental protection, comprehensive healthcare operations, real estate and consumer products. Capitalizing on future development opportunities in China, the Group strives to become an integrated investment red-chip window company that will constantly create value for its Shareholders. Based on its own resources and the internal and external factors of development, the Company will expand its infrastructure and environmental protection business, enlarge its investment in comprehensive healthcare operations business where opportunities arise and continue to pursue the steady development of its real estate business as well as to enhance the growth of its consumer products business in the future. Committed to the promotion of high-quality corporate development, the Company has maintained a corporate culture in which the leadership team and the employees of the Group have demonstrated mutual commitment. This not only reflects the values, philosophy and visions of the corporation, but sets the direction for the achievement of the Group's strategic objectives and business strategies.

BOARD OF DIRECTORS

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

Composition of the Board

As of the date of this report, the Board consists of six members as below:

Name of Directors	Executive position in the Board	Years of service in the Group
Executive Directors		
Shen Xiao Chu	Chairman	6 years
Zhang Qian	Deputy CEO	0.75 years
Shu Dong	–	0.75 years
Independent Non-Executive Directors		
Woo Chia-Wei	–	28 years
Leung Pak To, Francis	–	28 years
Yuen Tin Fan, Francis	–	7.75 years

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

A Board Diversity Policy has been formulated by the Company to establish the approach to diversity in respect of the Board. The Company will ensure that the Board has the appropriate balance of skills, experience and diversity of views and perspectives that are required to support the execution of its strategic objectives and business model. All board appointments will be based on meritocracy, and will be considered against objective criteria, having due regard to the benefits of diversity on the Board, with a range of perspectives including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merits and contributions that the selected candidates are expected to bring to the Board. The Board is currently under single gender and considerations are being made to appoint at least one other gender to the Board no later than 31 December 2024 through the selection of candidates from different professional fields.

The Group also values the diverse talents and experience of its employees and uses a meritocracy approach, to bring in a wide range of talents from different backgrounds, cultures, talents and genders to generate more innovative ideas and impetus to the enterprises. As of 31 December 2023, the Group had 18,596 employees (including senior management), with a gender ratio of 60:40 (Male:Female), achieving a reasonable balance of gender diversity among employees.

No member of the Board is materially related to one another in terms of financial, business and family aspects. Brief biographical details of the Directors are set out on pages 51 to 52 of this Annual Report. In all corporate communication channels as well as the websites of the Company and the Stock Exchange, the composition of the Board according to the categories and duties of the Directors are disclosed.

Mr. Shen Xiao Chu is the Chairman of the Company. Since the resignation of Mr. Zhou Jun as the Chief Executive Officer on 18 November 2023, the Board is looking for suitable candidates to serve the position(s). Interpretation of the Responsibilities between the Chairman and the Chief Executive Officer have been adopted for the distinction between the two positions.

Independent Non-Executive Directors

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

Changes in Directors

For the year ended 31 December 2023 and up to the date of this report, the changes of the Board members are as follows:

- On 3 February 2023, Mr. Xu Zhan resigned as an Executive Director of the Company for pursuing his personal career development.
- On 5 June 2023, being nominated by the Nomination Committee of the Company, Mr. Shu Dong was appointed as an Executive Director of the Company.
- On 24 July 2023, Mr. Xu Bo has resigned as an Executive Director and Deputy CEO of the Company due to the reason of age. On the same date, being nominated by the Nomination Committee of the Company, Mr. Zhang Qian was appointed as an Executive Director and Deputy CEO of the Company.
- On 18 November 2023, Mr. Zhou Jun resigned as an Executive Director, Vice Chairman and Chief Executive Officer of the Company due to his personal matters.

The relevant resolutions have been considered and approved by all Directors and relevant disclosures have been made in the announcements in compliance with the requirements of the Listing Rules.

Terms of the Directors

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

At the 2023 annual general meeting, Mr. Shen Xiao Chu, Mr. Zhou Jun and Mr. Yuen Tin Fan, Francis retired by rotation and were re-elected in accordance with the Company's articles of association by separate resolutions.

At the upcoming 2024 annual general meeting, Prof. Woo Chia-Wei and Mr. Leung Pak To, Francis shall retire by rotation in accordance with the articles of association of the Company. Both of them, being eligible, have offered themselves for re-election. Since the two Independent Non-Executive Directors have served the Company for more than nine years, the Board's assessment of their independence and the reasons for considering their re-election are set out in the circular to Shareholders dispatched together with this Annual Report, so as to enable Shareholders to make an informed decision on their election.

Meanwhile, Mr. Zhang Qian and Mr. Shu Dong shall retire at the meeting and offer themselves for re-election by Shareholders in accordance with the Company's articles of association and the Corporate Governance Code. Both of their biographical details are set out in the circular to Shareholders dispatched together with this Annual Report, so as to enable Shareholders to make an informed decision on their election.

Responsibilities of Directors

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

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

Board Independence

The Company is committed to maintaining the independence of the Board and regularly reviews the implementation of its policies to constantly enhance its effectiveness.

Among the six Directors of the Company, three are Independent Non-Executive Directors, which meets the requirement of having at least one-third of all Board members under the Listing Rules. The Audit Committee under the Board consists of three members, all of whom are Independent Non-Executive Directors. A majority of both the Nomination Committee and the Remuneration Committee are Independent Non-Executive Directors. All these committees are chaired by Independent Non-Executive Directors. During the year, each Independent Non-Executive Director is required to issue a letter of confirmation to the Company regarding his independence and such independence applies to immediate family members. The Nomination Committee of the Company also reviews the independence of the Independent Non-Executive Directors in its annual review of the structure, size and composition of the Board.

None of the Independent Non-Executive Directors currently holds any Shares. No equity-based remuneration with performance-related elements is paid to the Independent Non-Executive Directors. The fees paid by the Company to the Independent Non-Executive Directors are determined by reference to the industry benchmark which will be approved by the Shareholders at the annual general meetings authorizing the Board (through its Remuneration Committee) to review the same from time to time. In this Annual Report, the Company has disclosed that there is no material relationship between the Board members in terms of financial, business and family matters. At the same time, each Director is required to disclose to the Company annually the positions he holds in public companies which are listed in Hong Kong or overseas as well as other major appointments so that the Company can assess the time he can devote to his duties as a Director.

At Board meetings, each Director is required to declare his interest, if any, in matters to be considered by the Board. The Independent Non-Executive Directors have many years of experience in corporate finance and management expertise and are able to make independent judgements and give constructive advice on the affairs of the Company. The Company will reimburse the Directors for any reasonable expenses incurred by them in the conduct of the business of the Company or in the discharge of their duties as Directors or for any professional consultation required. During the year, when a substantial Shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by a physical meeting. Directors who, and whose close associates, have material interest in any transaction to be considered, shall abstain from voting at that board meeting, and the related Director will not be counted on the quorum for attending the meeting.

Proceedings at Directors' Meetings

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

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

In 2023, 21 board meetings were held by the Company (15 of which were in the form of written resolutions). Please refer to the Business Review, Discussion and Analysis of this Annual Report for material decisions made by the Board during the year. The attendance of individual Directors and committee members in 2023 is set out below:

	Meetings held in 2023					
	Meetings attended/Meetings held					
	Board	Executive Committee	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting
Number of meetings held in the year	**21**	**0**	**4**	**3**	**3**	**1**
Executive Directors						
Shen Xiao Chu	21/21	–	–	–	–	1/1
Zhang Qian[2]	13/13	–	–	–	–	N/A
Shu Dong[3]	15/15	–	–	–	–	N/A
Zhou Jun[4]	15/17	–	–	–	–	1/1
Xu Bo[5]	8/8	–	–	–	–	1/1
Xu Zhan[6]	1/1	–	–	–	–	N/A
Independent Non-Executive Directors						
Woo Chia-Wei	21/21	–	3/4	3/3	3/3	1/1
Leung Pak To, Francis	21/21	–	4/4	3/3	3/3	1/1
Yuen Tin Fan, Francis	21/21	–	4/4	3/3	3/3	1/1
Committee Members						
Xu Hui Hua[7]	–	–	–	2/2	3/3	–
Zhou Xu Bo	–	–	–	3/3	3/3	–
Li Han Sheng[8]	–	–	–	1/1	N/A	–
Attendance	**98.6%**	**–**	**91.7%**	**100%**	**100%**	**100%**

Notes:
1. The attendance is accounted for by reference to the number of board meetings held during the tenure of each respective Director.
2. Appointed on 24 July 2023.
3. Appointed on 5 June 2023.
4. Resigned on 18 November 2023.
5. Resigned on 24 July 2023.
6. Resigned on 3 February 2023.
7. Appointed on 8 February 2023.
8. Resigned on 8 February 2023.

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 2023.

Directors' Training

Based on the Directors' training records, the trainings received by each Director for the year ended 31 December 2023 is summarized as follows:

Name of Directors	Continuing professional development category To participate in training covering business, industries, corporate governance, regulatory development and other related topics. To read newspapers, publications and updated information about economics, commerce, directors' duties, etc.
Executive Directors	
Shen Xiao Chu	✓
Zhang Qian	✓
Shu Dong	✓
Independent Non-Executive Directors	
Woo Chia-Wei	✓
Leung Pak To, Francis	✓
Yuen Tin Fan, Francis	✓

Functions of Corporate Governance

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

During the year, the Company also provided corporate governance guidelines and information from time to time to the Board members and member companies according to the latest laws and regulations, and ensured compliance with the relevant provisions of corporate governance by them. Furthermore, the Company has prepared the 2022 Environmental, Social and Governance Report during the year and will prepare the 2023 Environmental, Social and Governance Report according to relevant requirements of the Listing Rules.

DELEGATION BY THE BOARD

Board Committees

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

Executive Committee

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

For the year ended 31 December 2023 and up to the date of this report, changes of the Executive Committee are as follows:

- Mr. Xu Bo resigned as a member of the Executive Committee on 24 July 2023. On the same date, Mr. Zhang Qian was appointed as a member of the Executive Committee.

- Mr. Zhou Jun resigned as a member of the Executive Committee on 18 November 2023.

All members of the Executive Committee are Executive Directors. Following the said changes and as of the date of this report, members of the committee included Mr. Shen Xiao Chu and Mr. Zhang Qian. Mr. Shen Xiao Chu is the chairman of the committee.

Major Work Done by the Executive Committee

In 2023, all matters considered by the Executive Committee were resolved by holding physical board meetings or by written resolutions made by all Directors.

Audit Committee

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

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

Major Work Done by the Audit Committee

In 2023, the Audit Committee held four meetings, one of which was in the form of written resolutions. The matters considered at the meetings included review of the Group's annual and half-year results, review of the Company's financial reporting, risk management and internal control systems, review of internal audit, non-audit services, resources and staff training for accounting, internal audit, financial reporting functions and those relating to ESG performance and reporting, etc., appointment of external auditor for the coming year as well as agreed approval process for non-audit services. During the year, not less than one meeting (including video conference) was held in the absence of Executive Directors for the Audit Committee to meet with the auditor.

Remuneration Committee

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

For the year ended 31 December 2023 and up to the date of this report, changes of the Remuneration Committee are as follows:

- On 8 February 2023, Mr. Li Han Sheng resigned as a member of the Remuneration Committee due to job re-arrangement. On the same day, Ms. Xu Hui Hua was appointed as a member of the Remuneration Committee.

Following the said changes and as of the date of this report, the members of the Remuneration Committee included three Independent Non-Executive Directors, namely Prof. Woo Chia-Wei, Mr. Leung Pak To, Francis and Mr. Yuen Tin Fan, Francis, as well as representatives from the management, namely Ms. Xu Hui Hua and Ms. Zhou Xu Bo. Prof. Woo Chia-Wei is the chairman of the committee while the Company Secretary acts as the committee secretary.

Major Work Done by the Remuneration Committee

In 2023, the Remuneration Committee held three meetings, two of which were in the form of written resolutions. The matters considered included distribution and payment of discretionary bonuses to the Directors, proposed adjustments for the remuneration of Directors and senior management and services agreement for Directors, etc.

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

Determination of Directors' Remuneration

The remuneration of the Directors was determined with reference to the operating results of the Company, industry benchmarks and dedication of time by the Directors and their job responsibilities. The Company is committed to enhancing the remuneration management mechanism for leadership members in order to attract and retain talent, motivate performance and provide a fair and market competitive remuneration package. The current remuneration structure for Executive Directors holding executive positions is based on a package of annual base salary, annual performance-based salary and incentive income. Other Directors, including Independent Non-Executive Directors, receive director's fees by reference to industry benchmark.

Nomination Committee

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

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

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

For the year ended 31 December 2023 and up to the date of this report, changes of the Nomination Committee are as follows:

- On 8 February 2023, Mr. Li Han Sheng resigned as a member of the Nomination Committee due to job re-arrangement. On the same day, Ms. Xu Hui Hua was appointed as a member of the Nomination Committee.

Following the said changes and as of the date of this report, the members of the Nomination Committee included three Independent Non-Executive Directors, namely Prof. Woo Chia-Wei, Mr. Leung Pak To, Francis and Mr. Yuen Tin Fan, Francis, as well as representatives from the management, namely Ms. Xu Hui Hua and Ms. Zhou Xu Bo. Prof. Woo Chia-Wei is the chairman of the committee while the Company Secretary acts as the committee secretary.

Major Work Done by the Nomination Committee

In 2023, the Nomination Committee held three meetings in the form of written resolutions. The matters considered included review of the structure, size and composition of the Board, evaluation of independence of Independent Non-Executive Directors and nomination of Directors, etc., and review of the composition of the Board in accordance with the Board Diversity Policy. As the members of the Board come with different professional perspectives, and in terms of the background of our controlling Shareholder and operation model of the Company, the committee is of the view that the Board basically demonstrates a diversified composition and structure, except that the Board shall consider the appointment of at least one Director of other gender, and that the current structure, size and composition of the Board (including skills, knowledge and experience) are appropriate and adequate.

EXECUTIVE MANAGEMENT

Management Executives

The duties of the Executive Committee as authorized by the Board are delegated to the management executives under the committee and will be performed by the respective functional departments. As of the date of this report, members of the management executives included Mr. Zhang Qian, Mr. Yang Qiu Hua, Mr. Zhu Da Zhi and Ms. Xu Hui Hua. The functional departments of the Company included administration, company secretarial, corporate communications, finance, human resources, internal audit, investment operations, legal and the Shanghai regional head office.

Investment Appraisal Committee

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

COMPANY SECRETARY

The Company Secretary is mainly responsible for sound information communication among the members of the Board and the compliance of the policies and procedures of the Board and all applicable rules and regulations. The Company Secretary maintains a close relationship with each Director and the management and provides assistance and advice to the members of the Board when necessary. During the year, the Company Secretary provided assistance and opinion to the Chairman, Chief Executive Officer, other members of the Board and the management of the Company in respect of issues including policy and procedures of the Board, applicable laws and regulations and corporate governance from time to time, and arranges continuing professional development programmes for the Directors, where applicable. The Company Secretary confirmed that he had received not less than 15 hours of relevant professional training during the year.

The selection, appointment and dismissal of the Company Secretary are approved by the Board. Brief biographical details of the Company Secretary are set out on page 53 of this Annual Report and the Company's website.

AUDIT, INTERNAL CONTROL AND RISK MANAGEMENT

Appointment of External Auditor

In considering the re-appointment of external auditor, the Audit Committee has taken into consideration its relationship with the Company and its independence in the provision of non-audit services. An independence report has been submitted to the committee by the external auditor. Pursuant to the above, the Audit Committee has recommended the Board to re-appoint Messrs. Deloitte Touche Tohmatsu as the external auditor for the Company for 2024, subject to approval by Shareholders at the annual general meeting to be held on 23 May 2024.

The audit fee of the external auditor for 2023 amounted to HK$21,212,000. The Company has also established the Policies on Provision of Non-audit Services by External Auditor, and non-audit services provided to the Group were reported to the Audit Committee each year. The fees for the non-audit services provided to the Group by the Company's external auditor (including its affiliates) for the year were as follows:

Fees for non-audit services	2023 HK$'000	2022 HK$'000
Financial due diligence of acquisition project and auditor's report fee	**2,989**	1,851
Tax consultation fee	**310**	407
Others	**651**	1,257
Total	**3,950**	3,515

Preparation of Financial Statements

The financial statements and interim report of the Company were prepared in accordance with the disclosure requirements set forth in Appendix D2 to the Listing Rules and Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and in accordance with the Companies Ordinance. The Board is responsible for preparing and reviewing the Group's accounts to ensure that they give a true and fair view on the financial position as well as the profits and cash flows of the Company. The Company has consistently applied appropriate accounting policies during the year, and has made prudent and reasonable judgments and estimates and prepared its accounts on a going concern basis. The external auditor stated in the independent auditor's report its opinion and report to the Shareholders on the relevant financial statements, and such report is set out on pages 65 and 69 of this Annual Report.

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

Risk Management and Internal Control

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

No material deviation in the compliance guidance on risk management and internal controls by the subsidiaries was reported, and all subsidiaries have complied with the relevant laws and industry regulations in respect of financial reporting and legal compliance. No material non-compliance of rules or material litigation risk (including ESG risks) was reported, nor was there any fraud or corruption issue. For the year ended 31 December 2023, the Company has collected information and carried out investigations in respect of risk management and internal control issues for its subsidiaries. Key risk (including ESG risks) elements affecting the Group and contingency measures adopted were reported to the Audit Committee. In addition, the Board and the Audit Committee considered that the resources allocated, staff qualifications and experience in respect of the accounting, internal auditing, financial reporting functions of the Company, the ESG performance of the Group as well as training programs and budget were adequate and sufficient. The Company will continue to improve its risk management and internal control systems to ensure that they remain effective.

Polices and Systems

Whistleblowing Policy

The Company has a Whistleblowing Policy with the aim to establish procedures and arrangements for whistleblower(s) to report in confidence. Whistleblowers, including employees and other persons who conduct business with the Group (such as customers and suppliers), may report to the Audit Committee, either anonymously or by name, any possible misconducts in relation to the Group so that the Company can take appropriate action to rectify any related acts and improve corporate governance standards.

Anti-corruption Policy

The Company has an Anti-corruption Policy in place and it is clearly stated in the Company's staff manual that employees must strictly comply with the relevant conduct guidelines therein and must not contravene the provisions of the Prevention of Bribery Ordinance under the laws of Hong Kong.

INFORMATION DISCLOSURE

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

SHAREHOLDERS

As at 31 December 2023, SIIC, the controlling Shareholder, indirectly held 686,654,748 Shares (excluding the interest in the underlying Shares and short positions) with a shareholding percentage at approximately 63.16% (excluding the underlying Shares). The percentage of public shareholding was approximately 36.84%.

Connections with Shareholders, Other Stakeholders and Investors

The Company has established the Shareholders' Communication Policy to ensure that Shareholders (and investors) have access to comprehensive, identical and easily understandable information about the Company (including its financial performance, operational overview, strategic objectives and plans, significant developments, governance and risk profile) through various channels in a fair, timely and transparent manner. Shareholders can exercise their powers in an informed manner, and the policy also enables Shareholders and investors to improve communications with the Company. In addition, the Board attaches great importance to Shareholders' opinion. Each annual general meeting has been taken as an opportunity for the Board members (including chairmen of the committees under the Board), relevant management and external auditor to attend and communicate directly with Shareholders, in-person or online, and to address the questions raised by them. At the annual general meeting held in 2023, the attending Shareholders proactively raised questions and all resolutions proposed were passed with high voting rate. Shareholders, other stakeholders and investors are also welcome to voice their concerns and valuable opinions by way of e-mails, telephone and in writing (details of which are contained on page 3 under the section of "Shareholder Enquiries" of this Annual Report). These will be directed to the Company Secretary and forwarded to the Board.

The Company monitors market news. Designated departments are assigned to deal with price sensitive information, external enquiries, corporate visits, analyst meetings and press releases as well as organizing investor events, in accordance with the Company's Shareholder Communication Policy and to ensure strict compliance with the disclosure obligations and requirements under the Guide on Disclosure of Price-sensitive Information issued by the Stock Exchange. During the year, the Company has reviewed the current Shareholder Communication Policy and considers it to be practical and effective.

Proceedings at General Meeting

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

Rights of Shareholders

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

Convening a General Meeting

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

Moving a Motion at General Meeting

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

Recommendations of Director Candidates

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

Significance Controllers Register

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

Dividend Policy

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

INVESTOR RELATIONS

In early 2023, Hong Kong and Mainland China gradually relaxed their cross-border restrictions. On the one hand, our company has continued to interact with investors through online channels such as virtual meetings and teleconferences. On the other hand, the Company has resumed offline investor engagement by participating in various summits and corporate days organized by brokers and investment banks. This proactive activities have strengthened communications with investors and medias while striving to enhance the Company's exposure and professional image in the capital market.

During the year, the Company has received a number of professional awards, including the "Certificate of Excellence in Investor Relations" from the Hong Kong Investor Relations Association (HKIRA); the "7th China Excellence IR – Best Information Disclosure Award" and the "Best ESG Rising Star Award" voted by investors and listed companies on the professional platform Roadshow China; and the "8th Golden Hong Kong Stocks – Best Infrastructure and Public Utility Company Award" jointly issued by Zhitongcaijing and HitThink RoyalFlush Information. These awards have demonstrated the industry's recognition of Company's professionalism and performance over the past years, further establishing and solidifying the Company's positive image in the capital market.

In addition, the Company organized different investor relations activities during the year, including a reverse roadshow to visit the Shanghai Baoshan Renewable Energy Utilization Center, a flagship project of our subsidiary SIIC Environment, and engaging in discussions with the project leaders. The event not only showcased the operational status of our key projects to professional investors but also demonstrated the Company's determination to transform into an ESG (Environmental, Social and Governance) value-oriented enterprise and the new paradigm of pursuing green and sustainable development.

CONSTITUTIONAL DOCUMENTS

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

HUMAN RESOURCES

Staff (including Directors) salaries, allowances and bonuses totaled HK$1,894 million for the year (2022: HK$1,942 million). Details of Directors' remuneration paid for the year ended 31 December 2023 are set out in note 11 to the financial statements. The remuneration payable to the top five of management staff of the Company by band for the year ended 31 December 2023 was as follows:

Remuneration by band (HK$)	2023 Number of individuals
1,000,001 – 2,000,000	1
2,000,001 – 3,000,000	4
	5

Share Options

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 scheme was expired on 21 May 2023. Up to 31 December 2023, no share options were granted or outstanding under the SI Urban Development Scheme during the year.

Details of the SI Urban Development Scheme are set out in note 36 to the financial statements.

By Order of the Board
Yee Foo Hei
Company Secretary

27 March 2024

DIRECTORS' AND SENIOR MANAGEMENT PROFILES

DIRECTORS

Executive Directors

Mr. SHEN Xiao Chu *Executive Director, Chairman*

(Appointed on 28 February 2018 ~ Present)

Mr. Shen, aged 62, was an executive director and the chairman of Shanghai Industrial Investment (Holdings) Company Limited. He graduated from Shanghai Second Medical University and Shanghai Jiao Tong University respectively and holds a bachelor's degree in medicine, a bachelor's degree in law and an executive master of business administration, and is designated as a deputy professor. Mr. Shen was a deputy officer of the Principal Office of Shanghai Second Medical University, deputy director of Shanghai Huangpu District Hygiene Bureau, hospital dean of Huangpu District Central Hospital, deputy mayor of Huangpu District, Shanghai, deputy mayor of Changning District, Shanghai, deputy officer of Shanghai Municipal Development and Reform Commission, officer of Shanghai Municipal Commission of Health and Family Planning, officer of Shanghai Municipal Development and Reform Commission and deputy secretary general of the Shanghai Municipal Government. He has extensive experience in the leadership role in government authorities as well as in economics, people's livelihood, medical and urban construction and management.

Mr. ZHANG Qian *Executive Director, Deputy CEO*

(Appointed on 24 July 2023 ~ Present)

Mr. Zhang, aged 50, is the executive vice president and chief financial controller of Shanghai Industrial Investment (Holdings) Company Limited, executive vice president of SIIC Shanghai (Holdings) Ltd. and the chairman of Shanghai Galaxy Investment Co., Ltd., SIIC Investment Company Limited, SIIC Shanghai Capital Management Co., Ltd. and SIIC Shanghai Group Finance Limited, and a director of certain other subsidiaries of the Group. He graduated with a bachelor's degree in economics majoring in international corporate management from Shanghai International Studies University, and obtained a master's degree in business administration from Shanghai University of Finance and Economics – Webster University in the United States and holds the designation of a senior economist. Mr. Zhang was a deputy general manager of Shenergy (Group) Co., Ltd. and the deputy general manager and general manager of Shenergy Group Finance Co., Ltd. Mr. Zhang is currently a vice chairman of Shanghai Young Entrepreneurs Association and Shanghai Enterprise Federation and an executive director of The Hong Kong Chinese Enterprises Association. He has extensive experience in finance and corporate management.

Mr. SHU Dong *Executive Director*

(Appointed on 5 June 2023 ~ Present)

Mr. Shu, aged 55, is the general manager of the audit department of Shanghai Industrial Investment (Holdings) Company Limited ("SIIC"), and a director of certain other subsidiaries of the Group. He graduated from Shanghai Institute of Urban Construction with a bachelor's degree in engineering and is designated as a senior engineer. Mr. Shu was a supervisor of Shanghai Industrial Development Co., Ltd., a senior manager, the assistant general manager and deputy general manager of the audit department of SIIC, the chairman of the supervisory committee of SIIC Dongtan Investment & Development (Holdings) Co., Ltd. and a director of SIIC Asset & Operation Co., Ltd. He has extensive experience in auditing and engineering construction. He is currently a member of the 16th Shanghai Municipal People's Congress.

Independent Non-Executive Directors

Prof. WOO Chia-Wei *Independent Non-Executive Director*

(Appointed on 15 March 1996 ~ Present)

Prof. Woo, aged 86, is Senior Advisor of Shui On Holdings Limited and President Emeritus of the Hong Kong University of Science and Technology. In addition, Prof. Woo is currently an independent non-executive director of First Shanghai Investments Limited, a Hong Kong listed company.

Mr. LEUNG Pak To, Francis *Independent Non-Executive Director*

(Appointed on 15 March 1996 ~ Present)

Mr. Leung, aged 69, has over 30 years of experience in corporate finance involving in capital raisings, mergers and acquisitions, corporate restructuring and reorganisation, investments and other general corporate finance advisory activities in Hong Kong and China. In 1980, he graduated with a master's degree in business administration from University of Toronto, Canada.

Mr. YUEN Tin Fan, Francis *Independent Non-Executive Director*

(Appointed on 15 July 2016 ~ Present)

Mr. Yuen, aged 71, is currently the independent non-executive deputy chairman of Pacific Century Regional Developments Limited and an independent non-executive director of Yixin Group Limited. Mr. Yuen was formerly the chief executive of The Stock Exchange of Hong Kong Limited (1988-1991), deputy chairman and executive director of the Pacific Century Group, deputy chairman and executive director of PCCW Limited, executive chairman of Pacific Century Insurance Holdings Limited and an independent non-executive director of Agricultural Bank of China Limited. Mr. Yuen holds a Bachelor of Arts degree in economics from the University of Chicago. He is the chairman of the board of trustees of the Hong Kong Centre for Economic Research, chairman of the advisory board of Ortus Capital Management Limited, and a member of the board of University of Chicago and Fudan University in Shanghai.

Senior Management

Mr. YANG Qiu Hua

Mr. Yang, aged 51, was appointed a Deputy CEO of the Company in January 2021 and a vice president of Shanghai Industrial Investment (Holdings) Company Limited and a director of certain other subsidiaries of the Group. He graduated from East China University of Science and Technology with a master's degree and holds the designation of senior engineer and economist. Mr. Yang was the chairman and the general manager of Nanyang Brothers Tobacco Company, Limited, the chairman of The Wing Fat Printing Company, Limited, a vice president of SIIC Investment (Shanghai) Co., Ltd., the vice chairman and general manager of SIIC Investment Company Limited, the chairman of The Tien Chu (Hong Kong) Company Limited and Shanghai International Asset Management (Hong Kong) Company Limited as well as the managing director of Shanghai Sunway Biotech Co., Ltd. He has many years' experience in enterprise management.

Mr. ZHU Da Zhi

Mr. Zhu, aged 47, was appointed as a Deputy CEO of the Company in September 2023. He is also an executive director and the chief executive officer of SIIC Environment Holdings Ltd., and a director of certain other subsidiaries of the Group. Mr. Zhu obtained a bachelor's degree in arts and a master's degree in military science. He joined Shanghai Industrial Investment (Holdings) Company Limited ("SIIC") in January 2019, and was a deputy general manager of the administration department of SIIC, and a deputy general manager of Shanghai Galaxy Investment Co., Ltd. and SIIC Management (Shanghai) Ltd. He has extensive experience in enterprise management.

Ms. XU Hui Hua

Ms. Xu, aged 46, was appointed a Deputy CEO of the Company in February 2023. She is also a general manager of the human resources department of Shanghai Industrial Investment (Holdings) Company Limited. She graduated from Fudan University with a postgraduate degree and a master's degree in business administration. She was a director of the leadership management department of Shanghai Pharmaceutical (Group) Co., Ltd., the general manager of the human resources department of Shanghai Pharmaceuticals Holding Co., Ltd. and executive vice president of Shanghai Pharma University. She has many years' experience in human resources.

PROFESSIONAL STAFF

Mr. YEE Foo Hei, Jackson

Mr. Yee, aged 60, joined the Company in September 2010. He is the Company Secretary and the Chief Legal and Compliance Officer of the Company. He graduated from City Polytechnic of Hong Kong (now City University of Hong Kong) and University of Wolverhampton, UK with a professional diploma in company secretaryship and administration and a LLB degree respectively. Mr. Yee is a fellow member of The Hong Kong Chartered Governance Institute, The Chartered Governance Institute and The Association of Chartered Certified Accountants. Mr. Yee has more than 30 years' practical company secretarial experience in international accountancy firm, multi-national conglomerate and large-scale PRC stated-owned enterprise.

Senior Management of Member Companies

Mr. ZENG Ming

Mr. Zeng, aged 53, is the chairman of Shanghai Industrial Development Co., Ltd. Mr. Zeng graduated from Shanghai Urban Construction Vocational Institute with a bachelor of Engineering and holds the designation of a senior engineer. He was a deputy head of Shanghai Highway Administration Office, a deputy officer of Shanghai Huchong Yuejiang Passageway Preparatory Office, a deputy general manager of Shanghai Huchong Yuejiang Passageway Investment Co., Ltd., head of finance division and the construction and operation management division of the Shanghai Municipal Engineering Administration Bureau, head of the construction market supervision division of Shanghai Municipal Urban-Rural Development and Transportation Commission, chief of Shanghai Municipal Building Industry Management Office and deputy general manager of China Construction Eighth Engineering Division Corp. Ltd. and the chairman of the board of Shanghai Industrial Urban Development Group Limited and has many years' experience in corporation management.

Mr. XU Xiao Bing

Mr. Xu, aged 57, is a director and the president of Shanghai Industrial Development Co., Ltd., an executive director of SIIC Environment Holdings Ltd. ("SIIC Environment") and a director of certain other subsidiaries of the Group. Mr. Xu graduated from Peking University with a master's degree in business administration. He was an investment and financial analyst of Beijing Jingfang Investment Management & Consultant Co., Ltd. under the Beijing Capital Group, a Deputy CEO of the Company and the chief representative of Shanghai Representative Office of the Company, the deputy head of the investment planning department, the head of the enterprise management department, the deputy general manager and general manager of SIIC Management (Shanghai) Limited and the chief executive officer of SIIC Environment. He has many years' experience in corporate management and investment planning.

Mr. HUANG Hai Ping

Mr. Huang, aged 58, is a vice president of Shanghai Industrial Investment (Holdings) Company Limited. He is also the chairman of the board of Shanghai Industrial Urban Development Group Limited. He graduated from the Shanghai Education Institute majoring in political education (undergraduate) and obtained a bachelor of laws degree from the Shanghai Normal University. He holds the title of political engineer. Mr. Huang previously acted as deputy officer of the Huangpu District Xiaodongmen Road Sub-district Office, officer of the Huangpu District Bansongyuan Road Sub-district Office, director of the Huangpu District Housing and Land Administrative Bureau, leader of the Joint Preparation Group of the Huangpu District Development and Reform Commission, director of the Huangpu District Housing Security and Housing Administrative Bureau, deputy director of the Putuo District Government of Shanghai and vice chairman of the CPC Shanghai Putuo District Committee. He has many years' experience in urban construction and management.

Mr. TANG Jun

Mr. Tang, aged 56, is an executive director and the president of Shanghai Industrial Urban Development Group Limited. He graduated from University of South Australia with a master's degree in business administration and holds the designation of a senior auditor, and is an associate of The Chinese Institute of Certified Public Accountants. Mr. Tang was an Executive Director of the Company, the general manager of the internal audit department and deputy general manager of the finance and planning department of Shanghai Industrial Investment (Holdings) Company Limited, a director and the president of Shanghai Industrial Development Co., Ltd. and the Deputy Director of the Foreign Funds Utilization Audit Department, Shanghai Municipal Audit Office, and has many years' practical experience in the fields of auditing and finance.

DIRECTORS' AND SENIOR MANAGEMENT PROFILES

Mr. ZHOU Yu Ding

Mr. Zhou, aged 50, is a chief inspector of Shanghai Industrial Investment (Holdings) Company Limited and the general manager of its asset management department. He is also an executive director and the chairman of SIIC Environment Holdings Ltd. and a director of certain other subsidiaries of the Group. Mr. Zhou graduated from Fudan University with a master's degree in management information systems. Mr. Zhou is also a director of Shanghai Research Institute of Building Sciences Group Co., Ltd., a supervisor of Shanghai Pharmaceutical (Group) Co., Ltd., a director of SIIC Asset & Operation Co., Ltd., Shanghai Galaxy Investment Co., Ltd., SIIC Shanghai Capital Management Co., Ltd., Tianjin Trust Co., Ltd., Shanghai State-owned Capital Investment Parent Fund Co., Ltd. and the chairman of Nanfang Water Services Co., Ltd. He served in a number of significant positions, including but not limited to the deputy director of the office of Shanghai Municipal State-owned Assets Supervision and Administration Commission, the deputy director of the allocation and guarantee division, the deputy director of the property rights management division and the director of the comprehensive coordination division of Shanghai Municipal State-owned Assets Supervision and Administration Commission. He is a senior economist of the People's Republic of China, and possesses extensive experience in corporate management and asset management.

Mr. YANG Jian Wei

Mr. Yang, aged 52, the chairman of SIIC Management (Shanghai) Ltd. ("SIIC Management"), the chairman of the supervisory committee of Shanghai Industrial Development Co., Ltd., ("SI Development"), a director of Nanyang Brothers Tobacco Company, Limited and certain other subsidiaries of the Group. He graduated from Huazhong University of Science and Technology and Shanghai Jiao Tong University with a bachelor's degree in engineering, a master's degree in management engineering and a doctoral degree in management. Mr. Yang worked for China National Nonferrous Materials Co., Ltd. and Hong Yuan Securities Co., Ltd. Mr. Yang joined Shanghai Industrial Investment (Holdings) Company Limited ("SIIC") in June 2004, and was an assistant general manager of Shanghai Galaxy Investment Co., Ltd., assistant general manager of the board of directors' office, secretary to chairman of SIIC, Assistant CEO of the Company, a director of SI Development and the general manager of SIIC Management, a deputy CEO of the Company, an executive director and the chief executive officer of SIIC Environment Holdings Ltd. He has many years' experience in financial investment, security research, investment banking, project planning and business operation.

Mr. DAI Wei Wei

Mr. Dai, aged 54, is a director and the general manager of SIIC Management (Shanghai) Ltd. and the chief representative of Shanghai Representative Office of the Company. He is also a director of certain other subsidiaries of the Group. Mr. Dai graduated from Shanghai Tongji University and Fudan University and obtained a bachelor's degree in engineering and a master's degree in business administration respectively, and holds the designation of a senior engineer. He was a director and the general manager of Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd., and Shanghai Shen-Yu Development Co., Ltd., a director of Shanghai Luqiao Development Co., Ltd. and worked in Shanghai Mass Transit Railway Corporation, Shanghai Municipal Engineering Administration and Shanghai Jiajin Highway Development Co., Ltd. He has many years' experience in construction operation and corporate management of infrastructure.

Mr. YAO Fu Li

Mr. Yao, aged 50, is a director and the chairman of Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd., Shanghai Shen-Yu Development Co., Ltd. and Shanghai Luqiao Development Co., Ltd., and also a director and the general manager of Shanghai Galaxy Investment Co., Ltd. He graduated from Fudan University with a master's degree in business administration. Mr. Yao was a manager of the asset management department of Shanghai AJ Corporation, a deputy general manager of Shanghai AJ Trust Co., Ltd. and the chairman of Shanghai AJ Capital Management Ltd., a deputy general manager of Shanghai Commercial Investment (Group) Co., Ltd. He has more than 20 years of experience in strategy, finance, risk control, compliance and audit management.

Ms. CHANG Jin Yu

Ms. Chang, aged 52, is a director and the general manager of Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd. and Shanghai Shen-Yu Development Co., Ltd. and a director of Shanghai Luqiao Development Co., Ltd. ("Luqiao Development") and certain other subsidiaries of the Group. Ms. Chang graduated from School of Mechanical Engineering of Shanghai Jiao Tong University, Shanghai University of Finance and Economics and Arizona State University, USA with a bachelor's degree in engineering, a master's degree in finance and a master's degree in business administration respectively, and obtained a qualified certificate of chief financial officer from Shanghai National Accounting Institute. She was a deputy general manager of SIIC Management (Shanghai) Ltd., an executive deputy general manager of Luqiao Development, deputy general manager of Shanghai Galaxy Investment Co., Ltd., the chairman of SIIC Aerospace Galaxy Energy (Shanghai) Co., Ltd. and Shanghai Shengtai Investment and Management Co., Ltd. She has many years' experience in mergers and acquisitions, financial investment, project planning and enterprise management.

Mr. GU Yao Zhong

Mr. Gu, aged 55, is a director and the general manager of Shanghai Luqiao Development Co., Ltd. Mr. Gu graduated from Shanghai University (formerly Shanghai Vocational College of Science and Technology), and obtained a bachelor's degree in engineering and holds the designation of a mid-level engineer. He was a manager of the engineering department of Shanghai Pujiang Bridge and Tunnel Operation and Management Co., Ltd. and deputy general manager of Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd. He has many years' experience in operation management and maintenance of bridge, tunnel and highway.

Mr. LOU Jun

Mr. Lou, aged 52, is a vice president, secretary to the board and the general manager of the board office of Shanghai Industrial Investment (Holdings) Company Limited. He is also the chairman of Nanyang Brothers Tobacco Company, Limited, The Wing Fat Printing Company, Limited and an executive Director of Shanghai Industrial Urban Development Group Limited. Mr. Lou obtained a bachelor's degree in law and the Youth Work Department of China Youth University of Political Studies, majoring in political education. He was a deputy director of the general office of the Foreign Affairs Office of the Shanghai Municipal People's Government (Hong Kong and Macao Affairs Office of the Shanghai Municipal People's Government), a director of the general supervision department of the Standing Committee Office of Shanghai Municipal People's Congress. He has extensive experience in management and administration.

Mr. DAI Yuan Lun

Mr. Dai, aged 59, is a director and the general manager of Nanyang Brothers Tobacco Company, Limited ("Nanyang Tobacco"). He graduated from Shanghai Institute of Mechanical Engineering with a bachelor's degree in engineering and holds a designation of senior engineer. Mr. Dai was an executive deputy general manager of Nanyang Tobacco, a vice president of Shanghai Electric Group Printing and Packaging Machinery Group and the general manager of Shanghai Electric Group Printing and Packaging Machinery Co., Ltd. He has extensive experience in enterprise management (manufacturing).

Mr. SUN Zhong Da

Mr. Sun, aged 55, is a director and the president of The Wing Fat Printing Company, Limited. He graduated from East China University of Science and Technology with a postgraduate degree in business administration and holds a designation of senior engineer. Mr. Sun was a deputy officer of the manufacturing centre of Shanghai Pharmaceutical (Group) Co., Ltd. and the general manager of SPH No. 1 Biochemical & Pharmaceutical Co., Ltd. He has extensive experience in enterprise management.

DIRECTORS' REPORT

The Directors have pleasure in presenting their report and the audited consolidated financial statements of the Group for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the businesses of infrastructure and environmental protection, comprehensive healthcare operations, real estate and consumer products.

PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Details of the principal subsidiaries, joint ventures and associates as at 31 December 2023 are set out in notes 50, 51 and 52 to the consolidated financial statements respectively.

BUSINESS REVIEW

A fair review of the Group's business including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, is set out in the section of "Business Review, Discussion and Analysis" set out on pages 14 to 30 of this Annual Report.

Disclosures relating to the compliance with relevant laws and regulations which have a significant impact on the Group, as well as its relationships with its major stakeholders are included in the "Corporate Governance Report" on pages 38 to 50 of this Annual Report.

Such discussion forms part of this Directors' Report.

DIVIDENDS

The results of the Group for the year ended 31 December 2023 and the Group's financial position at 31 December 2023 are set out in the Group's consolidated financial statements on pages 70 to 184 of this Annual Report.

In respect of the interim dividend for the year, the Company completed the payment of HK42 cents per Share to the Shareholder (2022: HK42 cents per Share). The Directors recommend the payment of a final dividend of HK52 cents per Share to the Shareholders whose names appear on the register of members of the Company on 3 June 2024.

FINANCIAL SUMMARY

A summary of the financial information of the Group for the year ended 31 December 2023 and the previous four years is set out on page 185 of this Annual Report.

SHARE CAPITAL

Details of the share capital of the Company during the year are set out in note 35 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to Shareholders as at 31 December 2023 represented retained profits of HK$20,584,347,000 (2022: HK$20,718,605,000).

DIRECTORS

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

Executive Directors

Shen Xiao Chu *(Chairman)*	
Zhang Qian *(Deputy CEO)*	(Appointed on 24 July 2023)
Shu Dong	(Appointed on 5 June 2023)
Zhou Jun *(Vice Chairman & Chief Executive Officer)*	(Resigned on 18 November 2023)
Xu Bo *(Deputy CEO)*	(Retired on 24 July 2023)
Xu Zhan	(Resigned on 3 February 2023)

Independent Non-Executive Directors

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

Mr. Xu Zhan resigned as an Executive Director of the Company with effect from 3 February 2023 for pursuing his personal career development.

Mr. Shu Dong was appointed as an Executive Director of the Company with effect from 5 June 2023.

Mr. Xu Bo retired as an Executive Director and Deputy CEO of the Company with effect from 24 July 2023 due to the reason of age.

Mr. Zhang Qian was appointed as an Executive Director and Deputy CEO of the Company with effect from 24 July 2023.

Mr. Zhou Jun resigned as an Executive Director, the Vice Chairman and Chief Executive Officer of the Company with effect from 18 November 2023 due to his personal matters.

The biographical details of the Directors are set out on pages 51 to 52 of this Annual Report. Details of Directors' emoluments are set out in note 11 to the consolidated financial statements.

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

In accordance with the articles of association of the Company, Mr. Zhang Qian and Mr. Shu Dong who were newly appointed as Directors during the year shall retire at the forthcoming annual general meeting. Both of them, being eligible, have offered themselves for re-election at the forthcoming annual general meeting.

DIRECTORS OF THE SUBSIDIARIES

The names of all directors who have served on the boards of the subsidiaries of the Company during the year ended 31 December 2023 and up to the date of this report are available on the website of the Company.

DIRECTORS' SERVICE CONTRACTS

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

PERMITTED INDEMNITY PROVISIONS

During the year ended 31 December 2023 and up to the date of this report, the Company has in force permitted indemnity provisions for the benefits of the directors of the Company (including former directors) or of its associated companies.

EQUITY-LINKED AGREEMENTS

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

Share options

Particulars of the share option schemes adopted by the Group are set out in note 36 to the consolidated financial statements.

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 year, no options were granted or outstanding under the SI Urban Development Scheme.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES OF THE COMPANY

Save as disclosed under the section "Equity-linked Agreements" above, neither the Company nor a specified undertaking (within the meaning of the Hong Kong Companies Ordinance) of the Company was a party to any other arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate at any time during or at the end of the year.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2023, the interests and short positions of substantial Shareholders and other persons in the Shares and underlying Shares 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	686,654,748 *(Notes 1 and 2)*	63.16%

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, 34,327,000 Shares and 10,000 Shares respectively, and was accordingly deemed to be interested in the respective Shares and underlying Shares held by the aforementioned companies.

2. All interests stated above represent long positions.

Save as disclosed above, no other persons had any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under Section 336 of the SFO as at 31 December 2023.

CONNECTED TRANSACTIONS

The following connected transactions and continuing connected transactions (other than those exempt from reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules) were entered into between the Group and its connected persons and/or were subsisting during the year ended 31 December 2023:

1. Provision of assets management services by Shanghai Galaxy

On 19 August 2021,上海滬寧高速公路(上海段)發展有限公司 ("**Hu-Ning Expressway**"), 上海路橋發展有限公司 ("**Luqiao Development**"), 上海申渝公路建設發展有限公司 ("**Shanghai Shen-Yu**") and 永發印務(東莞)有限公司 ("**WF Dongguan**") (together the "**Relevant Companies**" and each the "**Relevant Company**"), entered into an asset management entrustment agreement (together the "**2021 Entrustment Agreements**"), respectively, with Shanghai Galaxy to renew the previous entrustment arrangement for engaging Shanghai Galaxy to manage its assets for a further term of three years from the date when Shanghai Galaxy served a written notice to the Relevant Companies requesting for the provision of the initial entrustment fund under the respective 2021 Entrustment Agreements (the "**Commencement Date**") to the date immediately prior to the third anniversary of the Commencement Date (the "**Expiry Date**").

Each Relevant Company should provide at least RMB10,000,000 as the initial entrustment fund. The total maximum amount of the entrustment fund to be provided by all the Relevant Companies should be no more than RMB500,000,000, provided that: (i) the maximum amount of entrustment fund from each of Hu-Ning Expressway, Luqiao Development and Shanghai Shen-Yu should not exceed RMB500,000,000; and (ii) the maximum amount of entrustment fund from WF Dongguan should not exceed RMB200,000,000.

Shanghai Galaxy should pay guaranteed returns calculated on a daily basis at the rate of 5% per annum on the accumulated principal of the entrustment funds. The annual caps for the aggregate amount of guaranteed returns payable to the Relevant Companies by Shanghai Galaxy under the 2021 Entrustment Agreements would be RMB9,247,000 for the period from the Commencement Date to 31 December 2021, RMB25,000,000 for the financial year ended 31 December 2022, RMB25,000,000 for the financial year ended 31 December 2023 and RMB25,000,000 for the period from 1 January 2024 to the Expiry Date.

If there was any revenue surplus after making the above distribution and deducting all taxes and expenses, such sum shall be divided between Shanghai Galaxy and the Relevant Companies on a 50:50 basis. 50% of the revenue surplus should be distributed among the Relevant Companies based on the amount of entrustment funds entrusted and the duration of entrustment. The annual caps for the aggregate amount of revenue surplus payable to the Relevant Companies or Shanghai Galaxy under the 2021 Entrustment Agreements would be RMB9,247,000 for the period from the Commencement Date to 31 December 2021, RMB25,000,000 for the financial year ended 31 December 2022, RMB25,000,000 for the financial year ended 31 December 2023 and RMB25,000,000 for the period from 1 January 2024 to the Expiry Date.

As SIIC, the controlling Shareholder, through its wholly-owned subsidiary, held 10% of the registered capital of Shanghai Galaxy and exercised the authority as a state-owned shareholder of 上海上實(集團)有限公司 ("**SIIC Shanghai**"), which in turn was a state-owned enterprise holding 45% of the registered capital of Shanghai Galaxy, Shanghai Galaxy is an associate of SIIC and a connected person of the Company.

2. Shareholder's loan facility provided by Hu-Ning Expressway to Shanghai Galaxy

Reference was made to a shareholder's loan facility in an aggregate principal amount of up to RMB500,000,000 made available by Hu-Ning Expressway to Shanghai Galaxy for a term of three years from 21 January 2016. As the above shareholder's loan facility expired on 20 January 2019, Hu-Ning Expressway agreed to extend such facility on substantially the same terms for a further term of three years from 21 January 2019 to 20 January 2022 (the "**2019 Shareholder's Loan Facility**").

As the 2019 Shareholder's Loan Facility expired on 20 January 2022, Hu-Ning Expressway agreed to extend the 2019 Shareholder's Loan Facility available to Shanghai Galaxy in an aggregate principal amount of up to RMB500,000,000 on substantially the same terms for a further term of three years from 21 January 2022 to 20 January 2025 (the "**Renewed Shareholder's Loan Facility**"). The Board approved the Renewed Shareholder's Loan Facility on 8 November 2021.

Under the Renewed Shareholder's Loan Facility, Hu-Ning Expressway should upon request provide term loan(s) to Shanghai Galaxy during the said term of the Renewed Shareholder's Loan Facility, and the relevant loan amount should be determined on a case-by-case basis based on the purpose of use, with the maximum amount representing the unutilised portion of the Renewed Shareholder's Loan Facility. The duration of each term loan will be negotiated on a case-by-case basis. Each term loan will expire by the end of the three-year period from 21 January 2022, i.e. 20 January 2025.

Interest under the Renewed Shareholder's Loan Facility should be the benchmark interest rate of RMB denominated loans for the same period as announced by the People's Bank of China, subject to the negotiation and agreement between the parties at the time of each drawdown. Amounts advanced under a loan should be repaid at maturity. Shanghai Galaxy might repay the principal amount prior to the maturity date of the loan. Interest should be repaid on a semi-annual basis.

The annual cap of the Renewed Shareholder's Loan Facility for each of the financial years ending 31 December 2022, 31 December 2023, 31 December 2024 and 31 December 2025 was RMB500,000,000, which was determined based on the possible maximum loan amount that could be granted under the Renewed Shareholder's Loan Facility.

In respect of each term loan, individual loan agreement(s) would be entered into between Hu-Ning Expressway and Shanghai Galaxy setting out the interest rate as agreed, the loan amount and the repayment term before the drawdown.

Hu-Ning Expressway, SIIC (through its wholly-owned subsidiary) and SIIC Shanghai held 45%, 10% and 45% of the registered capital of Shanghai Galaxy, respectively. As mentioned above, Shanghai Galaxy is an associate of SIIC and a connected person of the Company.

3. Lease agreements - Tuen Mun Lease Agreement and Harcourt Lease Agreement

On 4 January 2023, Nanyang Tobacco (an indirect wholly-owned subsidiary of the Company) and the Company, as tenants, entered into the lease agreements (i.e. the lease agreement relating to a 16-storey property situated at No. 9 Tsing Yeung Circuit, Tuen Mun, New Territories, Hong Kong (the "**Tuen Mun Lease Agreement**"), and the lease agreement relating to a property situated at the whole of 26th Floor and a portion of 27th Floor of Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong (the "**Harcourt Lease Agreement**")) with Nanyang Enterprises Properties Limited ("**Nanyang Enterprises**") and International Hope Limited ("**International Hope**") respectively, as landlords, with a term commencing from 1 January 2023 to 31 December 2023 (both days inclusive) to renew the previous lease agreements, both of which expired by 31 December 2022, for the operation of the Group.

The monthly rentals (exclusive of rates, management fee and other outgoings) under the Tuen Mun Lease Agreement and the Harcourt Lease Agreement were HK$2,750,000 and HK$937,400 respectively. The annual caps, which represented the sum of (a) the rental payable by Nanyang Tobacco to Nanyang Enterprises under the Tuen Mun Lease Agreement for the period from 1 January 2023 to 31 December 2023 in the amount of HK$33,000,000, and (b) the rental payable by the Company to International Hope under the Harcourt Lease Agreement for the period from 1 January 2023 to 31 December 2023 in the amount of HK$11,248,800, were HK$44,248,800.

As Nanyang Enterprises and International Hope were wholly-owned subsidiaries of SIIC, they were associates of SIIC and connected persons of the Company.

4. Supply of printed packaging materials for pharmaceutical products by Wing Fat Group

On 27 October 2022, Wing Fat Printing, an indirect non-wholly owned subsidiary of the Company, entered into a procurement framework agreement (the "**PF Agreement I**") with Shanghai Pharmaceuticals Holding for a term of one year commencing from 1 January 2023 and ending on 31 December 2023. Pursuant to the PF Agreement I, any members of the Wing Fat Group (i.e. Wing Fat Printing and its subsidiaries from time to time) might enter into individual procurement agreement(s) (the "**Individual Agreement(s)**") with any members of the SPH Group (i.e. Shanghai Pharmaceuticals Holding and its subsidiaries from time to time) to supply printed packaging materials for pharmaceutical products, subject to the annual cap of the procurement amount.

The procurement amount chargeable by the Wing Fat Group for the supply of printed packaging materials for pharmaceutical products shall be determined after arm's length negotiations between the parties with reference to various factors for each Individual Agreement, including (among others) the prevailing market price, type and quantity of printed packaging materials, specifications, complexity of tasks involved and delivery date, to ensure that the amount is in line with the market price. The specific payment arrangement shall be set out in the Individual Agreements.

The annual cap for the total procurement amount payable by the SPH Group to the Wing Fat Group with respect to the transactions contemplated under the PF Agreement I for the financial year ended 31 December 2023 was RMB90,000,000.

As Shanghai Pharmaceuticals Holding is a subsidiary of SIIC, it is an associate of SIIC and a connected person of the Company.

5. Provision and supply of equipment and services by上海上實龍創智能科技股份有限公司("SIIC Longchuang") to the Shanghai Pharmaceuticals Holding

On 20 June 2023, SIIC Longchuang, a non-wholly owned subsidiary of the Company, entered into a procurement framework agreement (the "**PF Agreement II**") with Shanghai Pharmaceuticals Holding for a term of one year commencing from 1 January 2023 and ending on 31 December 2023.

Pursuant to the PF Agreement II, any members of the SIIC Longchuang Group (i.e. SIIC Longchuang and its subsidiaries from time to time) might enter into an individual procurement agreement(s) (the "**Individual Agreements**") with any members of the SPH Group to provide and supply (i) internet systems, (ii) technical support services, (iii) information management system, cloud and network equipment, video conferencing and sound systems, intelligent integrated system, smart office system and relevant hardware and equipment and maintenance services, (iv) energy-saving consulting service, air-conditioning systems, lighting systems and environmental quality monitoring system; (v) safety helmets; (vi) smart glasses system and after-sales services, and/or (vii) building and office maintenance services and relevant hardware and office equipment to members of the SPH Group, subject to the annual cap of the procurement amount.

The procurement amount chargeable by the SIIC Longchuang Group for the provision and supply of the equipment and services contemplated under the PF Agreement II should be determined after arm's length negotiations between the parties with reference to various factors for each Individual Agreement, including (among others) (i) reasonable costs and expenses incurred/to be incurred for the provision of services and products provided by the SIIC Longchuang Group; (ii) type, specifications and quantity of services and products under the Individual Agreements; (iii) complexity of the services; and (iv) delivery date of the services and products, to ensure that the amount is in line with the market price. The specific payment arrangement shall be set out in the Individual Agreements.

The annual cap for the total procurement amount payable by the SPH Group to the SIIC Longchuang Group with respect to the transactions contemplated under the PF Agreement II for the financial year ended 31 December 2023 was RMB22,000,000.

As mentioned above, Shanghai Pharmaceuticals Holding is an associate of SIIC and a connected person of the Company.

6. Disposal of Equity Interest in SIIC Elderly Care Investment Co., Ltd. ("SIIC Elderly Care")

上海上實城市發展投資有限公司 ("**SIIC Shanghai Urban**"), an indirect non-wholly owned subsidiary of the Company, offered to sell the 38% equity interest in SIIC Elderly Care (the "**Equity Interest**") held by it, being the Group's entire interest in SIIC Elderly Care, through the public tender on the Shanghai Assets Exchange with the minimum bidding price of RMB266,211,400 (the "**Disposal**"). On 15 December 2023, 上海實業東灘投資開發(集團)有限公司 ("**SIIC Dongtan**"), as the sole bidder who won the bid in respect of the acquisition of the Equity Interest, entered into an equity transfer agreement with SIIC Shanghai Urban with respect to the Disposal, for a consideration of RMB266,211,400.

Upon completion of the Disposal, SIIC Elderly Care would cease to be an associated company of the Company and the Group would cease to have any interest in SIIC Elderly Care, and SIIC Elderly Care would become wholly-owned by SIIC Dongtan.

SIIC Dongtan is a wholly-owned subsidiary of SIIC Shanghai, over which SIIC exercises the authority as a state-owned shareholder, and in turn holds 62% of the equity interest of SIIC Elderly Care. As such, SIIC Dongtan is an associate of SIIC and a connected person of the Company.

Pursuant to Rule 14A.56 of the Listing Rules, the Directors engaged the auditor of the Company to report on the continuing connected transactions of the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions to the Board in respect of the continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The auditor's letter has confirmed that nothing has come to their attention that has caused them to believe that the continuing connected transactions:

(i) have not been approved by the Board;

(ii) for the transactions involving the provision of goods or services by the Group, were not, in all material respects, in accordance with the pricing policies of the Group;

(iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the continuing connected transactions; and

(iv) with respect to each of the aforesaid continuing connected transactions, have exceeded their respective annual caps set by the Company.

In respect of the continuing connected transactions, the Company has followed the policies and guidelines as laid down in the guidance letter HKEX-GL73-14 issued by the Stock Exchange when determining the price and terms of the transactions conducted during the financial year ended 31 December 2023.

The Independent Non-Executive Directors have reviewed the continuing connected transactions and the report of the auditor and have confirmed that the transactions have been entered into by the Company in the ordinary and usual course of its business, on normal commercial terms, and in accordance with the terms of the agreements governing such transactions that are fair and reasonable and in the interests of the Shareholders as a whole.

RELATED PARTY TRANSACTIONS

The Company confirms that it has complied with all the requirements under Chapter 14A of the Listing Rules in respect of the transactions disclosed in the section headed "Connected Transactions" of the Directors' Report in this Annual Report, which were also classified as related party transactions of the Group and set out in paragraph (I) of note 47 to the consolidated financial statements in this Annual Report. Details of such related party transactions for the year are set out in paragraph (I) of note 47 to the consolidated financial statements. During the year ended 31 December 2023, the Group also entered into other related party transactions which did not constitute connected transactions and are not subject to reporting, announcement, circular or independent shareholders' approval requirements under Chapter 14A of the Listing Rules, particulars of which are set out in paragraphs (II) and (III) of note 47 to the consolidated financial statements in this Annual Report.

MAJOR CUSTOMERS AND SUPPLIERS

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

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

During the year ended 31 December 2023, SI Urban Development, a subsidiary of the Company, bought back a total of 2,894,000 of its own ordinary shares on the Stock Exchange for a total consideration of HK$1,321,960, of which 1,194,000 shares were cancelled on 27 February 2023, and the remaining 1,700,000 shares were also cancelled on 26 March 2024.

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

DONATIONS

During the year, the Group made charitable and other donations amounting to HK$2,056,000.

RETIREMENT BENEFITS SCHEMES

Details of the Group's retirement benefits schemes are set out in note 46 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this Annual Report, based on publicly available information and within the knowledge of the Directors, 36.84% of the issued share capital of the Company is held by the public.

The Company has maintained a sufficient public float throughout the year ended 31 December 2023.

CORPORATE GOVERNANCE

The corporate governance principles and practices adopted by the Company are set out in the Corporate Governance Report on pages 38 to 50 of this Annual Report.

AUDITOR

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

On behalf of the Board

Shen Xiao Chu
Chairman

Hong Kong, 27 March 2024

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of Shanghai Industrial Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 70 to 184, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties We identified the valuation of investment properties as a key audit matter due to its significance to the consolidated financial statements as a whole and the significant judgment and estimation associated with determining the fair values of investment properties. As disclosed in note 14 to the consolidated financial statements, the fair values of the Group's investment properties amounted to HK$35,713,121,000 as at 31 December 2023 with a net increase in fair value of investment properties of HK$101,360,000 recognised in the consolidated statement of profit or loss and other comprehensive income for the year then ended under the line item "other income, gains and losses". The fair values of the Group's investment properties as at 31 December 2023 have been arrived at on the basis of valuations carried out by an independent qualified professional valuer (the "Valuer"). Details of the valuation techniques and significant unobservable inputs used in the valuations are disclosed in note 14 to the consolidated financial statements. The fair values are dependent on certain key inputs that involve judgment and estimation made by the management of the Group together with the Valuer, including, among other factors, reversionary yield derived from market rent and the transaction price of comparable properties in the same location, and market price of comparable properties in the similar locations.	Our procedures in relation to the valuation of the investment properties included: • Evaluating the competence, capabilities and objectivity of the Valuer; • Obtaining an understanding from the Valuer and the management of the Group on the valuation process to understand significant assumptions adopted and inputs used in the valuation; • Evaluating the appropriateness of the valuation methodologies by matching the nature of the properties and the availability of comparable market transactions and information against the valuation methodologies applied; and • Assessing the reasonableness of key inputs used by the Valuer in the valuation models by referring, on a sample basis, to the comparable market transactions and other market data.

KEY AUDIT MATTERS (continued)

Key audit matter

Assessment of the net realisable value ("NRV") of properties held-for-sale ("PHFS")

We identified assessment of the NRV of the Group's PHFS with impairment indicators ("the Concerned PHFS"), as a key audit matter due to the significant judgment and estimation associated.

As disclosed in note 26 to the consolidated financial statements, the Group has PHFS of HK$11,266,144,000 as at 31 December 2023, of which an amount of HK$3,835,093,000 is referring to as the Concerned PHFS. The impairment loss in respect of the Concerned PHFS amounting to HK$974,487,000 has been recognised in the consolidated statement of profit or loss and other comprehensive income for the year.

The management of the Group determined whether PHFS is with impairment indicators by reference to the cities and locations where the PHFS is located, the pre-sale status and other relevant market factors. The management of the Group assessed the NRV of the Concerned PHFS as at 31 December 2023 by reference to the valuation reports prepared by independent qualified professional valuers (the "Valuers"). The valuations are dependent on certain key inputs that involve judgment and estimation made by the management of the Group together with the Valuers including, among other factors, transaction price of comparable properties in the similar or same locations and adjustments made according to nature of each property and its specific location and conditions.

How our audit addressed the key audit matter

Our procedures in relation to the assessment of the NRV of the Concerned PHFS included:

- Understanding and evaluating the appropriateness of the process adopted by the management of the Group in identifying properties with impairment indicators from the Group's PHFS portfolio (i.e. the Concerned PHFS);
- Assessing the competence, capabilities and objectivity of the Valuers;
- Discussing with the Valuers on the valuation process to understand the performance of property markets, significant assumptions adopted and inputs used in the valuation;
- Evaluating the appropriateness of the valuation methodologies adopted in the valuation model; and
- Assessing the reasonableness of the key inputs used by the valuers in the valuation models by referring, on a sample basis, to the available market information such as transaction prices of comparable properties and the factors supporting the adjustments made.

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

The engagement partner on the audit resulting in the independent auditor's report is Leung Po Shan.

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	NOTES	2023 HK$'000	2022 HK$'000
Revenue	5	**32,697,955**	31,348,592
Cost of sales		**(19,908,262)**	(22,317,753)
Gross profit		**12,789,693**	9,030,839
Net investment income	6	**680,427**	358,957
Other income, gains and losses		**(318,668)**	761,407
Selling and distribution costs		**(978,084)**	(1,029,972)
Administrative and other expenses		**(2,132,501)**	(1,933,297)
Finance costs	7	**(2,332,342)**	(1,866,806)
Share of results of joint ventures		**339,999**	299,318
Share of results of associates		**437,061**	132,573
Net gain (loss) on disposal/liquidation of subsidiaries	8	**254,982**	(241,941)
Profit before taxation		**8,740,567**	5,511,078
Income tax expense	9	**(4,214,900)**	(2,181,308)
Profit for the year	10	**4,525,667**	3,329,770
Profit for the year attributable to			
– Owners of the Company		**3,423,695**	2,313,924
– Non-controlling interests		**1,101,972**	1,015,846
		4,525,667	3,329,770
		HK$	HK$
Earnings per share	13		
– Basic		**3.149**	2.128
– Diluted		**3.149**	2.128

The notes on pages 79 to 184 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 HK$'000	2022 HK$'000
Profit for the year	**4,525,667**	3,329,770
Other comprehensive expense		
Items that may be subsequently reclassified to profit or loss		
Exchange differences arising on translation of foreign operations		
– subsidiaries	**(1,990,691)**	(4,478,917)
– joint ventures	**(426,214)**	(880,043)
– associates	**(208,724)**	(485,228)
Reclassification adjustment for realisation of revaluation reserves upon disposal of the related properties	**–**	(27,659)
Item that will not be reclassified to profit or loss		
Fair value change on equity instruments at fair value through other comprehensive income held by subsidiaries, net of tax	**(13,961)**	(22,294)
Other comprehensive expense for the year	**(2,639,590)**	(5,894,141)
Total comprehensive income (expense) for the year	**1,886,077**	(2,564,371)
Total comprehensive income (expense) for the year attributable to		
– Owners of the Company	**2,073,174**	(896,709)
– Non-controlling interests	**(187,097)**	(1,667,662)
	1,886,077	(2,564,371)

The notes on pages 79 to 184 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	NOTES	2023 HK$'000	2022 HK$'000
Non-Current Assets			
Investment properties	14	**35,713,121**	29,798,401
Property, plant and equipment	15	**6,966,765**	5,488,970
Right-of-use assets	16	**606,173**	640,693
Toll road operating rights	17	**4,668,682**	5,554,329
Goodwill	18	**533,783**	547,196
Other intangible assets	19	**9,620,636**	8,078,995
Interests in joint ventures	20	**11,361,857**	11,564,005
Interests in associates	21	**7,152,903**	7,479,568
Investments	22	**2,079,155**	387,502
Receivables under service concession arrangements	23	**24,789,341**	25,974,842
Deposits paid on acquisition of non-current assets	24	**454,286**	4,677,435
Deferred tax assets	25	**197,800**	155,184
		104,144,502	100,347,120
Current Assets			
Inventories	26	**33,908,088**	40,666,892
Trade and other receivables	27	**11,229,393**	11,471,641
Contract assets	28	**83,487**	87,882
Investments	22	**242,527**	275,739
Receivables under service concession arrangements	23	**986,928**	840,367
Prepaid taxation		**685,336**	932,579
Pledged bank deposits	29	**183,023**	228,583
Short-term bank deposits	29	**2,382,773**	1,786,601
Cash and cash equivalents	29	**25,225,026**	28,870,193
		74,926,581	85,160,477
Assets classified as held for sale	39	**240,529**	8,426,155
		75,167,110	93,586,632

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	NOTES	2023 HK$'000	2022 HK$'000
Current Liabilities			
Trade and other payables	30	**19,057,555**	19,495,221
Lease liabilities	34	**53,860**	85,724
Contract liabilities	31	**8,482,575**	15,568,956
Deferred income	32	**455,386**	446,198
Taxation payable		**4,828,751**	3,589,367
Bank and other borrowings	33	**14,546,529**	17,902,765
		47,424,656	57,088,231
Liabilities associated with assets classified as held for sale	39	**–**	8,307,647
		47,424,656	65,395,878
Net Current Assets		**27,742,454**	28,190,754
Total Assets less Current Liabilities		**131,886,956**	128,537,874
Capital and Reserves			
Share capital	35	**13,649,839**	13,649,839
Reserves		**32,953,201**	31,874,182
Equity attributable to owners of the Company		**46,603,040**	45,524,021
Non-controlling interests		**30,857,063**	31,269,890
Total Equity		**77,460,103**	76,793,911
Non-Current Liabilities			
Provision for major overhauls	23	**80,567**	80,484
Deferred income	32	**2,287,488**	2,785,847
Bank and other borrowings	33	**44,116,832**	40,828,228
Deferred tax liabilities	25	**7,830,565**	7,924,365
Lease liabilities	34	**111,401**	125,039
		54,426,853	51,743,963
Total Equity and Non-Current Liabilities		**131,886,956**	128,537,874

The notes on pages 79 to 184 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 70 to 184 were approved and authorised for issue by the board of directors on 27 March 2024 and are signed on its behalf by:

Shen Xiao Chu
Chairman

Zhang Qian
Deputy Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to owners of the Company										
	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 reserves HK$'000	Translation reserve HK$'000	PRC statutory reserves HK$'000 (Note iv)	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2022	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 year	–	–	–	–	–	–	–	2,313,924	2,313,924	1,015,846	3,329,770
Exchange differences arising on translation of foreign operations											
– subsidiaries	–	–	–	–	–	(2,281,499)	–	–	(2,281,499)	(2,197,418)	(4,478,917)
– joint ventures	–	–	–	–	–	(557,223)	–	–	(557,223)	(322,820)	(880,043)
– associates	–	–	–	–	–	(353,890)	–	–	(353,890)	(131,338)	(485,228)
Fair value change on equity investments at fair value through other comprehensive income held by subsidiaries, net of tax	–	–	–	–	(6,152)	–	–	–	(6,152)	(16,142)	(22,294)
Reclassification adjustment for realisation of revaluation reserves upon disposal of the related properties	–	(11,869)	–	–	–	–	–	–	(11,869)	(15,790)	(27,659)
Total comprehensive (expense) income for the year	–	(11,869)	–	–	(6,152)	(3,192,612)	–	2,313,924	(896,709)	(1,667,662)	(2,564,371)
Transfers	–	–	–	–	–	–	178,582	(178,582)	–	–	–
Acquisition of additional interest in a non-wholly owned subsidiary (note 38)	–	–	(22,717)	–	–	–	–	–	(22,717)	(635,529)	(658,246)
Acquisition of a subsidiary under common control (note 47 (I)(g))	–	–	–	(9,547)	–	21,054	8,286	19,273	39,066	119,356	158,422
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	402,086	402,086
Dividends recognised as distribution (note 12)	–	–	–	–	–	–	–	(1,043,723)	(1,043,723)	–	(1,043,723)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(894,978)	(894,978)
Repurchase of their own shares by a listed subsidiary	–	–	2,979	–	–	–	–	–	2,979	(3,948)	(969)
Transfer upon liquidation of a subsidiary	–	–	–	–	–	12,371	–	(12,371)	–	40,876	40,876
Transfer upon disposal of a subsidiary (note 40)	–	–	–	–	–	–	–	–	–	(2,887)	(2,887)
Transfer upon disposal of equity investments at fair value through other comprehensive income	–	–	–	–	11,175	–	–	(5,504)	5,671	(5,671)	–
At 31 December 2022	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

	Attributable to owners of the Company										
	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 reserves HK$'000	Translation reserve HK$'000	PRC statutory reserves HK$'000 (Note iv)	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2023	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 year	–	–	–	–	–	–	–	3,423,695	3,423,695	1,101,972	4,525,667
Exchange differences arising on translation of foreign operations											
– subsidiaries	–	–	–	–	–	(855,768)	–	–	(855,768)	(1,134,923)	(1,990,691)
– joint ventures	–	–	–	–	–	(318,674)	–	–	(318,674)	(107,540)	(426,214)
– associates	–	–	–	–	–	(170,101)	–	–	(170,101)	(38,623)	(208,724)
Fair value change on equity investments at fair value through other comprehensive income held by subsidiaries, net of tax	–	–	–	–	(5,978)	–	–	–	(5,978)	(7,983)	(13,961)
Total comprehensive (expense) income for the year	–	–	–	–	(5,978)	(1,344,543)	–	3,423,695	2,073,174	(187,097)	1,886,077
Transfers	–	–	–	–	–	–	267,576	(267,576)	–	–	–
Acquisition of additional interest in non-wholly owned subsidiaries	–	–	32,099	–	–	–	–	–	32,099	(280,659)	(248,560)
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	553,747	553,747
Disposal of equity instruments at fair value through other comprehensive income held by subsidiary	–	–	–	–	(1,048)	–	–	388	(660)	660	–
Dividends recognised as distribution (note 12)	–	–	–	–	–	–	–	(1,000,235)	(1,000,235)	–	(1,000,235)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(523,513)	(523,513)
Repurchase and cancellation of their own shares by a listed subsidiary	–	–	(570)	–	–	–	–	–	(570)	(754)	(1,324)
Transfer upon liquidation of a subsidiary	–	–	–	–	–	18,629	(37,025)	(6,393)	(24,789)	24,789	–
At 31 December 2023	13,649,839	34,829	(751,916)	(5,922,094)	140,393	(1,353,991)	3,531,905	37,274,075	46,603,040	30,857,063	77,460,103

Notes:

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

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

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

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

The notes on pages 79 to 184 are in integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	2023 HK$'000	2022 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**8,740,567**	5,511,078
Adjustments for:		
Amortisation of other intangible assets	**383,878**	403,029
Amortisation of toll road operating rights	**742,142**	533,375
Change in fair value of financial assets at fair value through profit or loss ("FVTPL")	**27,308**	120,682
Depreciation of property, plant and equipment	**498,784**	498,598
Depreciation of right-of-use assets	**66,870**	70,815
Dividend income from equity investments	**(10,405)**	(9,045)
Finance costs	**2,332,342**	1,866,806
Gain on disposal of subsidiaries/interests in an associate	**(254,982)**	(2,890)
Government compensation of toll road operating rights	**(405,533)**	(290,445)
Impairment loss (reversal of impairment loss) on inventories, other than properties	**32,389**	(5,183)
Impairment loss on investment in an associate	**166,406**	–
Impairment loss on other receivables	**8,252**	11,831
Impairment loss on properties held for sale ("PHFS")	**1,040,789**	55,448
Impairment loss on properties under development held for sale ("PUDFS")	**184,187**	13,806
Impairment loss on trade receivables	**1,780**	28,972
Impairment loss (reversal of impairment loss) on property, plant and equipment	**6,645**	(26,400)
Increase in fair value of investment properties	**(101,360)**	(10,196)
Interest income	**(695,671)**	(469,388)
Loss on liquidation of a subsidiary	**–**	244,831
Net gain on disposal/written off of property, plant and equipment	**(3)**	(2,494)
Provision for major overhauls	**4,202**	386
Share of results of associates	**(437,061)**	(132,573)
Share of results of joint ventures	**(339,999)**	(299,318)
Operating cash flows before movements in working capital	**11,991,527**	8,111,725
Decrease (increase) in receivables under service concession arrangements	**327,998**	(2,784,697)
(Increase) decrease in financial assets at FVTPL	**(1,632,285)**	19,513
Decrease in inventories	**2,498,350**	1,349,944
Decrease (increase) in trade and other receivables	**5,895**	(4,862,212)
Decrease in contract assets	**2,076**	20,339
Increase in trade and other payables	**536,479**	6,925,152
Decrease in contract liabilities	**(6,707,550)**	(3,522,160)
Decrease in provision for major overhauls	**(1,974)**	(2,157)
Cash generated from operations	**7,020,516**	5,255,447
Tax refund	**–**	14,141
PRC Land Appreciation Tax ("LAT") paid	**(604,697)**	(2,500,508)
PRC Enterprise Income Tax ("EIT") paid	**(2,014,242)**	(2,132,044)
Hong Kong Profits Tax paid	**(40,324)**	(110,855)
Overseas tax paid	**(6,325)**	–
NET CASH FROM OPERATING ACTIVITIES	**4,354,928**	526,181

	NOTES	2023 HK$'000	2022 HK$'000
INVESTING ACTIVITIES			
Purchase of operating concessions		**(2,098,331)**	(11,794)
Purchase of property, plant and equipment		**(1,010,811)**	(450,616)
Subsequent expenditures on investment properties		**(832,246)**	(495,321)
Increase in restricted/pledged bank deposits/short-term bank deposits		**(550,612)**	(640,444)
Acquisition of a parcel of land with portion held for development of investment properties		**(456,302)**	(159,273)
Deposits paid on acquisition of property, plant and equipment/ intangible assets/service concession arrangement		**(311,692)**	(89,903)
Advance to related parties		**(239,167)**	(210,096)
Purchases of equity instruments at FVTOCI		**(56,567)**	(9,060)
Interest received		**692,793**	459,857
Disposal of subsidiaries	40	**359,114**	139,720
Repayment from related parties		**171,174**	1,467,695
Dividends received from associates		**148,067**	257,158
Dividends received from joint ventures		**115,933**	48,736
Proceeds from disposal of property, plant and equipment		**11,304**	43,486
Dividends received from equity investments		**10,405**	9,045
Proceeds from disposal of financial assets at FVTOCI		**9,522**	16,289
Investment in joint ventures		**–**	(3,048,444)
Acquisition of subsidiaries	37	**–**	(313,779)
Acquisition of a subsidiary under common control	47(I)(g)	**–**	(251,972)
Capital injection into associates		**–**	(106,674)
Net cash flow from liquidation of a subsidiary	41	**–**	(256)
Return of capital after capital reduction in an associate		**–**	275,201
NET CASH USED IN INVESTING ACTIVITIES		**(4,037,416)**	(3,070,445)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	NOTE	**2023 HK$'000**	2022 HK$'000
FINANCING ACTIVITIES			
Repayment of bank and other borrowings		**(13,570,609)**	(24,850,446)
Interests paid		**(2,594,291)**	(2,814,236)
Dividends paid		**(1,000,235)**	(1,043,723)
Final/partial settlement of consideration on acquisition of an additional interest in a non-wholly owned subsidiary through acquisition of a subsidiary	38	**(576,337)**	(204,905)
Dividends paid to non-controlling interests		**(423,451)**	(1,236,994)
Acquisition of additional interest in a non-wholly owned subsidiaries		**(248,560)**	–
Repayments of lease liabilities		**(88,289)**	(110,579)
Interest paid on lease liabilities		**(10,918)**	(12,897)
Repayment to related parties		**(4,657)**	(1,301,434)
Repurchase of their own shares by listed subsidiaries		**(1,324)**	(969)
Bank and other borrowings raised		**14,621,787**	26,613,420
Capital contributions by non-controlling interests		**553,747**	402,086
NET CASH USED IN FINANCING ACTIVITIES		**(3,343,137)**	(4,560,677)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(3,025,625)**	(7,104,941)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**28,870,193**	38,149,742
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(619,542)**	(2,174,608)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash		**25,225,026**	28,870,193

The notes on pages 79 to 184 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

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

The Company is an investment holding company. The principal activities of its principal subsidiaries, joint ventures and associates are set out in notes 50, 51 and 52, respectively.

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

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

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

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time which are mandatorily effective for the Group's annual periods beginning on or after 1 January 2023 for the preparation of the 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
Amendments to HKAS 12	International Tax Reform – Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to HKAS 8 *Definition of Accounting Estimates*

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

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

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

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies*

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in Note 3 to the consolidated financial statements.

Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after 1 January 2025.

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

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

Amendments to HKFRSs in issue but not yet effective (continued)

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the "2020 Amendments") and Amendments to HKAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if an entity classifies liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 December 2023, the application of the 2020 and 2022 Amendments will not result in reclassification of the Group's liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material of such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information

Basis of consolidation

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

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

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

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

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Basis of consolidation (continued)

Changes in the Group's interests in existing subsidiaries

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

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

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

Business combinations or assets acquisitions

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Business combinations or assets acquisitions (continued)

Business combinations (continued)

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

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting* (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits", respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payments" at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Business combinations or assets acquisitions (continued)

Business combinations (continued)

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

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Merger Accounting for business combination involving businesses under common control

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

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

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

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

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

Goodwill

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Goodwill (continued)

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

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

Investments in subsidiaries

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

Investments in associates and joint ventures

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Investments in associates and joint ventures (continued)

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

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

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

Changes in the Group's interests in associates and joint ventures

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

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

Acquisition of additional interests in associates or joint ventures

When the Group increases its ownership interest in an associate or a joint venture but the Group continues to use the equity method, goodwill is recognised at acquisition date if there is excess of the consideration paid over the share of carrying amount of net assets attributable to the additional interests in associates or joint ventures acquired. Any excess of share of carrying amount of net assets attributable to the additional interests in associates or joint ventures acquired over the consideration paid are recognised in the profit or loss in the period in which the additional interest are acquired.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Non-current assets held for sale

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

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

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

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

When there is a delay caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset (or disposal group), an extension of the period required to complete a sale does not preclude an asset (or disposal group) from being classified as held for sale.

Service concession arrangements

Consideration given by the grantor

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Service concession arrangements (continued)

Operating services

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

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

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

Revenue from contracts with customers

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

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

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Revenue from contracts with customers (continued)

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

Output method

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

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

Input method

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

Contract costs

Incremental costs of obtaining a contract

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

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

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

Leases

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Leases (continued)

The Group as a lessee

Allocation of consideration to components of a contract

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

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

Short-term leases and leases of low-value assets

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

Right-of-use assets

The cost of right-of-use assets includes:

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

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property or inventory as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property and inventory are presented within “investment properties”, “PUDFS” and “PHFS” respectively.

Refundable rental deposits

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Leases (continued)

The Group as a lessee (continued)

Lease liabilities

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

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- amounts expected to be paid under residual value guarantees; and
- payments of penalties for terminating a lease, of the lease term reflects the Group exercising an option to terminate the lease.

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

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

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

Lease modifications

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Leases (continued)

The Group as a lessor

Classification and measurement of leases

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

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

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

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

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

Sublease

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

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions, are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

Operating leases

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

For rent concession under which the Group legally releases the lessee from its obligation to make specifically identified lease payment, of which some of these lease payments are contractually due but not paid and some of them are not yet contractually due, the Group accounts for the portions which have been recognised as operating lease receivables (i.e. the lease payments which are contractually due but not paid) by applying the expected credit loss ("ECL") and derecognition requirements under HKFRS 9 and applies lease modification requirements for the forgiven lease payments that the Group has not recognised (i.e. the lease payments which are not yet contractually due) as at the effective date of modification.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Investment properties

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

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair values, adjusted to exclude any prepaid or accrued operating lease income.

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

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

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

If a property becomes an owner-occupied property because its use has been changed as evidenced by commencement of owner-occupation, the fair value of the property at the date of change in use is considered as the deemed cost for subsequent accounting.

Property, plant and equipment

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

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

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Property, plant and equipment (continued)

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

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

Foreign currencies

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

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

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

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

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss. Settlements of monetary items which formed part of net investment in foreign operations without changes in the Group's ownership interests is not considered as partial disposals.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Borrowing costs

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

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

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

Government grants

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

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

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

Employee benefits

Retirement benefits costs

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

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Short-term employee benefits

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Taxation

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

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

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

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

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

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

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

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Taxation (continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

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

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

Intangible assets

Intangible assets acquired separately

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

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

Research expenditure

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

Toll road operating rights

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

Operating concessions

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Intangible assets (continued)

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment loss.

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

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

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

In testing a cash-generating unit of impairment, corporate assets are allocated to the relevant cash-generating units when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

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

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

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value and restricted deposits arising from pre-sale of properties that are held for meeting short-term cash commitments. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in note 29.

Inventories

PUDFS and PHFS

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

PUDFS are transferred to properties for sale upon completion.

Transfer from inventories to investment properties carried at fair value

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Inventories (continued)

Others

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Financial instruments

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

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

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

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

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

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

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

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables.

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

(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

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

(i) Significant increase in credit risk (continued)

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

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

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

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

(ii) Definition of default

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

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

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

(iii) Credit-impaired financial assets

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

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

(iii) Credit-impaired financial assets (continued)

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

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

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

Lifetime ECL for certain trade receivables and contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

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

(v) Measurement and recognition of ECL (continued)

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

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

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

Derecognition of financial assets

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

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Financial instruments (continued)

Financial liabilities

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

Financial liabilities at amortised cost

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts issued by the Group are initially measured at their fair values. They are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition of financial liabilities

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

Provisions

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

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

Provisions for maintenance of infrastructure under service concession arrangements

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs except in the extremely rare circumstances where no reliable estimate can be made.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3.2, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgments in applying accounting policies

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

Control over non-wholly owned listed subsidiaries

Note 50 describes that the Group held less than a majority of ownership interest and voting rights in its non-wholly owned listed subsidiaries as at 31 December 2023.

The directors of the Company assessed whether or not the Group has control over SIIC Environment Holdings Ltd ("SIIC Environment"), SI Urban Development and SI Development throughout the year ended 31 December 2023, based on whether the Group has the practical ability to direct the relevant activities of these non-wholly owned listed subsidiaries unilaterally by considering the Group's absolute size of holding in them, the relative size and dispersion of holdings of other shareholders and the practical right to appoint the majority members of the board of directors of these non-wholly owned listed subsidiaries. After their assessments, the directors of the Company concluded that the Group has the current ability to direct the relevant activities of these non-wholly owned listed subsidiaries and affect the amount of the Group's return. Therefore, the Group has control over these non-wholly owned listed subsidiaries throughout the whole year ended 31 December 2023.

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

Critical judgments in applying accounting policies (continued)

Deferred taxation on investment properties

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

Key sources of estimation uncertainty

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

Fair values of investment properties

The fair values of the investment properties are determined by reference to valuations conducted on these properties by independent property valuers using property valuation techniques which involve certain assumptions of prevailing market conditions as set out in note 14. In relying on the valuation reports prepared by the independent professional qualified valuers, the directors of the Company have exercised their judgment and are satisfied that the method of valuation is reflective of the current market conditions. Changes to the assumptions, including the potential risk of any market violation, policy, geopolitical and social changes or other unexpected incidents as a result of change in macroeconomic environment, would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss.

Investment properties in the consolidated statement of financial position at 31 December 2023 are carried at their fair values of approximately HK$35,713 million (2022: HK$29,798 million).

Allowance for PHFS

Management regularly reviews the recoverability of the Group's PUDFS and PHFS with reference to the current market environment whenever events or changes in circumstances indicate that the carrying amounts of the assets exceed their recoverable amounts. Appropriate allowance for PUDFS and PHFS is made if the estimated recoverable amount is lower than its carrying amount. As at 31 December 2023, the aggregate carrying amount of PUDFS and PHFS was approximately HK$32,358 million (2022: HK$38,881 million).

During the current year, the management of the Group identified certain PHFS with impairment indicators (the "Concerned PHFS") by reference to the cities and locations where the PHFS is located, the pre-sale status and other relevant market factors. The management of the Group assessed the net realisable value of the Concerned PHFS as at 31 December 2023, with reference to the valuation reports prepared by professional valuers (the "Valuers"). The valuations are dependent on certain key inputs that involve judgment and estimation made by the management of the Group together with the Valuers including, among other factors, transaction price of comparable properties in the similar or same locations and adjustments made according to nature of each property and its specific location and conditions. As disclosed in note 26, the Group has PHFS of approximately HK$11,266 million (2022: HK$15,478 million) as at 31 December 2023, of which an amount of approximately HK$3,835 million (2022: HK$1,735 million) is referring to as the Concerned PHFS. The impairment loss in respect of the Concerned PHFS amounting to approximately HK$974 million (2022: reversal of impairment loss HK$0.2 million) has been recognised for the year ended 31 December 2023.

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

Key sources of estimation uncertainty (continued)

Allowance for PHFS (continued)

The management of the Group also provided impairment loss in respect of certain properties under PHFS amounting to approximately HK$66 million (2022: HK$55 million) during the year, because the net realisable value with reference to the comparable market prices is lower than the carrying amount.

PRC LAT

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

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

The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax expense and deferred income tax provisions in the period in which such determination is made. As at 31 December 2023, the carrying amount of LAT provision (included in taxation payable) was approximately HK$3,250 million (2022: HK$2,147 million).

Provision of ECL for trade receivables and contract assets

The Group uses provision matrix to calculate ECL for the trade receivables and contract assets. The provision rates are based on shared characteristics including historical credit loss experience, industry specific factors to the debtors and general economic conditions. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables and contract assets with significant balances and credit-impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and contract assets are disclosed in notes 55(b), 27 and 28.

Estimation of contract revenue and costs

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

Fair value measurements and valuation processes

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

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. Management of the Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model on a regular basis, or when needs arise, and will report the significant results and findings to the board of directors of the Company. The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 14 and 55(c) provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair values of various assets and liabilities.

5. REVENUE

(i) Disaggregation of revenue

	For the year ended 31 December 2023			
	Infrastructure and environmental protection HK$'000	Real estate HK$'000	Consumer products HK$'000	Total HK$'000
Types of goods or services				
Sales of goods and services				
– sales of properties	–	16,078,724	–	16,078,724
– sales of goods	–	–	3,202,932	3,202,932
Income from infrastructure and environmental protection, other than financial income from service concession arrangements				
– toll road operation	2,025,240	–	–	2,025,240
– water-related services				
– operating, maintenance and other income	4,735,041	–	–	4,735,041
– construction income from construction contracts	2,276,496	–	–	2,276,496
Ancillary facilities, property services and management income	–	1,308,223	–	1,308,223
Income from hotel operations	–	466,219	–	466,219
Revenue from goods and services	9,036,777	17,853,166	3,202,932	30,092,875
Financial income from service concession arrangements	1,361,851	–	–	1,361,851
Rental income	–	1,243,229	–	1,243,229
Total	10,398,628	19,096,395	3,202,932	32,697,955
Timing of revenue recognition of revenue from goods and services				
A point in time	4,367,413	16,078,724	3,202,932	23,649,069
Overtime	4,669,364	1,774,442	–	6,443,806
	9,036,777	17,853,166	3,202,932	30,092,875

5. REVENUE (continued)

(i) Disaggregation of revenue (continued)

	For the year ended 31 December 2022			
	Infrastructure and environmental protection HK$'000	Real estate HK$'000	Consumer products HK$'000	Total HK$'000
Types of goods or services				
Sales of goods and services				
– sales of properties	–	14,795,394	–	14,795,394
– sales of goods	–	–	3,075,693	3,075,693
Income from infrastructure and environmental protection, other than financial income from service concession arrangements				
– toll road operation	1,442,417	–	–	1,442,417
– water-related services				
– operating, maintenance and other income	4,183,327	–	–	4,183,327
– construction income from construction contracts	3,998,010	–	–	3,998,010
Ancillary facilities, property services and management income	–	1,320,444	–	1,320,444
Income from hotel operations	–	203,272	–	203,272
Revenue from goods and services	9,623,754	16,319,110	3,075,693	29,018,557
Financial income from service concession arrangements	1,453,152	–	–	1,453,152
Rental income	–	876,883	–	876,883
Total	11,076,906	17,195,993	3,075,693	31,348,592
Timing of revenue recognition of revenue from goods and services				
A point in time	4,017,223	14,795,394	3,075,693	21,888,310
Overtime	5,606,531	1,523,716	–	7,130,247
	9,623,754	16,319,110	3,075,693	29,018,557

5. REVENUE (continued)

(ii) Performance obligations for contracts with customers

Infrastructure and environmental protection

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

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

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

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

Real estate

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

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

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

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

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

Consumer products

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

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

5. REVENUE (continued)

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

The Group has elected to apply the practical expedient under HKFRS 15 for not to disclose the information of remaining performance obligations which are part of a contract that has an original expected duration of one year or less; or from satisfaction of which the Group recognises revenue in the amount, which the Group has the right to invoice, that corresponds directly with the value to the customers of the Group's performance completed to date. The transaction price allocated to the remaining performance obligations where the aforementioned practical expedients are not applicable as at 31 December 2023 was HK$7,595,421,000 (2022: HK$9,000,814,000), which relates to contracts of sales of properties. This amount represents the revenue expected to be recognised by the Group in the future when it satisfies the remaining performance obligations and around 78.9% (2022: 78.7%) is expected to be recognised as revenue within one year.

(iv) Leases

	2023 HK$'000	2022 HK$'000
Total revenue arising from operating leases:		
Lease payments that are fixed	**1,243,229**	876,883

6. NET INVESTMENT INCOME

	2023 HK$'000	2022 HK$'000
Interest on bank deposits	**356,250**	215,178
Interest on financial assets at FVTPL	**9,293**	349
Other interest income	**330,128**	253,861
Total interest income	**695,671**	469,388
Change in fair value of financial assets at FVTPL	**(27,308)**	(120,682)
Dividend income from equity investments	**10,405**	9,045
Rental income from property, plant and equipment	**1,659**	1,206
	680,427	358,957

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

	2023 HK$'000	2022 HK$'000
Financial assets at FVTPL	**(7,610)**	(111,288)
Financial assets at amortised cost (including cash and cash equivalents)	**686,378**	469,039
	678,768	357,751
Investment income earned on non-financial assets	**1,659**	1,206
	680,427	358,957

Included above is net loss from listed investments of HK$22,795,000 (2022: HK$115,873,000) and net income from unlisted investments of HK$15,185,000 (2022: HK$4,585,000).

7. FINANCE COSTS

	2023 HK$'000	2022 HK$'000
Interests on bank and other borrowings	**2,623,468**	2,812,766
Interests on lease liabilities	**10,918**	12,897
	2,634,386	2,825,663
Less: amounts capitalised in properties under development held for sale	**(302,044)**	(958,857)
	2,332,342	1,866,806

Borrowing costs capitalised during the year arose on the general borrowings pool and are calculated by applying capitalisation rates ranging from 3.41% to 4.51% (2022: 3.80% to 4.72%), per annum to expenditure on qualifying assets.

8. NET GAIN (LOSS) ON DISPOSAL/LIQUIDATION OF SUBSIDIARIES

	2023 HK$'000	2022 HK$'000
Gain on disposal of subsidiaries (note 40)	**254,982**	2,890
Loss on liquidation of a subsidiary (note 41)	**–**	(244,831)
	254,982	(241,941)

9. INCOME TAX EXPENSE

	2023 HK$'000	2022 HK$'000
Current tax		
– Hong Kong	**67,573**	47,031
– PRC LAT	**1,895,116**	854,111
– PRC EIT (including PRC withholding tax of HK$113,257,000 (2022: HK$76,151,000))	**2,290,351**	1,355,410
– Other jurisdictions	**4,917**	–
	4,257,957	2,256,552
Under(over) provision in prior years		
– Hong Kong	**55**	1,706
– PRC LAT	**–**	(23,366)
– PRC EIT	**(50,179)**	(120,926)
	(50,124)	(142,586)
Deferred taxation for the year (note 25)	**7,067**	67,342
	4,214,900	2,181,308

9. INCOME TAX EXPENSE (continued)

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

	2023 HK$'000	2022 HK$'000
Profit before taxation	**8,740,567**	5,511,078
Tax at PRC statutory tax rate of 25%	**2,185,142**	1,377,770
Derecognition of deferred tax liabilities due to change in tax rate of LAT for certain properties sold	**–**	(9,635)
Effect of different tax rates of subsidiaries	**(62,528)**	(65,349)
Effect of PRC subsidiaries subject to a lower tax rate	**(57,726)**	(74,649)
Overprovision of PRC EIT in prior years	**(50,179)**	(120,926)
Overprovision of PRC LAT in prior years	**–**	(23,366)
Underprovision of Hong Kong Profits Tax in prior years	**55**	1,706
Provision for PRC LAT for the year	**1,981,739**	883,922
Tax effect of expenses not deductible for tax purpose	**554,647**	546,230
Tax effect of income not taxable for tax purpose	**(117,008)**	(30,909)
Tax effect of share of results of joint ventures and associates	**(194,265)**	(107,973)
Tax effect of PRC LAT deductible for PRC EIT	**(495,435)**	(220,981)
Tax effect on dividend withholding tax	**(22,442)**	12,097
Tax effect of tax losses not recognised as deferred tax assets	**507,650**	70,975
Utilisation of tax losses previously not recognised as deferred tax assets	**(25,644)**	(70,985)
Others	**10,894**	13,381
Income tax expense for the year	**4,214,900**	2,181,308

Notes:

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

(ii) Under the law of the 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 years, except that (i) seven (2022: seven) PRC subsidiaries are qualified as High New Technology Enterprises and enjoy a preferential tax rate of 15% for the current year (the preferential tax rate is applicable for three years from the date of grant and subject to approval for renewal) and (ii) certain PRC subsidiaries, engaging in public infrastructure projects, are entitled to full exemption from PRC EIT for the first three years and a 50% reduction in PRC EIT for the next three years from the first year of generating operating income.

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

(iv) Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

10. PROFIT FOR THE YEAR

	2023 HK$'000	2022 HK$'000
Profit for the year has been arrived at after charging:		
Employee benefits expense, including directors' emoluments:		
Basic salaries, allowances and bonus	**1,893,945**	1,941,677
Retirement benefits scheme contributions	**327,274**	296,064
	2,221,219	2,237,741
Amortisation of toll road operating rights (included in cost of sales)	**742,142**	533,375
Amortisation of other intangible assets (included in cost of sales)	**383,878**	403,029
Depreciation of property, plant and equipment	**498,784**	498,598
Depreciation of right-of-use assets	**66,870**	70,815
Total depreciation and amortisation	**1,691,674**	1,505,817
Auditors' remuneration	**21,112**	20,447
Cost of inventories recognised as an expense		
– properties	**8,955,657**	9,871,007
– inventories, other than properties	**2,494,826**	2,486,629
Impairment loss on interest in an associate (included in other income, gains and losses)	**166,406**	–
Impairment loss on inventories, other than properties (included in cost of sales)	**32,389**	–
Impairment loss on trade receivables (included in other income, gains and losses)	**1,780**	28,972
Impairment loss on other receivables (included in other income, gains and losses)	**8,252**	11,831
Impairment loss on property, plant and equipment (included in other income, gains and losses)	**6,645**	–
Impairment loss on PHFS (included in cost of sales or other income, gain and losses)	**1,040,789**	55,448
Impairment loss on PUDFS (included in cost of sales)	**184,187**	13,806
Net foreign exchange loss (included in other income, gains and losses)	**88,366**	256,754
Provision for major overhauls (included in cost of sales)	**4,202**	386
Research expenditure	**105,858**	91,858
Share of PRC EIT of joint ventures (included in share of results of joint ventures)	**88,343**	102,841
Share of PRC EIT of associates (included in share of results of associates)	**110,266**	56,697

10. PROFIT FOR THE YEAR (continued)

	2023 HK$'000	2022 HK$'000
and after crediting:		
Government compensation of toll road operating rights (included in other income, gains and losses) (Note)	**405,533**	290,445
Interest income	**695,671**	469,388
Net gain on disposal/written off of property, plant and equipment (included in other income, gains and losses)	**3**	2,494
Net increase in fair value of investment properties (included in other income, gains and losses)	**101,360**	10,196
Reversal of impairment loss on inventories, other than properties (included in cost of sales)	**–**	5,183
Reversal of impairment loss on property, plant and equipment (included in other income, gains and losses)	**–**	26,400

Note: The amount is transferred 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 for the year ended of approximately HK$406 million (2022: HK$290 million). As at 31 December 2023, an amount of approximately RMB2,493 million (equivalent to approximately HK$2,743 million) (2022: RMB2,860 million (equivalent to approximately HK$3,232 million)) remains to be amortised, details for this compensation are set out in note 32.

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

The emoluments paid or payable to each of the nine (2022: eight) existing directors of the Company were as follows:

	Executive directors						Independent non-executive directors				
	Shen Xiao Chu HK$'000	Zhang Qian HK$'000 (Note (vii))	Shu Dong HK$'000 (Note (vii))	Zhou Jun HK$'000 (Note (vii))	Xu Bo HK$'000 (Note (vii))	Xu Zhan HK$'000 (Note (vii))	Woo Chia-Wei HK$'000	Leung Pak To, Francis HK$'000	Yuen Tin Fan, Francis HK$'000	Cheng Hoi Chuen, Vincent HK$'000 (Note (vi))	Total HK$'000
Year ended 31 December 2023											
Executive directors:											
Directors' fee and committee remuneration	–	–	–	514	–	21	–	–	–	–	535
Basic salaries and allowances	1,709	668	1,316	857	2,431	–	–	–	–	–	6,981
Retirement benefits scheme contributions	182	51	44	140	76	–	–	–	–	–	493
Independent non-executive directors:											
Directors' fees and committee remuneration	–	–	–	–	–	–	480	480	470	–	1,430
Total directors' emoluments	1,891	719	1,360	1,511	2,507	21	480	480	470	–	9,439
Year ended 31 December 2022											
Executive directors:											
Directors' fee and committee remuneration	–	–	–	568	–	231	–	–	–	–	799
Basic salaries and allowances	2,280	–	–	1,847	1,534	–	–	–	–	–	5,661
Retirement benefits scheme contributions	114	–	–	102	94	–	–	–	–	–	310
Independent non-executive directors:											
Directors' fees and committee remuneration	–	–	–	–	–	–	480	480	470	480	1,910
Total directors' emoluments	2,394	–	–	2,517	1,628	231	480	480	470	480	8,680

Notes:

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

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

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

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

(v) During the years ended 31 December 2023 and 2022, no emoluments were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as a compensation for loss of office. None of the directors has waived any emoluments during both years.

(vi) Mr. Cheng Hoi Chuen, Vincent, an independent non-executive director, passed away on 28 August 2022.

(vii) Mr. Shu Dong and Mr. Zhang Qian, appointed as executive directors of Company on 5 June 2023 and 24 July 2023, respectively. Mr. Xu Zhan and Mr. Zhou Jun resigned as an executive director of the Company on 3 February 2023 and 18 November 2023, respectively. Mr. Xu Bo retired as an executive director of the Company on 24 July 2023.

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

For the year ended 31 December 2023, out of the five individuals with the highest emoluments in the Group, one (2022: two) is director of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining four (2022: three) individual are as follows:

	2023 HK$'000	2022 HK$'000
Salaries and other allowances	**8,176**	7,051
Retirement benefits	**254**	124
	8,430	7,175

The emoluments of the above four (2022: three) individuals are within the following band:

	2023	2022
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**3**	1
HK$3,000,001 to HK$3,500,000	**–**	1

During the year ended 31 December 2023, no emoluments have been paid by the Group to the four (2022: three) employees with the highest emoluments as an inducement to join or upon joining the Group or as compensation for loss of office.

12. DIVIDENDS

	2023 HK$'000	2022 HK$'000
Dividends recognised as distribution during the year:		
2023 interim dividend of HK42 cents (2022: 2022 interim dividend of HK42 cents) per share	**456,629**	456,629
2022 final dividend of HK50 cents (2022: 2021 final dividend of HK54 cents) per share	**543,606**	587,094
	1,000,235	1,043,723

The final dividend of HK52 cents per share in respect of the year ended 31 December 2023 (2022: HK50 cents), amounting to approximately HK$565.4 million (2022: HK$543.6 million) in total, has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

13. EARNINGS PER SHARE

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

	2023 HK$'000	2022 HK$'000
Profit for the year attributable to owners of the Company	**3,423,695**	2,313,924

13. EARNINGS PER SHARE (continued)

	2023	2022
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 ("Canvest Environmental"), a listed associate of the Group, because the exercise price of the options was higher than the average market price for the corresponding period.

14. INVESTMENT PROPERTIES

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

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

	HK$'000
FAIR VALUE	
At 1 January 2022	28,985,301
Exchange adjustments	(2,379,135)
Subsequent expenditures	495,321
Additions	159,273
Net increase in fair value recognised in profit or loss (Note i)	10,196
Transfer to property, plant and equipment (Note v)	(96,311)
Transfer from inventories (Note iii)	3,362,919
Liquidation of subsidiaries (note 41)	(739,163)
At 31 December 2022	29,798,401
Exchange adjustments	(840,422)
Subsequent expenditures	832,246
Additions	456,302
Net increase in fair value recognised in profit or loss (Note i)	101,360
Transfer from deposit paid on acquisition of non-current assets (Note iv)	4,308,103
Transfer from inventories (Note iii)	1,089,212
Disposal of a subsidiary (note 40)	(32,081)
At 31 December 2023	35,713,121

14. INVESTMENT PROPERTIES (continued)

Notes:

(i)

	2023 HK$'000	2022 HK$'000
Unrealised gain on property revaluation included in profit or loss for the year	**89,191**	10,196
Realised gain upon disposal of a subsidiary	**12,169**	–
	101,360	10,196

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

	2023 HK$'000	2022 HK$'000
Leasehold land in the PRC	**35,713,121**	29,798,401

(iii) During the year ended 31 December 2023, PHFS included in inventories with an aggregate carrying amount of HK$1,089,212,000 (2022: HK$3,362,919,000) were transferred to investment properties as the management had changed the use of the properties, evidenced by inception of lease agreements with the tenants. No significant fair value gain or loss in respect of these properties is recognised in the profit or loss during both years.

(iv) During the year ended 31 December 2023, the Group obtained the land use right certificate for a parcel of land located in the PRC. The parcel of land will be developed into residential properties or commercial building held for earning rentals. Accordingly, the deposits paid in prior year for the land cost amounting to HK$4,308,103,000 were transferred to investment properties.

(v) During the year ended 31 December 2022, certain units of an investment property of the Group located in Shanghai, were arranged for own use as office premises of the Group due to the needs of expansion of business. Accordingly, the respective investment properties with a fair value of HK$96,311,000 were transferred to property, plant and equipment.

(vi) The property rental income earned by the Group from its investment properties which are either held for rental income under operating leases and/or for capital appreciation purpose, amounted to HK$1,243,229,000 (2022: HK$876,883,000) with insignificant direct operating expenses.

(vii) The fair values of the Group's investment properties as at 31 December 2023 and 2022 have been arrived at on the basis of valuations carried out on the respective dates by C&W. C&W is a member of the Institute of Valuers and a firm of independent qualified professional valuer not connected with the Group. C&W possesses appropriate qualifications and experience in the valuation of properties in the relevant locations.

All of the Group's investment properties were valued by C&W with reference to market evidence of transaction prices for similar properties in similar locations and conditions or on the basis of investment approach, where appropriate. In arriving at the valuation on the basis of investment approach, the fair value is determined by capitalising the net rental income derived from the existing tenancies with due provision or allowance for the reversionary potential of the properties.

(viii) In estimating the fair value of the properties, the highest and best use of the properties is their current use.

14. INVESTMENT PROPERTIES (continued)

Notes: (continued)

(ix) Following are the key inputs used in valuing the investment properties as at 31 December 2023 and 2022:

Categories	Fair value 2023 HK$'000	Fair value 2022 HK$'000	Valuation techniques	Significant unobservable inputs	Range 2023	Range 2022	Sensitivities
Commercial properties – offices and related car parking spaces in various locations	**9,055,624**	9,019,776	Investment approach	For offices: Reversionary yield derived from market rent and the transaction price of comparable properties in the same locations	**3.75% to 6.75%**	4.50% to 6.75%	The higher the reversionary yield, the lower the fair value.
			Direct comparison approach	For car parking spaces: Market price per unit	**Market price: RMB191,667 to RMB366,000 per unit**	Market price: RMB191,700 to RMB373,000 per unit	The higher the market price per unit, the higher the fair value.
Residential properties – a detached villa and service apartments in various locations	**1,881,784**	1,269,336	Investment approach	For a detached villa and a service apartment: Reversionary yield derived from market rent and transaction price of comparable properties in the same locations	**3.00% to 5.50%**	3.50% to 4.75%	The higher the reversionary yield, the lower the fair value.
			Direct comparison approach	For car park units: Price per unit	**Market price: RMB220,000 per unit**	Market price: RMB230,000 per unit	The higher the price per unit, the higher the fair value
Industrial properties	**136,349**	140,062	Investment approach	Reversionary yield derived from market rent and the transaction price of comparable properties in the same locations	**5.75%**	5.75%	The higher the reversionary yield, the lower the fair value.
Commercial – shopping malls, stores, mart and related car park units in various locations	**10,125,459**	10,281,276	Investment approach	For shopping malls, stores and mart: Reversionary yield derived from market rent and transaction price of comparable properties in the same location	**3.50% to 8.25%**	3.50% to 7.75%	The higher the reversionary yield, the lower the fair value
			Direct comparison approach	For car park units: Price per unit	**RMB70,000 to RMB187,000 per unit**	RMB85,000 to RMB189,400 per unit	The higher the price per unit, the higher the fair value
Commercial – exhibition hall in Shanghai	**243,124**	256,526	Investment approach	Reversionary yield derived from market rent and transaction price of comparable properties in the same location	**5.25%**	5.25%	The higher the reversionary yield, the lower the fair value
Commercial – building complex with offices, shopping malls and related car park units	**6,981,318**	7,152,817	Investment approach	Reversionary yield derived from market rent and transaction price of comparable properties in the same location	**3.75% to 5.00%**	3.75% to 5.00%	The higher the reversionary yield, the lower the fair value
Commercial and residential properties held for rental under construction in Shanghai	**7,289,463**	1,678,608	Direct comparison approach	For a parcel of land commenced construction for commercial properties: Price per square metre	**RMB35,994 per square metre**	N/A	The higher the market price per square metre, the higher the fair value.
			2023: Investment approach (note)	For commercial properties under construction: Reversionary yield derived from market rent and transaction price of comparable properties in the same location	**3.50% to 4.50%**	N/A	The higher the reversionary yield, the lower the fair value
			2022: Direct comparison approach (note)	For commercial properties under construction: Price per square metre	**N/A**	RMB37,395 per square metre	The higher the price per square metre, the higher the fair value
			2023: Investment approach (note)	For service apartments under construction: Reversionary yield derived from market rent and transaction price of comparable properties in the same location	**5.00%**	N/A	The higher the reversionary yield, the lower the fair value
			2022: Direct comparison approach (note)	For service apartments under construction: Price per square metre	**N/A**	RMB23,060 to RMB37,395 per square metre	The higher the price per square metre, the higher the fair value
	35,713,121	29,798,401					

Note: As at 31 December 2023, due to the current's status of property market in the PRC and expectation of steady cash flow in future, the management of the Group considered to hold these investment properties for rentals in long run instead of to hold them for capital appreciation. Accordingly, the valuation technique for determining fair value of these investment properties were changed from direct comparison approach to investment approach.

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

15. PROPERTY, PLANT AND EQUIPMENT

	Hotel property HK$'000	Leasehold land and buildings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Construction in progress HK$'000	Total HK$'000
COST							
At 1 January 2022	2,684,698	2,819,938	1,319,634	179,610	3,515,217	306,706	10,825,803
Exchange adjustments	(153,023)	(172,266)	(76,027)	(9,921)	(206,288)	(20,793)	(638,318)
Additions	–	84,124	35,121	9,409	227,173	192,182	548,009
Acquisition of a subsidiary (note 37)	–	–	106	–	26	–	132
Reclassification to assets held for sale (note 39)	–	–	(520)	–	–	–	(520)
Reclassification	6,913	38,261	3,421	–	13,213	(61,808)	–
Transferred from investment properties (note 14)	–	96,311	–	–	–	–	96,311
Disposal of subsidiaries (note 40)	–	–	–	–	(119,240)	–	(119,240)
Liquidation of a subsidiary (note 41)	–	–	(1,873)	(346)	–	–	(2,219)
Disposals/written off	(191)	(31,238)	(31,202)	(16,236)	(23,206)	–	(102,073)
At 31 December 2022	2,538,397	2,835,130	1,248,660	162,516	3,406,895	416,287	10,607,885
Exchange adjustments	(130,281)	(102,285)	(45,559)	(5,430)	(115,598)	(20,951)	(420,104)
Additions	296,440	248,457	134,759	10,169	131,637	264,779	1,086,241
Reclassification	–	32,272	1,107	–	–	(33,379)	–
Reclassification from inventory	1,137,734	–	–	–	–	–	1,137,734
Disposal of a subsidiary (note 40)	–	–	(6)	–	–	–	(6)
Disposals/written off	(4,340)	(546)	(8,934)	(6,417)	(10,762)	(8,516)	(39,515)
At 31 December 2023	3,837,950	3,013,028	1,330,027	160,838	3,412,172	618,220	12,372,235
DEPRECIATION, AMORTISATION AND IMPAIRMENT							
At 1 January 2022	786,646	1,058,050	753,021	142,860	2,320,515	–	5,061,092
Exchange adjustments	(50,885)	(65,433)	(45,473)	(8,167)	(147,857)	–	(317,815)
Provided for the year	100,667	100,823	71,627	12,546	212,935	–	498,598
Reclassification to assets held for sale	–	–	(255)	–	–	–	(255)
Reversal of impairment loss recognised in profit or loss	–	(76)	–	–	(26,324)	–	(26,400)
Eliminated on disposal of subsidiaries	–	–	–	–	(33,140)	–	(33,140)
Eliminated on liquidation of a subsidiary	–	–	(1,740)	(344)	–	–	(2,084)
Eliminated on disposals/written off	(175)	(14,266)	(24,058)	(12,521)	(10,061)	–	(61,081)
At 31 December 2022	836,253	1,079,098	753,122	134,374	2,316,068	–	5,118,915
Exchange adjustments	(33,252)	(39,540)	(27,377)	(4,736)	(85,750)	–	(190,655)
Provided for the year	130,376	99,568	71,130	12,812	184,898	–	498,784
Impairment loss recognised in profit or loss	–	–	–	–	6,645	–	6,645
Eliminated on disposal of a subsidiary	–	–	(5)	–	–	–	(5)
Eliminated on disposals/written off	(4,104)	(434)	(8,713)	(5,374)	(9,589)	–	(28,214)
At 31 December 2023	929,273	1,138,692	788,157	137,076	2,412,272	–	5,405,470
CARRYING VALUES							
At 31 December 2023	2,908,677	1,874,336	541,870	23,762	999,900	618,220	6,966,765
At 31 December 2022	1,702,144	1,756,032	495,538	28,142	1,090,827	416,287	5,488,970

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Notes:

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

Hotel property	Over the period of the lease term
Leasehold land and buildings	The shorter of 4% – 5% or over the period of the lease term
Furniture, fixtures and equipment	5% – $33^{1}/_{3}$% or over the period of the lease in case of fixtures in rented premises, if shorter
Motor vehicles	10% – 30%
Plant and machinery	5% – 20%

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

	2023 HK$'000	2022 HK$'000
Leasehold land in the PRC	**4,258,186**	2,919,952
Leases in Hong Kong	**524,827**	538,224
	4,783,013	3,458,176

16. RIGHT-OF-USE ASSETS

	Leasehold land HK$'000	**Leased properties (Note i) HK$'000**	**Total HK$'000**
As at 31 December 2023			
Carrying amount	**481,818**	**124,355**	**606,173**
As at 31 December 2022			
Carrying amount	506,498	134,195	640,693
For the year ended 31 December 2023			
Depreciation charge	**11,307**	**55,563**	**66,870**
Exchange difference	**(12,398)**	**(4,501)**	**(16,899)**
For the year ended 31 December 2022			
Depreciation charge	7,924	62,891	70,815
Exchange difference	(42,493)	(7,575)	(50,068)

16. RIGHT-OF-USE ASSETS (continued)

	2023 HK$'000	2022 HK$'000
Expense relating to short-term leases	**64,020**	12,729
Total cash outflow for leases (Note ii)	**163,227**	136,205
Additions to right-of-use assets (Note iii)	**51,980**	79,228
Disposal of a subsidiary (note 40)	–	(12,242)
Early termination of lease	–	(2,100)

Notes:

(i) The Group leases various office premises and apartment units for its operations. Majority of the lease contracts are entered into for lease terms of 2 to 5 years (2022: 2 to 5 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease terms and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

(ii) Total cash outflow for leases included the repayment of lease liabilities and related interest paid, expense relating to short-term leases and expense relating to leases of low-value assets.

(iii) Amounts of HK$51,980,000 (2022: HK$79,228,000) resulting from new leases entered amounting HK$49,285,000 (2022: HK$77,128,000).

The Group regularly entered into short-term leases for leased properties. As at 31 December 2023 and 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense during the relevant year.

Restrictions or covenants on leases

In addition, in respect of right-of-use assets of HK$124,355,000 (2022: HK$134,195,000) and the associated lease liabilities of HK$165,261,000 (2022: HK$210,763,000) as at 31 December 2023, the lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

17. TOLL ROAD OPERATING RIGHTS

	HK$'000
COST	
At 1 January 2022	16,511,517
Exchange adjustments	(1,304,277)
At 31 December 2022	15,207,240
Exchange adjustments	(403,184)
At 31 December 2023	14,804,056
AMORTISATION AND IMPAIRMENT	
At 1 January 2022	9,912,231
Charged for the year	533,375
Exchange adjustments	(792,695)
At 31 December 2022	9,652,911
Charged for the year	742,142
Exchange adjustments	(259,679)
At 31 December 2023	10,135,374
CARRYING VALUES	
At 31 December 2023	4,668,682
At 31 December 2022	5,554,329

Notes:

(i) The toll road operating rights represent:

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

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

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

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

18. GOODWILL

	HK$'000
COST	
At 1 January 2022	1,017,896
Exchange adjustments	(64,715)
At 31 December 2022	953,181
Exchange adjustments	(20,005)
At 31 December 2023	933,176
IMPAIRMENT	
At 1 January 2022	427,308
Exchange adjustments	(21,323)
At 31 December 2022	405,985
Exchange adjustments	(6,592)
At 31 December 2023	399,393
CARRYING VALUES	
At 31 December 2023	533,783
At 31 December 2022	547,196

For the purpose of impairment testing, goodwill arising on business combinations as set out above was allocated, at acquisition, to three (2022: four) cash generating units ("CGUs"), comprising one (2022: one) subsidiary in the infrastructure and environmental protection segment, one (2022: one) subsidiary in the real estate segment and one (2022: one) subsidiary in the consumer products segment, that are expected to benefit from that business combination as follows:

	2023 **HK$'000**	2022 HK$'000
Infrastructure and environmental protection	**492,510**	505,923
Real estate	**23,604**	23,604
Consumer products	**17,669**	17,669
	533,783	547,196

The recoverable amounts of the infrastructure and environmental protection CGU have been determined based on a value in use calculation.

For infrastructure and environmental protection CGU, the value in use is determined by discounting the future cash flows to be generated from the continuing use of waste water treatment plant and waste incineration power generation plant over the service concession periods ranging from 20 to 30 years, using a discount rate of 8% (2022: 8%). Since the recoverable amount of the CGU is higher than its carrying amount, the management of the Group considers that the goodwill is not impaired.

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

19. OTHER INTANGIBLE ASSETS

	Operating concessions HK$'000 (Note i)	Premium on leasehold land/prepaid lease payments HK$'000 (Note ii)	Trademark HK$'000 (Note iii)	Others HK$'000	Total HK$'000
COST					
At 1 January 2022	10,759,776	1,708	62,577	15,630	10,839,691
Exchange adjustments	(240,685)	(135)	(4,943)	–	(245,763)
Acquisition of a subsidiary (note 37)	418,037	–	–	–	418,037
Disposal of a subsidiary (note 40)	(456,596)	–	–	–	(456,596)
Additions	93,175	–	–	–	93,175
At 31 December 2022	10,573,707	1,573	57,634	15,630	10,648,544
Exchange adjustments	(290,740)	(42)	(1,528)	–	(292,310)
Additions	2,148,227	–	–	–	2,148,227
At 31 December 2023	12,431,194	1,531	56,106	15,630	12,504,461
AMORTISATION AND IMPAIRMENT					
At 1 January 2022	2,235,260	707	–	–	2,235,967
Exchange adjustments	135,721	(58)	–	–	135,663
Disposal of a subsidiary (note 40)	(205,110)	–	–	–	(205,110)
Charged for the year	402,946	83	–	–	403,029
At 31 December 2022	2,568,817	732	–	–	2,569,549
Exchange adjustments	(69,582)	(20)	–	–	(69,602)
Charged for the year	383,798	80	–	–	383,878
At 31 December 2023	2,883,033	792	–	–	2,883,825
CARRYING VALUES					
At 31 December 2023	9,548,161	739	56,106	15,630	9,620,636
At 31 December 2022	8,004,890	841	57,634	15,630	8,078,995

Notes:

(i) Operating concessions represent the rights to operate waste water treatment, water supply and waste incineration plants and are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on a straight-line basis over the respective periods of the operating concessions granted to the Group of 7 to 50 years. Details of these operating concessions are set out in note 23.

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

(iii) The trademark has a legal life of 10 years from September 2021 to September 2031 and is renewable upon expiry. The directors of the Company are of the opinion that the Group will renew the trademark continuously and has the ability to do so at minimal cost. Various studies including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by management of the Group, which supports that the trademark has no foreseeable limit to the period over which the trademarked products are expected to generate net cash inflow for the Group.

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

For the purpose of impairment testing, trademark with indefinite useful life set out above has been allocated to the individual CGU, comprising one subsidiary in the real estate segment. For the years ended 31 December 2023 and 2022, management of the Group has determined that there is no impairment of the CGU containing trademark by reference to the recoverable amount of the CGU, which has been determined based on a value in use calculation.

20. INTERESTS IN JOINT VENTURES

	2023 HK$'000	2022 HK$'000
Cost of unlisted investments in joint ventures	**10,476,060**	10,476,060
Share of post-acquisition profits and other comprehensive income, net of dividends received/declared	**885,797**	1,087,945
	11,361,857	11,564,005

Notes:

(i) Summarised financial information in respect of the Group's material interests in joint ventures, namely 中環保水務投資有限公司 (General Water of China Co., Ltd.) ("General Water"), 上海諾卓企業管理有限公司 (Shanghai Nuozhuo Enterprise Management Company Limited") ("Shanghai Nuozhuo"), S.I. Yangtze River Delta Ecological Development Limited ("Yangtze River Delta") and Beiwaitan New Landmark is set out below. The summarised financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with HKFRSs.

All joint ventures are accounted for using the equity method in these consolidated financial statements.

	General water		Shanghai Nuozhuo		Yangtze River Delta		Beiwaitan New Landmark	
	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000
Current assets	**2,092,564**	2,515,470	**77**	86	**302,601**	210,889	**31,924**	443,647
Non-current assets*	**6,821,966**	6,850,506	**2,893,250**	2,972,046	**11,374,983**	10,985,109	**11,152,473**	10,511,602
Current liabilities	**(2,340,941)**	(2,663,177)	**(462)**	(475)	**(2,396,334)**	(30,514)	**(226,113)**	(50)
Non-current liabilities	**(1,519,826)**	(1,709,033)	**–**	–	**(8,751,995)**	(10,762,716)	**(364,291)**	–
Non-controlling interests	**(764,814)**	(770,217)	**–**	–	**–**	–	**–**	–
The above amounts of assets and liabilities include the following:								
Cash and cash equivalents	**1,425,279**	1,192,121	**77**	86	**222,280**	210,889	**5,625**	335,314
Current financial liabilities (excluding trade and other payables and provisions)	**(885,181)**	(912,074)	**–**	–	**(2,396,334)**	(30,369)	**–**	–
Non-current financial liabilities (excluding trade and other payables and provisions)	**(1,519,664)**	(1,375,242)	**–**	–	**(8,751,995)**	(10,762,716)	**(350,456)**	–
Revenue	**2,135,754**	2,149,875	**–**	–	**–**	–	**–**	–
Profit (loss) for the year	**265,332**	248,375	**(6)**	(11,683)	**315,928**	207,447	**33,381**	(279)
Other comprehensive expenses for the year	**(114,818)**	(365,335)	**(78,787)**	(255,508)	**(189,438)**	(106,009)	**(394,586)**	(641,525)
Total comprehensive income (expenses) for the year	**150,514**	(116,960)	**(78,793)**	(267,191)	**126,490**	101,438	**(361,205)**	(641,804)
Dividends received during the year	**85,113**	108,302	**–**	–	**–**	–	**–**	–
The above (loss) profit for the year includes the following:								
Depreciation and amortisation	**(147,569)**	(285,916)	**–**	–	**–**	–	**–**	–
Interest income	**23,159**	23,034	**–**	–	**–**	142	**–**	–
Interest expense	**(40,838)**	(84,171)	**–**	–	**(496,193)**	(154,886)	**(394)**	(287)
Income tax expense	**(128,263)**	(153,897)	**–**	–	**–**	–	**–**	–

* The balances of General Water and Yangtze River Delta mainly comprise operating concessions and the balances of Shanghai Nuozhuo and Beiwaitan New Landmark mainly comprise land costs relating to properties under development for rentals.

20. INTERESTS IN JOINT VENTURES (continued)

Notes: (continued)

(i) (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in joint ventures recognised in the consolidated financial statements:

	General water		Shanghai Nuozhuo		Yangtze River Delta		Beiwaitan New Landmark	
	2023 HK$'000	2022 HK$'000	**2023 HK$'000**	2022 HK$'000	**2023 HK$'000**	2022 HK$'000	**2023 HK$'000**	2022 HK$'000
Equity attributable to owners of the joint venture	**4,288,949**	4,223,549	**2,892,865**	2,971,657	**529,255**	402,768	**10,593,993**	10,955,199
Proportion of the Group's ownership interest	**45%**	45%	**50%**	50%	**50%**	50%	**50%**	50%
Carrying amount of the Group's interest in the joint venture	**1,930,027**	1,900,597	**1,446,433**	1,485,829	**264,628**	201,384	**5,296,997**	5,477,599

Aggregate information of joint ventures that are not individually material:

	2023 HK$'000	2022 HK$'000
The Group's share of profit	**45,948**	89,807
The Group's share of other comprehensive expense	**(43,140)**	(214,121)
The Group's share of total comprehensive income (expense)	**2,808**	(124,314)
Dividends received during the year	**77,632**	–
Aggregate carrying amount of the Group's interests in these joint ventures	**2,423,772**	2,498,596

(ii) The Group has discontinued recognition of its share of profit (loss) of a joint venture. The amounts of unrecognised share of the joint venture, both for the year and cumulatively, are as follows:

	2023 HK$'000	2022 HK$'000
Unrecognised share of profit of a joint venture for the year	**218**	290
Accumulated unrecognised share of losses of a joint venture	**(3,768)**	(3,986)

(iii) Details of the Group's principal joint ventures at the end of the reporting period are set out in note 51.

21. INTERESTS IN ASSOCIATES

	2023 HK$'000	2022 HK$'000
Cost of investments in associates	**6,441,693**	6,996,913
Share of post-acquisition profit and other comprehensive income, net of dividends received/declared	**711,210**	482,655
	7,152,903	7,479,568
Fair value of listed investment in an associate – Canvest Environmental	**1,772,686**	2,000,807

Notes:

(i) Included in the cost of investments is goodwill of HK$717,597,000 (2022: HK$717,597,000) arising on acquisitions.

(ii) As at 31 December 2023, despite the shortfall of the market value of the relevant interest of Canvest Environmental amounted to HK$729,528,000 (2022: HK$381,367,000) compared to the carrying amount of the relevant interest, the management of the Group has determined that there is no impairment on the carrying amount of the Group's interest in Canvest Environmental by reference to the recoverable amount of the relevant interest, which has been determined based on a value in use calculation with reference to the future dividend yields and disposal value of the relevant interest.

(iii) Summarised financial information in respect of the Group's material associates, namely 上海莘天置業有限公司 ("Shanghai Shentian"), 寧波市杭州灣大橋發展有限公司 ("Hangzhou Bay Bridge"), Canvest Environmental and Shanghai Galaxy Investment Co., Ltd. ("Shanghai Galaxy"), is set out below. The summarised financial information below represents amounts shown in the associates' financial statements prepared in accordance with HKFRSs.

(iv) All associates are accounted for using the equity method in these consolidated financial statements.

	Shanghai Shentian		Hangzhou Bay Bridge		Canvest Environmental		Shanghai Galaxy	
	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000
Current assets*	**7,020,847**	6,024,622	**2,387,190**	131,687	**4,822,820**	4,478,785	**4,037,407**	4,263,899
Non-current assets**	**21,315**	25,012	**7,346,625**	8,258,333	**22,115,092**	21,183,413	**6,202,132**	6,906,045
Current liabilities	**(1,461,609)**	(1,122,710)	**(1,248,742)**	(650,444)	**(4,814,978)**	(3,836,040)	**(3,525,357)**	(4,087,635)
Non-current liabilities	**(1,485,654)**	(692,878)	**(3,153,194)**	(2,572,828)	**(12,591,501)**	(12,980,235)	**(3,152,878)**	(3,620,212)
Non-controlling interests	**–**	–	**–**	–	**(370,154)**	(300,872)	**(541,703)**	(473,090)

* The balances of Shanghai Shentian mainly comprise land and construction costs relating to PUDFS sale and PHFS.

** The balances of Hangzhou Bay Bridge and Canvest Environmental mainly comprise operating concessions. The balances of Shanghai Galaxy mainly comprise property, plant and equipment.

21. INTERESTS IN ASSOCIATES (continued)

Notes: (continued)

(iv) (continued)

	Shanghai Shentian		Hangzhou Bay Bridge		Canvest Environmental		Shanghai Galaxy	
	2023 HK$'000	2022 HK$'000	**2023 HK$'000**	2022 HK$'000	**2023 HK$'000**	2022 HK$'000	**2023 HK$'000**	2022 HK$'000 (note)
Revenue	**4,412**	–	**2,385,111**	1,941,800	**4,980,160**	8,246,645	**825,105**	939,136
(Loss) profit for the year	**(27,028)**	(30,075)	**958,981**	668,793	**850,436**	1,359,463	**157,106**	71,553
Other comprehensive expense for the year	**(112,119)**	(364,783)	**(204,853)**	(581,762)	**(176,365)**	(174,420)	**(126,512)**	(258,290)
Total comprehensive (expense) income for the year	**(139,147)**	(394,858)	**754,128**	87,031	**674,071**	1,185,043	**30,594**	(186,737)
Dividends received during the year	**–**	–	**588,988**	786,891	**57,844**	292,762	**–**	33,662

(v) Reconciliation of the above summarised financial information to the carrying amount of the interest in associates recognised in the consolidated financial statements:

	Shanghai Shentian		Hangzhou Bay Bridge		Canvest Environmental		Shanghai Galaxy	
	2023 HK$'000	2022 HK$'000	**2023 HK$'000**	2022 HK$'000	**2023 HK$'000 (note)**	2022 HK$'000 (note)	**2023 HK$'000**	2022 HK$'000
Equity attributable to owners of the associate	**4,094,899**	4,234,046	**5,331,879**	5,166,748	**9,161,279**	8,545,051	**3,019,601**	2,989,007
Proportion of the Group's ownership interest	**35%**	35%	**23.06%**	23.06%	**19.48%**	19.48%	**45%**	45%
Goodwill	**–**	–	**–**	–	**717,597**	717,597	**–**	–
Carrying amount of the Group's interest in the associate	**1,433,215**	1,481,916	**1,229,531**	1,191,452	**2,502,214**	2,382,173	**1,358,820**	1,345,053

Note: The Group is able to exercise significant influence over Canvest Environmental as the Group is the second largest shareholder and has appointed a director to the board of Canvest Environmental. Canvest Environmental is accounted for as an associate using the equity method accordingly.

Aggregate information of associates that are not individually material:

	2023 HK$'000	2022 HK$'000
The Group's share of loss	**(10,983)**	(308,147)
The Group's share of other comprehensive expense	**(29,733)**	(107,179)
The Group's share of total comprehensive expenses	**(40,716)**	(415,326)
Dividends received during the year	**976**	3,523
Aggregate carrying amount of the Group's interests in the associates	**629,123**	1,078,974

(vi) Details of the Group's principal associates at the end of the reporting period are set out in note 52.

22. INVESTMENTS

	2023 HK$'000	2022 HK$'000
Equity instruments at FVTPL		
Listed equity securities	**235,368**	268,387
Unlisted equity securities	**7,731**	7,939
	243,099	276,326
Financial assets at FVTPL		
Unlisted exchangeable bonds (Note i)	**1,637,000**	–
Equity instruments at FVTOCI		
Listed equity securities (Note ii)	**39,020**	46,780
Unlisted equity securities (Note iii)	**402,563**	340,135
	441,583	386,915
Total investments	**2,321,682**	663,241
Analysed for reporting purposes as:		
Current portion	**242,527**	275,739
Non-current portion	**2,079,155**	387,502
	2,321,682	663,241

Notes:

(i) On 5 October 2023, the Company entered into an subscription agreement with an independent third party for the subscription of exchangeable bonds in the principal amount of HK$1,637,000,000. The exchangeable bonds will entitle the Company to exchange for no more than 243,954,117 ordinary shares of Canvest Environmental at an initial exchange price of HK$6.71 per shares, representing approximately 10% of the entire share issued share capital of Canvest Environmental as at the issue date. The option to exchange for additional interest in Canvest Environmental does not result in an in-substance ownership interest because it does not, in substance, currently gives access to the returns associated with an ownership interest. The exchangeable bonds carry interest at an initial interest rate of 2.8% per annum (subject to adjustment) and will be mature in year 2030. For more details of the terms for the exchangeable bonds could refer to the Company's announcement on 5 October 2023.

The exchangeable bonds are measured at FVTPL. As at 31 December 2023, the fair value has been arrived on the basis of valuation carried out by Greater China Appraisal Limited ("Greater China"). Greater China is a member of the Institute of Valuers and a firm of independent qualified professional valuer not connected with the Group. Greater China possesses appropriate qualifications and experience in the valuation of financial assets.

(ii) The above listed equity securities as at 31 December 2023 and 2022 represent ordinary shares of entities listed in the PRC and/or HK. These investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss is not be consistent with the Group's strategy of holding these investments for long-term strategic purposes and realising their performance potential in the long run.

(iii) The above unlisted equity securities as at 31 December 2023 and 2022 represent the Group's equity interest in private entities established in the PRC. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they consider that the equity instruments are held for long-term strategic purposes and will realise their performance in the long run.

23. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS

In addition to the Group's toll road operating rights as disclosed in note 17, the Group also has the following service concession arrangements.

(I) Nature of arrangements

The Group through its subsidiaries engages in the businesses of waste water treatment, water supply, waste incineration and sludge treatment in the PRC and has entered into a number of service concession arrangements with certain governmental authorities or their agencies in the PRC on a Build-Operate-Transfer ("BOT"), a Transfer-Operate-Transfer ("TOT"), Build-Operate-Own ("BOO") or Transfer-Operate-Own ("TOO") basis in respect of its businesses. These service concession arrangements generally involve the Group as an operator to (i) construct waste water treatment, water supply, waste incineration and sludge treatment plants for those arrangements on a BOT and BOO basis; (ii) pay a specific amount for those arrangements on a TOT and TOO basis; (iii) operate and maintain the waste water treatment, water supply, waste incineration and sludge treatment plants at a specified level of serviceability on behalf of the relevant governmental authorities for periods ranging from 20 to 50 years (the "service concession periods"), and the Group will be paid for its services over the relevant periods of the service concession arrangements at prices stipulated through pricing mechanism. The plants will be transferred to the respective grantors at the end of the service concession periods for BOT and TOT.

The Group is generally entitled to operate all the property, plant and equipment of the waste water treatment, water supply, waste incineration and sludge treatment plants, however, the relevant governmental authorities as grantors control and regulate the scope of services that the Group provides to the waste water treatment, water supply, waste incineration and sludge treatment plants and retain the beneficial entitlement to any residual interest in the waste water treatment, water supply, waste incineration and sludge treatment plants at the end of the service concession periods. Each of these service concession arrangements is governed by a contract and, where applicable, supplementary agreements entered into between the Group and the relevant governmental authorities or their agencies in the PRC that set out, inter alia, performance standards, mechanisms for adjusting prices for the services rendered by the Group, specific obligations levied on the Group to restore the waste water treatment, water supply, waste incineration and sludge treatment plants to a specified level of serviceability at the end of the service concession periods, and arrangements for arbitrating disputes.

23. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS (continued)

(I) Nature of arrangements (continued)

At 31 December 2023, the Group had 198 (2022: 193) service concession arrangements on waste water treatment, 23 (2022: 23) service concession arrangements on water treatment and distribution, 4 (2022: 4) service concession arrangements on waste incineration and 11 (2022: 10) service concession arrangements on sludge treatment. A summary of the major terms of the principal service concession arrangements is set out below:

Name of subsidiaries as operator	Project name	Location in the PRC	Name of grantor	Type of service concession arrangement	Daily design capacity (tons/day)	Service concession period
Longjiang Environmental Protection Group Co., Ltd. ("Longjiang Group")	Harbin Wenchang Upgrade BOT	Harbin, Heilongjiang Province	哈爾濱市水務局	BOT (Financial assets)	1,350,000	29 years from 2011
Wuhan Hanxi Wastewater Treatment Co., Ltd.	Wuhan Hanxi Wastewater Treatment 1st Stage and 2nd Stage (Expansion)	Wuhan, Hubei Province	武漢市人民政府	BOT (Financial assets)	600,000	30 years from 2005
Yiyang City Tap Water Co., Ltd.	Yiyang City Water Supply	Yiyang, Hunan Province	益陽市住房和城鄉建設局	TOT and BOT (Intangible assets)	520,000	28 years from 2016
Wuhan Huang-Pi SIIC Water Services Co., Ltd. ("Wuhan Huang-Pi")	Wuhan Huang-Pi Kaidi Water Supply	Huang-Pi, Hubei Province	武漢市黃陂區政府	BOT (Intangible assets)	430,000	30 years from 2008
Jiamusi Longjiang Environmental Protection Water Supply Co., Ltd.	Jiamusi Water Supply TOT	Jiamusi, Heilongjiang Province	佳木斯市新時代城市基礎設施建設投資(集團)有限公司	TOT (Intangible assets)	360,000	30 years from 2012
Longjiang Group	Harbin Taipin Wastewater Treatment BOT	Harbin, Heilongjiang Province	哈爾濱供排水集團有限責任公司	BOT (Financial assets)	325,000	25 years from 2005
Longjiang Group	Harbin Wenchang Wastewater Treatment TOT	Harbin, Heilongjiang Province	哈爾濱市水務局	TOT (Financial assets)	325,000	30 years from 2010
Weifang City Tap Water Co., Ltd.	Weifang City Tap Water Supply	Weifang, Shandong Province	濰坊市人民政府	TOT and BOT (Intangible assets)	320,000	25 years from 2007
Mudanjiang Longjiang Environmental Protection Water Supply Co., Ltd.	Mudanjiang Water Supply TOT	Mudanjiang, Heilongjiang Province	牡丹江市城市投資集團有限公司	TOT (Intangible assets)	300,000	30 years from 2010

23. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENTS (continued)

(I) Nature of arrangements (continued)

As explained in the accounting policy for "Service concession arrangements" set out in note 3, a service concession arrangement is accounted for as an intangible asset (operating concession) or a financial asset (receivables under service concession arrangements) or a combination of both, as appropriate. The intangible asset component is detailed in note 19 and the financial asset component is as follows:

	2023	2022
	HK$'000	HK$'000
Receivables under service concession arrangements	**25,776,269**	26,815,209
Less: current portion classified as current assets	**(986,928)**	(840,367)
Non-current portion	**24,789,341**	25,974,842

During the year, the Group recognised interest income of HK$1,361,851,000 (2022: HK$1,453,152,000) and construction income of HK$2,276,496,000 (2022: HK$3,998,010,000) as revenue under the line item "income from infrastructure and environmental protection" from service concession arrangements. The effective interest rate applied ranges from 3.3% to 8.0% (2022: 4.9% to 8.0%) per annum and the overall gross profit margin for construction contracts is at 12% (2022: 12%).

(II) Provision for major overhauls

Pursuant to the service concession agreements, the Group has contractual obligations to maintain the waste water treatment, water supply, waste incineration and sludge treatment plants to a specified level of serviceability and/or to restore the plants to a specified condition before they are handed over to the grantors at the end of the service concession periods. These contractual obligations to maintain or restore the waste water treatment, water supply, waste incineration and sludge treatment plants, except for any upgrade element, are recognised and measured in accordance with HKAS 37, i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the end of the reporting period. The future expenditure on these maintenance and restoration costs is collectively referred to as "major overhauls". The estimation basis is reviewed on an ongoing basis, and revised where appropriate.

The movements in the provision for the major overhauls of waste water treatment, water supply, waste incineration and sludge treatment plants during the current and prior years are as follows:

	HK$'000
At 1 January 2022	89,298
Exchange adjustments	(7,043)
Provided during the year	386
Settlement during the year	(2,157)
At 31 December 2022	80,484
Exchange adjustments	(2,145)
Provided during the year	4,202
Settlement during the year	(1,974)
At 31 December 2023	80,567

24. DEPOSITS PAID ON ACQUISITION OF NON-CURRENT ASSETS

	2023 HK$'000	2022 HK$'000
Services concession arrangements	**416,941**	168,455
Acquisition of land parcels (Note i)	**–**	4,403,038
Others (Note ii)	**37,345**	105,942
	454,286	4,677,435

Notes:

(i) During the year ended 31 December 2020, the Group won the bid in respect of three parcels of land located in Shanghai, the PRC, through listing for sale at a total consideration of approximately RMB3,893 million (equivalent to approximately HK$4,403 million), for the purpose of development into an urban complex with A grade office building, service apartment, theme commercial building and cultural and entertainment facilities. As at 31 December 2022, the consideration was paid in full and was accounted for as a deposit paid. During the year ended 31 December 2023, the land use right certificate was obtained and the deposit was transferred to investment properties.

(ii) Others represent deposits paid by the Group in connection with the acquisition of property, plant and equipment and intangible assets for the Group's new production facilities and projects under infrastructure and environmental protection segment. The related capital commitments are disclosed in note 43.

25. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000	Amortisation of toll road operating rights HK$'000	Revaluation of investment properties HK$'000	LAT on revaluation of investment properties HK$'000	Tax losses HK$'000	Fair value adjustments on business combinations HK$'000	Undistributed earnings of PRC entities HK$'000	LAT on PUDFS/ PHFS HK$'000	Other deferred tax liabilities HK$'000	Other deferred tax assets HK$'000	Total HK$'000
At 1 January 2022	93,479	182,710	3,414,939	2,068,247	(88,623)	1,286,500	460,204	22,003	969,336	(50,036)	8,358,759
Exchange adjustments	(3,917)	(14,543)	(186,267)	(123,815)	7,041	(213,034)	(29,404)	(1,586)	(46,493)	3,836	(608,182)
Additions through acquisition of a subsidiary (note 37)	(760)	–	–	–	–	–	–	–	–	–	(760)
Liquidation of a subsidiary (note 41)	–	–	–	(11,745)	–	–	–	–	–	–	(11,745)
Disposal of a subsidiary (note 40)	(29,509)	–	–	–	–	–	–	–	–	–	(29,509)
Charged (credited) to profit or loss	102,450	3,846	2,549	35,095	309	(90,387)	(64,054)	(5,284)	92,216	(9,398)	67,342
Credited to other comprehensive income	–	–	–	–	–	–	–	–	(6,724)	–	(6,724)
At 31 December 2022	161,743	172,013	3,231,221	1,967,782	(81,273)	983,079	366,746	15,133	1,008,335	(55,598)	7,769,181
Exchange adjustments	(4,505)	(2,673)	(55,942)	(35,316)	1,398	(16,214)	(3,903)	(231)	(17,517)	1,148	(133,755)
Disposal of a subsidiary (note 40)	–	–	–	(7,378)	–	–	–	–	–	–	(7,378)
Charged (credited) to profit or loss	99,109	(15,361)	25,340	88,174	(550)	(20,862)	(135,699)	(1,551)	(20,224)	(11,309)	7,067
Credited to other comprehensive income	–	–	–	–	–	–	–	–	(974)	–	(974)
Credited to other comprehensive income upon disposal	–	–	–	–	–	–	–	–	(1,376)	–	(1,376)
At 31 December 2023	256,347	153,979	3,200,619	2,013,262	(80,425)	946,003	227,144	13,351	968,244	(65,759)	7,632,765

25. DEFERRED TAXATION (continued)

Notes:

(i) For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2023 HK$'000	2022 HK$'000
Deferred tax liabilities	**7,830,565**	7,924,365
Deferred tax assets	**(197,800)**	(155,184)
	7,632,765	7,769,181

(ii) At the end of the reporting period, the Group had unused tax losses of approximately HK$12,687 million (2022: HK$10,752 million) available for offset against future assessable profits. A deferred tax asset amounting to approximately HK$80.4 million (2022: HK$81.3 million) in respect of tax losses amounting to approximately HK$334 million (2022: HK$327 million) has been recognised. No deferred tax asset was recognised in respect of the remaining tax losses of approximately HK$12,353 million (2022: HK$10,425 million) due to the unpredictability of future profit streams. The Hong Kong tax losses of approximately HK$33.1 million (2022: HK$29.9 million) may be carried forward indefinitely and the remaining PRC tax losses of approximately HK$12,655 million (2022: HK$10,817 million) will expire in various dates in the next five years.

(iii) Under the Law of the PRC on EIT, withholding tax is imposed on dividends declared in respect of profits earned by PRC entities from 1 January 2008 onwards. At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed profits of subsidiaries for which deferred tax liabilities have not been recognised was approximately HK$3,023 million (2022: HK$3,074 million). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

(iv) Other deferred tax liabilities mainly include deferred tax on fair value change of financial assets classified as held for trading. Other deferred tax assets include deferred tax on (a) impairment loss on bad and doubtful debts, (b) pre-operating expenses and (c) accrued expenses.

26. INVENTORIES

	2023 HK$'000	2022 HK$'000
Properties under development held for sale	**21,091,444**	23,403,772
Properties held for sale	**11,266,144**	15,477,645
Raw materials	**1,262,131**	1,430,020
Work in progress	**42,870**	41,326
Finished goods	**210,036**	286,229
Merchandise held for resale	**35,463**	27,900
	33,908,088	40,666,892

At 31 December 2023, included in the above balances were PUDFS of HK$10,962,355,000 (2022: HK$13,675,599,000) which are not expected to be realised within one year.

Included in the PHFS as at 31 December 2023 were an amount of HK$3,827,994,000 (2022: HK$5,853,281,000) which represents properties located in first-tier cities, such as Beijing and Shanghai, the PRC and an amount of HK$7,438,150,000 (2022: HK$9,624,364,000) which represents properties located in other cities in the PRC.

Out of the above properties located in other cities in the PRC, an amount of HK$3,879,857,000 (2022: HK$4,917,646,000) had no pre-sale during the year and an amount of HK$3,835,093,000 (2022: HK$1,735,264,000) was identified as the Concerned PHFS by the management of the Group as detailed below.

26. INVENTORIES (continued)

As disclosed in note 4, the management of the Group identified the Concerned PHFS by reference to the cities and locations where the PHFS is located, the pre-sale status and other relevant market factors. The management of the Group assessed the net realisable values of the Concerned PHFS as at 31 December 2023, with reference to the valuations conducted by the Valuers. The net realisable values of the Group's Concerned PHFS was arrived at by the Valuers with reference to transaction price of comparable properties in the similar or same locations with adjustments made according to nature of each property and its specific location and condition.

During the year ended 31 December 2023, included in the impairment loss on PHFS of HK$1,040,789,000 (2022: HK$55,448,000) recognised in profit or loss is an impairment loss of HK$974,487,000 (2022: reversal of impairment loss of HK$225,000) in respect of concerned PHFS.

During the year ended 31 December 2023, an impairment loss of HK$184,187,000 (2022: HK$13,806,000) on certain PUDFS is recognised, taken into account the construction cost expended and the estimated construction cost to complete the development.

Included in PUDFS is leasehold lands measured at cost less any accumulated depreciation and any impairment losses. The residual values are determined as the estimated disposal value of the leasehold land component. No depreciation charge is made on the leasehold lands taking into account the estimated residual values as at 31 December 2023 and 2022.

During the year ended 31 December 2023, an impairment loss on inventories, other than properties of HK$32,389,000 (2022: reversal of impairment loss of HK$5,183,000) recognised in profit or loss.

27. TRADE AND OTHER RECEIVABLES

	2023 **HK$'000**	2022 HK$'000
Trade receivables		
– Goods and services	**5,765,009**	5,356,519
– Lease receivables	**14,223**	12,036
	5,779,232	5,368,555
Less: allowance for credit loss	**(515,373)**	(513,593)
	5,263,859	4,854,962
Other receivables (Note iv)	**3,048,775**	3,689,974
Amounts due from related parties (Note v)	**2,916,759**	2,926,705
Total trade and other receivables	**11,229,393**	11,471,641

As at 1 January 2022, trade receivable from contracts with customers amounted to HK$4,197,054,000.

27. TRADE AND OTHER RECEIVABLES (continued)

Notes:

(i) Before accepting any new customer, the Group assesses the potential customer's credit quality by investigating their historical credit records and defines credit limits by customer. Credit sales are made to customers with good credit history and credit limits granted to customers are under regular review. Majority of the trade receivables that are neither past due nor impaired has no default payment history.

(ii) The Group generally allows credit periods ranging from 30 days to 180 days to its trade customers, other than property buyers. For property sales, due to the nature of business, the Group generally grants no credit period to property buyers, unless it is specially approved. The following is an aged analysis of trade receivables, net of allowance for credit loss, presented based on the invoice or contract date, which approximates the respective revenue recognition dates.

	2023 HK$'000	2022 HK$'000
Within 30 days	**1,462,762**	1,304,312
Within 31-60 days	**571,207**	549,536
Within 61-90 days	**467,673**	438,491
Within 91-180 days	**866,332**	1,012,966
Within 181-365 days	**880,579**	726,332
Over 365 days	**1,015,306**	823,325
	5,263,859	4,854,962

(iii) As at 31 December 2023, included in the Group's trade receivables balance are debtors with an aggregate carrying amount of HK$2,366,033,000 (2022: HK$2,378,518,000) which is past due as at reporting date. The management of the Group considers no deterioration in credit qualities of the debtors and the settlement records from those debtors are satisfactory, the management of the Group concludes that these debtors are not considered a default and the impact of ECL for this past due trade receivables is insignificant.

(iv) As at 31 December 2023, other receivables amounting HK$3,048,775,000 (net of allowance of HK$2,432,993,000) (2022: HK$3,689,974,000 (net of allowance of HK$2,424,741,000)), mainly represented advances to contractors, other tax recoverable, sundry advance payments, prepayments and deposits.

(v) As at 31 December 2023, included in amounts due from related parties were: (i) unsecured amounts of HK$887,065,000 (2022: HK$1,086,170,000) due from certain associates of which an amount of HK$855,446,000 (2022: HK$878,743,000) carries fixed interest at prevailing market interest rates, an amount of HK$286,029,000 (2022: HK$273,007,000) entrustment fund provided by the Group and (ii) amounts of HK$2,029,694,000 (2022: HK$1,840,535,000) due from certain joint ventures with amounts of HK$1,724,869,000 (2022: HK$1,536,568,000) carries variable interest rates at 3 months Hong Kong Interbank Offered Rate ("HIBOR") plus a premium of 1.2%-2.4% per annum (2022: 3 months HIBOR plus a premium of 1.2%-2.4% per annum).

(vi) Details of impairment assessment of trade and other receivables are set out in note 55(b).

28. CONTRACT ASSETS

	2023 HK$'000	2022 HK$'000
Amounts due from contract customers	**83,487**	87,882

As at 1 January 2022, contract assets amounted to HK$116,869,000.

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditional on the Group's future performance. The contract assets are transferred to trade receivables when the rights become unconditional.

The Group's construction contracts include payment schedules which require stage payments over the construction period once certain specified milestones are reached. The Group has recognised a contract asset for any works performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

29. PLEDGED BANK DEPOSITS/SHORT-TERM BANK DEPOSITS/CASH AND CASH EQUIVALENTS

Pledged bank deposits carry fixed interest rate of 4.50% to 5.75% (2022: 0.10% to 3.00%) and represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to HK$183,023,000 (2022: HK$228,583,000) have been pledged to secure bank loans and are therefore classified as current assets. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

Short-term bank deposits with maturity of more than three months and within 1 year carry interest at market rates, ranging from 1.55% to 5.70% (2022: 1.10% to 5.40%) per annum.

Cash and cash equivalents include demand deposits and short term deposits with maturity less than three months for the purpose of meeting the Group's short term cash commitments, which carry interest at market rates range from 0.30% to 2.60% (2022: 0.01% to 3.65%).

The amounts of the Group's pledged bank deposits, short-term bank deposits and cash and cash equivalents and cash that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2023 HK$'000	2022 HK$'000
Renminbi ("RMB")	**321,989**	285,682
United States dollar ("USD")	**408,435**	655,686
Hong Kong dollar ("HK$")	**124,345**	107,388

30. TRADE AND OTHER PAYABLES

	2023 HK$'000	2022 HK$'000
Trade payables (Note i)	**5,992,936**	6,541,743
Bills payables	**10,954**	38,707
Other payables (Note ii)	**13,053,665**	12,914,771
Total trade and other payables	**19,057,555**	19,495,221

Notes:

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

	2023 HK$'000	2022 HK$'000
Within 30 days	**2,616,162**	3,811,887
Within 31-60 days	**195,799**	244,481
Within 61-90 days	**100,338**	119,369
Within 91-180 days	**212,867**	289,039
Within 181-365 days	**1,058,338**	320,681
Over 365 days	**1,809,432**	1,756,286
	5,992,936	6,541,743

(ii) Included in other payables as at 31 December 2023 were (a) amounts of HK$42,690,000 (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 (see note 47(I)(a)(iii)), (b) amounts of HK$121,778,000 (2022: HK$125,737,000) due to certain fellow subsidiaries, which are unsecured and have no fixed terms of repayment, (c) amounts of HK$1,678,023,000 (2022: HK$1,621,456,000) due to non-controlling interests, of which the amount of HK$1,365,351,000 (2022: HK$684,720,000) carries fixed interest at prevailing market interest rates, (d) amounts of HK$170,880,000 (2022: HK$180,358,000) due to other related parties, which are unsecured and have no fixed terms of repayment, and (e) accrued expenditure on properties under development of HK$4,009,281,000 (2022: HK$2,559,738,000).

31. CONTRACT LIABILITIES

	2023 HK$'000	2022 HK$'000
Amounts due to contract customers (Note i)	**26,708**	32,832
Customers deposits from sales of properties (Note ii)	**8,455,867**	15,536,124
	8,482,575	15,568,956

At as 1 January 2022, contract liabilities amounted to HK$20,618,731,000.

Notes:

(i) Construction contracts

When the Group receives deposits before the construction activity commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit.

(ii) Sales of properties

Customers deposits from sales of properties are liabilities in relation to sale and purchase agreements entered into with property buyers and their proceeds received on sales of property units that have not been recognised as revenue in accordance with the Group's revenue recognition policy. The Group normally receives 30% to 100% of the contract value as pre-sale proceeds from property buyers when they sign the sale and purchase agreement. The revenue recognised included in the contract liabilities at the beginning of the year amounted to HK$14,555,480,000 (2022: HK$11,401,504,000).

For properties under development for sale, the Group typically provides guarantees to banks in connection with the property buyers' mortgage loans to finance their purchase of the properties for an amount up to 70% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the property buyer's deposits and sell the property to recover any amounts paid by the Group to the bank. Unless there is significant drop in the market price, which is remote as considered by the directors of the Company, the Group would not be in a significant loss position in selling those properties out.

32. DEFERRED INCOME

On 22 June 2021, the Group through its indirect wholly-owned subsidiaries, entered into three compensation agreements with Shanghai Municipal Transportation Commission and Shanghai Municipal Investment (Group) Corporation, pursuant to which Shanghai Municipal transportation Commission agreed to pay the Group a pre-tax aggregate amount of RMB3,553 million as the economic compensation for the reduction of future toll fee revenue as a result from the waivers of toll mileage of certain entry sections of the three expressways operated by the Group. The Group continues to be responsible for the maintenance and operation of those entry sections of the relevant expressways for the remaining period of the respective toll road operating rights. The amount had been treated as deferred income.

The amount is transferred 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 period for which the Group is granted the rights to operate toll road. This policy has resulted in a credit to other income in the current year of HK$406 million (2022: HK$290 million). As at 31 December 2023, an amount of RMB2,493 million (equivalent to approximately HK$2,743 million) (2022: RMB2,860 million (equivalent to approximately HK$3,232 million)) deferred income remains to be unamortised, of which the amount of RMB413 million (equivalent to approximately HK$455 million) are expected to be amortised within one year.

33. BANK AND OTHER BORROWINGS

	2023 HK$'000	2022 HK$'000
Bank loans	**48,284,395**	47,322,197
Other loans	**10,378,966**	11,408,796
	58,663,361	58,730,993
Analysed as:		
Secured	**13,192,683**	14,180,397
Unsecured	**45,470,678**	44,550,596
	58,663,361	58,730,993
Carrying amount repayable:		
Within one year	**14,546,529**	17,902,765
More than one year but not more than two years	**12,945,775**	11,433,780
More than two years but not more than five years	**22,591,528**	21,523,684
Over five years	**8,579,529**	7,870,764
	58,663,361	58,730,993
Less: amounts due within one year shown under current liabilities	**(14,546,529)**	(17,902,765)
	44,116,832	40,828,228
Floating rate		
– expiring within one year	**10,580,399**	12,696,895
– expiring beyond one year	**35,475,846**	32,977,465
Fixed rate		
– expiring within one year	**3,966,130**	5,205,870
– expiring beyond one year	**8,640,986**	7,850,763
	58,663,361	58,730,993

Notes:

(i) The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2023	2022
Effective interest rate:		
Fixed-rate borrowings	**0.80%-4.50%**	0.80%-5.66%
Variable-rate borrowings	**0.80%-6.60%**	0.80%-7.40%

(ii) Included in the Group's bank borrowings is an amount of approximately HK$4,900 million (2022: HK$7,373million) drawn under syndicated loan facilities of approximately HK$4,900 million (2022: HK$7,373 million) obtained by the Group. During the year 31 December 2023, transaction costs of approximately HK$24 million (2022: HK$28 million) which were directly attributable to such bank borrowings were deducted from the fair values of the bank borrowings on initial recognition. At 31 December 2023, the carrying value of such bank borrowings was approximately HK$4,876 million (2022: HK$7,373 million).

33. BANK AND OTHER BORROWINGS (continued)

Notes: (continued)

(iii) Included in other loans are advanced bonds and medium term notes (the "Bonds and Notes") with an aggregate amount of HK$10,268,586,000 (2022: HK$11,223,507,000) issued by non-wholly owned subsidiaries of the Group (the "Issuers") in the PRC, which are listed on Shanghai Stock Exchange. The Bonds and Notes with an aggregate principal amount of RMB8,910,000,000 (2022: RMB10,260,000,000), are unsecured and have maturities of three to five years (2022: three to five years) falling due between 2024 and 2026 (2022: 2023 and 2026). The bondholders have the rights to request the Issuers to redeem the bonds at their third to fifth anniversary. The Bonds and Notes carry interest at fixed rates of 2.85% to 4.07% per annum (2022: a fixed rate of 3.07% to 4.07% per annum). The range of effective interest rates applied to the Bonds and Notes range from 2.95% to 4.06% per annum (2022: 2.85% to 4.39% per annum).

(iv) Certain bank facilities granted to the Group include requirements that (a) SIIC retains management control over the Company and holds not less than 35% of the Company's voting capital and (b) SIIC remains under the control of the Shanghai Municipal People's Government.

(v) The Group's variable-rate borrowings carry interest at HIBOR, Loan Prime Rate ("LPR") and People's Bank of China Lending Rate ("PBOCLR").

34. LEASE LIABILITIES

	2023 HK$'000	2022 HK$'000
Lease liabilities payable:		
Within one year	**53,860**	85,724
Within a period of more than one year but not more than two years	**67,322**	67,357
Within a period of more than two years but not more than five years	**27,539**	37,579
Within a period of more than five years	**16,540**	20,103
	165,261	210,763
Less: Amounts due for settlement with 12 months shown under current liabilities	**(53,860)**	(85,724)
Amounts due for settlement after 12 months shown under non-current liabilities	**111,401**	125,039

The weighted average incremental borrowing rates applied to lease liabilities range from 3.90% to 4.75% per annum (2022: 4.35% to 4.90% per annum).

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	HKD HK$'000	RMB HK$'000
As at 31 December 2023	9,170	90,321
As at 31 December 2022	15,335	117,921

35. SHARE CAPITAL

	Number of ordinary shares	Amount HK$'000
Ordinary shares, issued and fully paid:		
At 1 January 2022, 31 December 2022 and 31 December 2023	1,087,211,600	13,649,839

36. SHARE-BASED PAYMENT TRANSACTIONS

Details of the equity-settled share option scheme adopted by other member of the Group is as follow:

SI Urban Development Scheme

The principal terms of the SI Urban Development Scheme are set out below.

SI Urban Development, operates a share option scheme (the "SI Urban Development Scheme") which was first adopted on 16 May 2013 in an annual general meeting of SI Urban Development. Under the SI Urban Development Scheme, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the SI Urban Development Scheme and options granted and yet to be exercised under any other schemes shall not exceed 30% of the issued share capital of SI Urban Development from time to time. The maximum number of shares issued and to be issued upon exercise of the options granted to each participant in any 12-month period must not exceed 1% of the issued share capital of SI Urban Development at any time.

The offer of a grant of options may be accepted within 21 days from the date of the offer with signed acceptance letter comprising consideration of HK$1 received by SI Urban Development. The exercise period of the share options granted is determinable by the directors of SI Urban Development, but no later than 10 years from the date of the offer. The subscription price for the shares in respect of which options are granted is determinable by the directors of SI Urban Development, but in any case must be the highest of (i) the closing price of SI Urban Development's shares as stated in the Stock Exchange's daily quotations sheet on the date of the grant; (ii) the average closing price of SI Urban Development's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of SI Urban Development's shares.

During both years, no options were granted or outstanding under the SI Urban Development Scheme.

37. ACQUISITION OF SUBSIDIARIES

For the Year ended 31 December 2023

The Group has no significant acquisition during the year ended 31 December 2023.

For the year ended 31 December 2022

(i) Yunnan Water (Hong Kong) Co., Ltd.

On 3 November 2022, SIIC Environment acquired 100% equity interests in Yunnan Water (Hong Kong) Co., Ltd. ("Yun Shui") at a cash consideration of RMB296,260,000 (equivalent to HK$332,428,000) from certain independent third parties. Yun Shui is principally involved in the operation of 3 waste water treatment plants and 1 water supply plant with total design capacity of 160,000 tonnes/day, and is based in provinces of Jiangsu and Zhejiang, PRC.

Details of the assets acquired, liabilities recognised and consideration transferred in respect of the above acquisition are as follows:

	HK$'000
Consideration:	
Cash paid	332,428
Assets acquired and liabilities recognised at the date of acquisition:	
Property, plant and equipment	132
Other intangible assets	418,037
Deferred tax assets	760
Trade and other receivables	167,344
Inventories	497
Cash and cash equivalents	18,649
Trade and other payables	(166,786)
Bank borrowings	(106,205)
	332,428
Net cash outflow arising from acquisition:	
Cash consideration paid	332,428
Less: Cash and cash equivalents acquired	(18,649)
Net cash outflow on acquisition	313,779

(ii) Shanghai Industrial Clean Energy

On 21 June 2022, 上海躋沄基礎建設有限公司 ("Shanghai Jiyun"), a wholly-owned subsidiary of the Company, completed acquisition of 40% equity interest in the 上實清潔能源(上海)有限公司 ("Shanghai Industrial Clean Energy") from 上海上投資產經營有限公司 ("Shangtou Asset") as disclosed in note 47 (I)(h). The Company commenced to account for Shanghai Industrial Clean Energy using the principles of merger accounting as its subsidiary as Shanghai Industrial Clean Energy is under the common control of SIIC. No restatement of the comparative figures for the year ended 31 December 2022 has been made on the consolidated financial statements because the financial impact of the restatement of the assets and liabilities as at 1 January 2021 and 31 December 2021 and the profit and loss for the year ended 31 December 2021 are not material to the Group.

38. ACQUISITION OF ADDITIONAL INTEREST IN A NON-WHOLLY OWNED SUBSIDIARY THROUGH ACQUISITION OF A SUBSIDIARY

On 30 November 2022, the Group through an indirectly wholly-owned subsidiary of SI Urban Development, entered into a share transfer agreement with an independent third party ("the Vendor") to acquire the entire equity interest in Leap Charm Limited ("Leap Charm") at a consideration of RMB696,000,000 (equivalent to HK$781,477,000). The consideration comprises (a) the purchase price of the equity interest in Leap Charm in an amount of RMB490,346,000 (equivalent to HK$540,803,000); and (b) the repayment of a loan in an amount of RMB205,654,000 (equivalent to HK$240,674,000) owing by Leap Charm to an affiliate of the Vendor. The principal asset of the Leap Charm is 28.5% equity interest in an associate, 西安滻灞建設開發有限公司 ("西安滻灞"). 西安滻灞 and its subsidiaries were indirect non-wholly owned subsidiaries of the Group and were established to hold and develop a property project located in Xi'an in the PRC. The acquisition, in substance, is an acquisition of 28.5% additional interest in a subsidiary without change in control and is accounted for as an equity transaction. The transaction was completed in December 2022.

Details of the assets acquired, liabilities recognised and consideration transferred in respect of the above acquisition are as follows:

	HK$'000
Consideration:	
Cash paid	205,140
Consideration payable (included in other payable as at 31 December 2022 and fully paid in 2023)	576,337
	781,477
Assets acquired and liabilities recognised at the date of acquisition:	
Interests in an associate (Note)	110,239
Cash and cash equivalents	235
Trade and other payables	(227,917)
	(117,443)
Adjustment to other reserve as a result of the acquisition:	
Consideration or equity interest	(540,803)
Add: Non-controlling interests	635,529
Less: Fair value of identifiable net liabilities acquired	(117,443)
	(22,717)
Net cash outflow arising from acquisition:	
Cash consideration paid	205,140
Less: Cash and cash equivalents acquired	(235)
	204,905

Note: The balance has been eliminated in the Group's consolidated financial statements upon completion of the acquisition.

39. ASSETS CLASSIFIED AS HELD FOR SALE

For the year ended 31 December 2023

(i) In December 2023, the management of the Group resolved to dispose of an associate. Negotiations with several interested parties have subsequently taken place. The interest in the associate, which is expected to be sold within twelve months, have been classified as an asset held for sales with a carrying amount of HK$240,529,000, and is presented separately in the consolidated statement of financial position as at 31 December 2023.

The proceed of disposal are expected to exceed the net carrying amount of the interest in the associate and, accordingly, no impairment loss has been recognised on the classification of the asset held for sales. Up to the date of the auditor's report, the disposal has not yet been completed.

For the year ended 31 December 2022

(ii) In December 2021, the management of SIIC Environment resolved to dispose of one of the Group's subsidiaries. Negotiations with several interested parties have subsequently taken place. The assets and liabilities attributable to the subsidiary, which are expected to be sold within twelve months, have been classified as a disposal group held for sale in accordance with HKFRS 5, and are presented separately in the statement of financial position as at 31 December 2021. In August 2022, the disposal is completed and the details of which could refer to note 40(i).

(iii) In December 2022, the management of Shanghai Industrial Development Co. Ltd ("SI Development") resolved to dispose of its 90% equity interest in Shanghai Shisen Real Estate Co., Ltd ("Shanghai Shisen") to an independent third party. Negotiations with several interested parties were subsequently taken place. The assets and liabilities attributable to the subsidiary, which are expected to be sold within twelve months, have been classified as a disposal group held for sale in accordance with HKFRS 5, and are presented separately in the statement of financial position as at 31 December 2022. In January 2023, the disposal is completed and the detail of which could refer to note 40(i).

The major classes of assets and liabilities comprising the disposal group classified as held for sale as at 31 December 2023 and 2022 are as follows:

	2023 HK$'000	2022 HK$'000
Property, plant and equipment	–	265
Interest in an associate	**240,529**	–
Inventories	–	8,255,480
Trade and other receivables	–	168,497
Cash and cash equivalents	–	1,913
Total assets classified as held for sale	**240,529**	8,426,155
Trade and other payables	–	(5,670,187)
Bank and other borrowings	–	(2,637,460)
Total liabilities classified as held for sale	–	(8,307,647)

40. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2023

(i) During the year ended 31 December 2022, the management of SI Development resolved to disposal of its 90% equity interest in 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. The remaining 10% equity interest in Shanghai Shisen was transferred to financial assets at FVTOCI at a fair value of HK$36,634,000. The disposal was completed during the year ended 31 December 2023 and the consideration was received in full.

(ii) In April 2023, 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 was received in full.

	Shanghai Shisen HK$'000	Shanghai Huangguan HK$'000	Total 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

40. DISPOSAL OF SUBSIDIARIES (continued)

For the year ended 31 December 2022

(i) In August 2022, management of SIIC Environment completed the disposal of its 100% equity interest in Dazhou Jiajing Environment Renewable Resource Co. ("Dazhou") to an associate at a consideration of RMB283,281,000 (equivalent to HK$317,865,000).

(ii) During the year ended 31 December 2021, SIIC Environment entered into an equity transfer agreement with an independent third party to dispose of the entire 51% equity interest in Shenxian Si Environment Protection Energy Co., Ltd. ("Shenxian") for consideration of RMB4,134,000 (equivalent to HK$4,635,000) to a third party. The disposal was completed during the year ended 31 December 2022 and the consideration was received in full.

	Dazhou HK$'000	Shenxian HK$'000	Total HK$'000
The net assets of the subsidiaries being disposed of the disposal date are as follows:			
Consideration:			
Cash received	251,113	4,635	255,748
Consideration receivable (included in other receivables)	66,752	–	66,752
	317,865	4,635	322,500
Property, plant and equipment	81,051	5,049	86,100
Right-of-use assets	12,242	–	12,242
Other intangibles assets	251,486	–	251,486
Receivables under service concession arrangements	616,424	–	616,424
Inventories	1,141	–	1,141
Trade and other receivables	83,937	229	84,166
Cash and cash equivalents	115,314	714	116,028
Trade and other payables	(383,772)	(100)	(383,872)
Bank and other borrowings	(431,709)	–	(431,709)
Deferred tax liabilities	(29,509)	–	(29,509)
	316,605	5,892	322,497
Gain on disposal:			
Consideration	317,865	4,635	322,500
Net assets disposed of	(316,605)	(5,892)	(322,497)
Non-controlling interests	–	2,887	2,887
	1,260	1,630	2,890
Net cash inflow arising on disposal:			
Cash consideration received	251,113	4,635	255,748
Less: Cash and cash equivalents disposed of	(115,314)	(714)	(116,028)
	135,799	3,921	139,720

41. LIQUIDATION OF A SUBSIDIARY

For the year ended 31 December 2022

In previous years, SI Urban Development had a dispute with a non-controlling shareholder of its subsidiary, 昆山城開錦亭置業有限公司 ("昆山錦亭") regarding the arrangement of providing additional capital to 昆山錦亭, which in turns caused defaults of certain bank and other borrowings. In the current year, SI Urban Development completed litigation procedures and initiated a voluntary liquidation of 昆山錦亭. After the court's assignment of a liquidator to take over 昆山錦亭 and completion of the creditors' meeting in late July 2022, all the relevant activities of 昆山錦亭 are subject to direction by the liquidator. Accordingly, the Group lost control on 昆山錦亭 and it is de-consolidated from the Group's consolidated financial statements.

The net liabilities of 昆山錦亭 at the date the control was lost are as follow:

	HK$'000
Consideration:	
Cash consideration	–
Analysis of assets and liabilities over which control was lost:	
Investment properties	739,163
Property, plant and equipment	135
Deferred tax assets	11,745
Other receivables	8,693
Pledged bank deposits	3,429
Cash and cash equivalents	256
Trade and other payables	(33,149)
Amounts due to a non-controlling shareholder	(179,475)
Amounts due to the SI Urban Development	(417,582)
Bank and other borrowings	(218,373)
Net liabilities disposed of	(85,158)
Loss on liquidation:	
Consideration	–
Net liabilities disposed of	85,158
Non-controlling interests	(40,876)
	44,282
Add: ECL provided on receivable from 昆山錦亭	(289,113)
Presented as loss on liquidation of a subsidiary	(244,831)
Net cash outflow arising on the liquidation:	
Cash received	–
Less: cash and cash equivalents disposed of	(256)
	(256)

42. OPERATING LEASING ARRANGEMENTS

The Group as lessor

All of the Group's investment properties have committed tenants for the next two to ten years, certain of which with an option to renew the lease after that date at which time all terms are renegotiated.

Undiscounted lease payments receivable on leases are as follows:

	2023 HK$'000	2022 HK$'000
Within one year	**816,295**	848,198
In the second year	**439,980**	499,787
In the third year	**368,059**	377,642
In the fourth year	**320,130**	325,054
In the fifth year	**275,839**	298,974
After five years	**404,333**	594,402
	2,624,636	2,944,057

43. COMMITMENTS

	2023 HK$'000	2022 HK$'000
Expenditure contracted for but not provided in the consolidated financial statements in respect of		
– acquisition of property, plant and equipment and intangible assets	**28,493**	20,133
– additions in properties under development held for sale	**7,534,809**	13,390,000
– investments in joint ventures	**45,330**	47,281
– additions in construction in progress	**611,093**	1,228,700
	8,219,725	14,686,114

44. FINANCIAL GUARANTEE CONTRACTS AND CONTINGENT LIABILITIES

(a) Financial guarantee contracts

	2023 HK$'000	2022 HK$'000
Guarantees given to banks in respect of banking facilities utilised by		
– property buyers	**3,841,426**	4,736,227
– associates	**468,542**	713,704
– joint ventures	**1,898,677**	1,908,988
	6,208,645	7,358,919

Guarantees given to banks in respect of banking facilities utilised by property buyers

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

Guarantees given to banks in respect of banking facilities utilised by associates/joint ventures

The Group entered into agreements with banks to provide corporate guarantees with respect to bank loans granted to associates/joint ventures. In determining whether financial liabilities should be recognised in respect of the Group's financial guarantee contracts, the management of the Group exercised judgment in evaluation of the probability of resources outflow that would be required and the assessment of whether a reliable estimate could be made of the amount of the obligation. The management of the Group considers that the possibility of default by these parties is remote given their strong financial background and the good quality of assets. Accordingly, no ECL under HKFRS 9 has been made in the consolidated financial statements for these guarantees.

As at 31 December 2023, the Company entered into an agreement with a bank to provide a corporate guarantee with respect to the bank borrowing granted to a joint venture of the Group. The maximum liability of the Company under such guarantee was the outstanding amount of the bank borrowing to the joint venture of approximately HK$1,784 million (2022: HK$1,784 million).

In the opinion of the management of the Group, the fair values of the aforementioned financial guarantee contracts of the Group are insignificant.

Guarantees given to banks in respect of banking facilities utilised by subsidiaries

As at 31 December 2023, the Company granted financial guarantees to the extent of approximately HK$6,900 million (2022: HK$9,420 million) to banks in respect of banking facilities granted to its subsidiaries, out of which approximately HK$4,900 million (2022: HK$7,409 million) were utilised.

(b) Contingent liabilities

In the opinion of the management of the Group, there were no material contingent liabilities of the Group which required a separate disclosure in the consolidated financial statements for both years.

45. PLEDGE OF ASSETS

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

(i) investment properties with an aggregate carrying value of HK$10,459,444,000 (2022: HK$11,498,680,000);

(ii) leasehold land and buildings with an aggregate carrying value of HK$7,032,000 (2022: HK$8,959,000);

(iii) plant and machineries with an aggregate carrying value of HK$629,392,000 (2022: HK$150,424,000);

(iv) receivables under service concession arrangements/intangible assets with an aggregate carrying value of HK$16,437,625,000 (2022: HK$16,748,624,000);

(v) PUDFS with an aggregate carrying value of HK$12,924,145,000 (2022: HK$6,814,317,000);

(vi) PHFS with an aggregate carrying value of HK$129,973,000 (2022: HK$265,745,000);

(vii) trade receivables with an aggregate carrying value of HK$187,245,000 (2022: HK$170,359,000);

(viii) bank deposits with an aggregate carrying value of HK$183,023,000 (2022: HK$228,583,000);

(ix) equity interests of subsidiaries with an aggregate carrying value of HK$286,029,000 (2022: HK$169,511,000); and

(x) land use right with an aggregate carrying value of HK$610,000 (2022: HK$759,000).

46. RETIREMENT BENEFITS SCHEMES

The Company and its subsidiaries in Hong Kong operate a defined contribution retirement benefits scheme for their qualifying employees pursuant to the Occupational Retirement Schemes Ordinance. To comply with the Mandatory Provident Fund Schemes Ordinance, a Mandatory Provident Fund Scheme was also established. The assets of both schemes are held separately in funds which are under the control of independent trustees. The retirement benefits schemes contributions charged to the consolidated statement of profit or loss represent contributions payable by the Company and its subsidiaries in Hong Kong to the funds at rates specified in the rules of the schemes. When there are employees who leave the defined contribution retirement benefits scheme prior to becoming fully vested in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Company and its subsidiaries in Hong Kong.

For members of the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a monthly cap of HK$1,500.

The employees employed by the PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

At the end of the reporting period, no forfeited contributions were available to reduce the contribution payable in future years.

The total expense recognised in profit or loss of HK$327,274,000 (2022: HK$296,064,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes.

47. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES

During the year, the Group had significant transactions and balances with related parties, some of which are also deemed to be connected persons pursuant to the Listing Rules.

(I) Related parties and connected persons

(a) Save as disclosed in elsewhere in these consolidated financial statements, the significant connected transactions pursuant to the Listing Rules during the year, and significant balances with them at the end of the reporting period, are as follows:

Related parties and connected persons	Nature of transactions and balances	**2023 HK$'000**	2022 HK$'000
Transactions			
Fellow subsidiaries	Expenses relating to short-term leases and leases of low-value assets (Note (a)(i))	**50,784**	48,972
Associate	Interest income received by the Group (Note (a)(ii))	**38,732**	35,803
Joint Venture	Interest income received by the Group	**98,309**	17,805
Balance			
Associate	Loan provided by the Group (Note (a)(ii))	**528,000**	542,000
	Interest receivable by the Group	**27,063**	27,800
Joint Venture	Loan provided by the Group	**1,723,940**	1,536,040
	Interest receivable by the Group	**929**	528
Non-controlling shareholders of subsidiaries:			
The Xuhui SASAC and entities controlled by the Xuhui SASAC	Non-trade payables by the Group (Note (a)(iii))	**42,690**	43,145

47. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(I) Related parties and connected persons (continued)

(a) (continued)

Notes:

(i) The rentals were charged in accordance with the relevant tenancy agreements and the prevailing rent was equivalent or approximate to the open market rentals as certified by an independent firm of professional property valuers when the tenancy agreements were entered into.

(ii) In January 2016, Shanghai Hu-Ning Expressway (Shanghai Section) Company Limited ("Hu-Ning Expressway") agreed to make a shareholder's loan facility in an aggregate principal amount of up to RMB500,000,000 for the three years from 21 January 2016 to Shanghai Galaxy. The relevant loan amount would be determined on a case-by-case basis, with the maximum amount representing the unutilised portion of the facility. The duration of each term loan would be negotiated on a case-by-case basis and each term loan would expire by the end of the three-year period from 21 January 2016. The interest should be the benchmark interest rate of RMB denominated loans for the same period as announced by the People's Bank of China and be repaid on a semi-annual basis.

In January 2019, Hu-Ning Expressway agreed to extend the above shareholder's loan on substantially the same terms, with the renewed expiry date on 20 January 2022.

In January 2020, an amount of RMB200,000,000 (equivalent to HK$223,713,000) has been repaid and Shanghai Galaxy agreed to borrow an additional shareholder's loan in the amount of RMB210,000,000 (equivalent to HK$234,899,000), the interest rate of such loan is 5% (2021: 5%) per annum.

In November 2021, Hu-Ning Expressway agreed to extend the Shareholder's Loan Facility available to Shanghai Galaxy on substantially the same terms for a further term of three years from 21 January 2022 to 20 January 2025. As at 31 December 2023, the ending balance of loan provided to Shanghai Galaxy included in other receivables set out in note 27 amounted to approximately HK$528 million (2022: approximately HK$542 million), giving rise to interest income amounting to HK$25,231,000 (2022: HK$26,549,000).

(iii) The amounts due to the Xuhui SASAC and entities controlled by the Xuhui SASAC included in note 30(ii) are unsecured, non-interest bearing and repayable on demand.

(b) Hu-Ning Expressway, Shanghai Luqiao Development Company Limited ("Luqiao Development"), Shanghai Shen-Yu Development Company Limited ("Shanghai Shen-Yu"), Wing Fat Printing (Dongguan) Company Limited ("WF Dongguan") (together the "2021 Relevant Companies" and each the "2021 Relevant Company"), entered into an asset management entrustment agreement (together the "2021 Entrustment Agreements") with Shanghai Galaxy on 19 August 2021 for a term of three years from the date when Shanghai Galaxy serves a written notice to the 2021 Relevant Companies requesting for the provision of the initial entrustment fund under the 2021 Entrustment Agreements (the "2021 Commencement Date") to the date immediately prior to the third anniversary of the Commencement Date (the "2021 Expiry Date").

Each Relevant Company should provide at least RMB10,000,000 as the initial entrustment fund. The total maximum amount of the entrustment fund to be provided by all the 2021 Relevant Companies should be no more than RMB500,000,000 (2022: RMB500,000,000), provided that: (i) the maximum amount of entrustment fund from each of Hu-Ning Expressway, Luqiao Development and Shanghai Shen-Yu should not exceed RMB500,000,000 (2022: RMB500,000,000); and (ii) the maximum amount of entrustment fund from WF Dongguan should not exceed RMB200,000,000 (2022: RMB200,000,000). The actual amount provided by the 2021 Relevant Companies is RMB260,000,000 (equivalent to approximately HK$286,029,000) (2022: RMB260,000,000 (equivalent to approximately HK$293,819,000)) for the year ended 31 December 2023, of which RMB160,000,000 (equivalent to approximately HK$176,018,000) (2022: RMB160,000,000 (equivalent to approximately HK$180,811,000)) is provided by Shanghai Shen-Yu and RMB100,000,000 (equivalent to approximately HK$110,011,000) (2022: RMB100,000,000 (equivalent to approximately HK$113,007,000)) is provided by WF Dongguan.

47. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(I) Related parties and connected persons (continued)

(b) (continued)

Shanghai Galaxy should pay guaranteed returns calculated on a daily basis at the rate of 5% per annum on the accumulated principal of the entrustment funds. The annual caps for the aggregate amount of guaranteed Returns payable to the 2021 Relevant Companies by Shanghai Galaxy under the 2021 Entrustment Agreements would be RMB9,247,000 for the period from the Commencement Date to 31 December 2021, RMB25,000,000 for the financial year ended 31 December 2022, RMB25,000,000 for the financial year ended 31 December 2023 and RMB25,000,000 for the period from 1 January 2024 to the Expiry Date. The actual amount of returns payable from Shanghai Galaxy is RMB13,000,000 (equivalent to approximately HK$14,301,000) (2022: RMB13,000,000 (equivalent to approximately HK$14,691,000)) for the year ended 31 December 2023, of which RMB8,000,000 (equivalent to approximately HK$8,801,000) (2022: RMB8,000,000 (equivalent to approximately HK$9,041,000)) received by Shanghai Shen-Yu and RMB5,000,000 (equivalent to approximately HK$5,500,000) (2022: RMB5,000,000 (equivalent to approximately HK$5,650,000)) received by WF Dongguan.

If there is any revenue surplus after making the above distribution and deducting all taxes and expenses, such sum shall be divided between Shanghai Galaxy and the Relevant Companies on a 50:50 basis. 50% of the revenue surplus should be distributed among the 2021 Relevant Companies based on the amount of entrustment funds entrusted and the duration of entrustment. The annual caps for the aggregate amount of revenue surplus payable to the 2021 Relevant Companies or Shanghai Galaxy under the 2021 Entrustment Agreements will be RMB9,247,000 for the period from the Commencement Date to 31 December 2021, RMB25,000,000 for the financial year ended 31 December 2022, RMB25,000,000 for the financial year ended 31 December 2023 and RMB25,000,000 for the period from 1 January 2024 to the Expiry Date. The actual amount of surplus payable from Shanghai Galaxy is RMB nil (2022: RMB3,395,000 (equivalent to approximately HK$3,836,000)) for the year ended 31 December 2023.

(c) On 4 January 2023 and 2 January 2024, Nanyang Brothers Tobacco Company, Limited ("Nanyang Tobacco"), an indirect wholly-owned subsidiary of the Company as tenant, entered into the lease agreements (i.e. the Tuen Mun Lease Agreement relating to a 16-storey property at No. 9 Tsing Yeung Circuit, Tuen Mun, New Territories, Hong Kong), with Nanyang Enterprises Properties Limited ("Nanyang Enterprises"), which is in turn a subsidiary of SIIC and a connected person of the Company, as landlord, with a term commencing from 1 January 2023 to 31 December 2023 (both days inclusive) and 1 January 2024 to 31 December 2024 (both days inclusive) to renew the previous lease agreements, both of which expired by 31 December 2023 and 31 December 2024, for the operation of the Group.

The monthly rentals (exclusive of rates, management fee and other outgoings) under the Tuen Mun Lease Agreement was HK$2,750,000 for both period from 1 January 2023 to 31 December 2023 and 1 January 2024 to 31 December 2024 (2022: HK$2,750,000 for the period from 1 January 2022 to 31 December 2022). The annual caps, which represented the sum of the rental payable by Nanyang Tobacco to Nanyang Enterprises under the Tuen Mun Lease Agreement for both period from 1 January 2023 to 31 December 2023 and 1 January 2024 to 31 December 2024 amounting HK$33,000,000, respectively. The actual amount paid by Nanyang Tobacco amounted to HK$33,000,000 (2022: RMB3,000,000) for the year ended 31 December 2023.

47. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(I) Related parties and connected persons (continued)

(d) On 4 January 2023 and 2 January 2024, the Company, as tenant, entered into the lease agreements (i.e. the Harcourt Tenancy Agreement relating to a property at the whole of 26th Floor and a portion of 27th Floor of Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong), with International Hope Limited ("International Hope"), which is in turn a subsidiary of SIIC and a connected person of the Company, as landlord with a term commencing from 1 January 2023 to 31 December 2023 (both days inclusive) and 1 January 2024 to 31 December 2024 (both days inclusive) to renew the previous lease agreements, both of which expired by 31 December 2023 and 31 December 2024, for the operation of the Group.

The monthly rentals (exclusive of rates, management fee and other outgoings) under the Harcourt Tenancy Agreement was HK$937,000 for both period from 1 January 2023 to 31 December 2023 and 1 January 2024 to 31 December 2024 (2022: HK$937,000 for the period from 1 January 2022 to 31 December 2022). The annual caps, which represented the sum of the rental payable by the Company to International Hope under the Harcourt Tenancy Agreement for both period from 1 January 2023 to 31 December 2023 and 1 January 2024 to 31 December 2024 amounting HK$11,248,000 (2022: HK$11,248,000 for the period from 1 January 2022 to 31 December 2022), respectively. The actual amount paid by the Company amounted to HK$11,248,000 (2022: RMB11,248,000) for the year ended 31 December 2023.

(e) On 27 October 2022, The Wing Fat Printing Company, Limited ("Wing Fat Printing"), an indirect non-wholly owned subsidiary of the Company, entered into a procurement framework agreement (the "Procurement Framework Agreement") with 上海醫藥集團股份有限公司 ("Shanghai Pharmaceuticals Holding"), an associate of SIIC and a connected person of the company, for a term of one year commencing from 1 January 2023 and ending on 31 December 2023. Pursuant to the Procurement Framework Agreement, any members of Wing Fat Printing and its subsidiaries from time to time (the "Wing Fat Group") might enter into an individual procurement agreement(s) (the "Individual Agreements") with any members of Shanghai Pharmaceuticals Holding and its subsidiaries and 30%-controlled companies from time to time (the "Shanghai Pharmaceuticals Holding Group") to supply printed packaging materials for pharmaceutical products, subject to the annual cap of the procurement amount.

The annual cap for the total procurement amount payable by the Shanghai Pharmaceuticals Holding Group to the Wing Fat Group with respect to the transactions contemplated under the Procurement Framework Agreement for the financial year ending 31 December 2023 is RMB90,000,000 (2022: RMB80,000,000).

The actual amount of sales for the year ended 31 December 2023 amounted to a total of RMB60,987,000 (equivalent to approximately HK$67,434,000) (2022: RMB57,835,000 (equivalent to approximately HK$67,289,000)).

(f) On 20 June 2023, 上海上實龍創智能科技股份有限公司 ("SIIC Longchuang"), a non-wholly owned subsidiary of the Company, entered into a Procurement Framework Agreement with Shanghai Pharmaceuticals Holding, for a term of one year commencing from 1 January 2023 and ending on 31 December 2023. Pursuant to the Procurement Framework Agreement, any members of SIIC Longchuang and its subsidiaries from time to time (the "SIIC Longchuang Group") might enter into an Individual Agreements with any members of Shanghai Pharmaceuticals Holding to provide and supply (i) internet systems, (ii) technical support services, (iii) information management system, cloud and network equipment, video conferencing and sound systems, intelligent integrated system, smart office system and relevant hardware and equipment and maintenance services, (iv) energy-saving consulting service, air-conditioning systems, lighting systems and environmental quality monitoring system; (v) safety helmets; (vi) smart glasses system and after-sales services, and/or (vii) building and office maintenance services and relevant hardware and office equipment to Shanghai Pharmaceuticals Holding Group from time to time, subject to the annual cap of the procurement amount.

47. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(I) Related parties and connected persons (continued)

(f) (continued)

The annual cap for the total procurement amount payable by the Shanghai Pharmaceuticals Holding Group to the SIIC Longchuang Group with respect to the transactions contemplated under the Procurement Framework Agreement for the financial year ending 31 December 2023 is RMB22,000,000 (2022: RMB35,000,000).

The actual amount of sales for the year ended 31 December 2023 amounted to a total of RMB16,034,000 (equivalent to approximately HK$17,728,000) (2022: RMB15,790,000 (equivalent to approximately HK$18,372,000)).

(g) On 21 June 2022, Shanghai Jiyun, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement (the "Equity Transfer Agreement") with Shangtou Asset for the acquisition of 40% equity interest in Shanghai Industrial Clean Energy. Pursuant to the Agreement, Shanghai Jiyun agreed to acquire, and Shangtou Asset agreed to sell, 40% equity interest in the Shanghai Industrial Clean Energy at the cash consideration of RMB224,558,000 (equivalent to approximately HK$251,972,000).

Immediately before completion of the Agreement, the Shanghai Industrial Clean Energy is owned as to 40% by Shanghai Jiyun, 40% by Shangtou Asset and 20% by Shanghai Galaxy, respectively. Upon completion of the Acquisition, Shanghai Jiyun will own 80% of the equity interest in the Shanghai Industrial Clean Energy and the Shanghai Industrial Clean Energy will become an indirect subsidiary of the Company.

Shangtou Asset is a subsidiary of 上海上實(集團)有限公司 ("SIIC Shanghai"), which is in turn a subsidiary of SIIC, the controlling shareholder of the Company, by virtue of SIIC being the representative authorised to exercise state-owned shareholder's right over SIIC Shanghai. Therefore, Shangtou Asset is indirect subsidiary of SIIC and a connected person of the Company.

The Company has adopted the Accounting Guideline 5 "Merger Accounting for Common Control Combinations" to account for its acquisitions of Shanghai Industrial Clean Energy from Shangtou Asset. The comparative figures for 2022 contained in these consolidated financial statements had not been restated accordingly because the financial impact of the restatement is not material to the Group.

(h) On 30 November 2022, Honest State Limited (the "Purchaser") (an indirect wholly-owned subsidiary of SI Urban Development, which is in turn an indirect non-wholly owned subsidiary of the Company) entered into a share transfer agreement (the "Share Transfer Agreement") with Renowned Support Holdings Limited (the "Vendor"), among others, pursuant to which the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the entire issued share capital of Leap Charm Limited (the "Target Company") (the "Sale Shares"), representing the entire issued share capital of the Target Company at the consideration of RMB696,000,000 (equivalent to approximately HK$781,477,000).

The principal asset of the Target Group is 28.5% equity interest in the Project Company. The Project Company and its subsidiaries are the project companies established to hold and develop the Originally project located in Xi'an, the PRC. Immediately before completion of the acquisition, The Project Company is an indirect non-wholly owned subsidiary of the Company and held as to 71.5% by SI Urban Development and its subsidiaries (the "SIUD Group") and 28.5% by the Target Company and its subsidiaries (the "Target Group"). Upon completion of the acquisition, the Target Group and the Project Company would become indirect wholly-owned subsidiaries of SI Urban Development and indirect subsidiaries of the Company.

The Vendor is a connected person of the Company at the subsidiary level by virtue of being the indirect holding company of Shanghai Saiyin, which is a substantial shareholder of the Project Company.

47. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(I) Related parties and connected persons (continued)

(i) 上海上實城市發展投資有限公司 ("SIIC Shanghai Urban"), an indirect non-wholly owned subsidiary of the Company, offered to sell the 38% equity interest in SIIC Elderly Care (the "Equity Interest") held by it, being the Group's entire interest in SIIC Elderly Care, through the public tender on the Shanghai Assets Exchange with the minimum bidding price of RMB266,211,400 (the "Disposal"). On 15 December 2023, 上海實業東灘投資開發(集團)有限公司 ("SIIC Dongtan"), as the sole bidder who won the bid in respect of the acquisition of the Equity Interest, entered into an equity transfer agreement (the "Equity Transfer Agreement") with SIIC Shanghai Urban with respect to the Disposal, for a consideration of RMB266,211,400.

SIIC is the controlling shareholder of the Company. Therefore, SIIC is a connected person of the Company. SIIC Dongtan is a wholly-owned subsidiary of SIIC Shanghai, over which SIIC exercises the authority as a state-owned shareholder, and in turn holds 62% of the equity interest of SIIC Elderly Care. SIIC Dongtan is an associate of SIIC and a connected person of the Company. Accordingly, the Disposal constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

Upon completion of the Disposal, SIIC Elderly Care would cease to be an associated company of the Company and the Group would cease to have any interest in SIIC Elderly Care, and SIIC Elderly Care would become wholly-owned by SIIC Dongtan.

Details of amounts due to certain fellow subsidiaries are set out in note 30.

(II) Related parties, other than connected persons

Other than transactions and balances with connected persons, the significant transactions with other related parties during the year, and significant balances with them at the end of the reporting period, are as follows:

Related parties	Nature of transactions and balances	2023 HK$'000	2022 HK$'000
Associates:			
上海城開地產經紀有限公司 (Shanghai Urban Development Real Estate Agency Co., Ltd.)	Property agency fees paid by the Group	**146**	1,111
	Trade payables by the Group	**4,817**	6,440

Details of amounts due from (to) associates are set out in notes 27 and 30, respectively.

(III) Compensation of key management personnel

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

	2023 HK$'000	2022 HK$'000
Short-term benefits	**19,754**	19,144

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

48. MATERIAL TRANSACTIONS AND BALANCES WITH GOVERNMENT RELATED ENTITIES

The Group itself is part of a larger group of companies under SIIC, which is controlled by the PRC government. The directors consider that the Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predenominated by entities controlled, jointly controlled or significantly influenced by the PRC government. Apart from the transactions with SIIC, other connected persons and related parties disclosed in note 47, the Group also conducts business with other government related entities in the ordinary course of business. In the opinion of the directors of the Company, these transactions are considered as individually and collectively insignificant to the operation of the Group. The directors consider those government-related entities are independent third parties so far as the Group's business transactions with them are concerned.

49. GOVERNMENT GRANTS

Save as disclosed in note 32, during the year ended 31 December 2023, (i) business and other taxes refund from local tax authorities of approximately HK$152.8 million (2022: HK$142.5 million) were received; and (ii) an amount of approximately HK$131.3 million (2022: HK$149.7 million) was received as incentives for investments in certain provinces in the PRC. These amounts have been included in other income.

50. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2023 and 2022 are as follows:

Name of subsidiaries	Place of incorporation or establishment/ operations	Nominal value of issued and fully paid share capital/registered capital	Percentage of issued share/ registered capital held by the Company/subsidiaries		Principal activities
			2023	2022	
SI Development (Note i)	The PRC	A shares – RMB1,844,562,892	**48.60% (note 4)**	48.60% (note 4)	Property development and investment
SI Urban Development (Note ii)	Bermuda/The PRC	Ordinary shares – HK$191,659,000 (2022: HK$191,747,000)	**43.02% (note 4)**	43.00% (note 4)	Property development and investment
SUD (Note viii)	The PRC	RMB3,200,000,000	**59%**	59%	Property development and investment
Shanghai Hu-Ning Expressway (Note iii)	The PRC	RMB3,000,000,000	**100%**	100%	Holding of the right to operate a toll road
上海路橋發展有限公司 (Shanghai Luqiao Development Co., Ltd.) (Note iii)	The PRC	RMB1,600,000,000	**100%**	100%	Holding of the right to operate a toll road
Shen-Yu Highway (Note iii)	The PRC	RMB1,200,000,000	**100%**	100%	Holding of the right to operate a toll road
SIIC Environment (Note iv)	The Republic of Singapore/The PRC	Ordinary shares – RMB5,920,175,000	**49.25% (note 4)**	49.25% (note 4)	Waste water treatment and water supply

50. PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiaries	Place of incorporation or establishment/ operations	Nominal value of issued and fully paid share capital/registered capital	Percentage of issued share/ registered capital held by the Company/subsidiaries 2023	2022	Principal activities
S.I. Infrastructure Holdings Limited ("S.I. Infrastructure")	The British Virgin Islands/Hong Kong	Ordinary share – US$1	**100%**	100%	Investment holding
SIHL Treasury Limited ("SIHL Treasury")	Hong Kong	Ordinary shares – HK$2	**100%**	100%	Investment
Nanyang Tobacco (Marketing) Company, Limited	The British Virgin Islands/PRC and Macau	Ordinary shares – US$1 – HK$100,000,000	**100%**	100%	Sale and marketing of cigarettes and raw materials sourcing
Nanyang Tobacco	Hong Kong	Ordinary shares – HK$2	**100%**	100%	Manufacture and sale of cigarettes
		Non-voting deferred shares (Note vi) – HK$8,000,000	**–**	–	
The Wing Fat Printing	Hong Kong	Ordinary shares – HK$83,030,000	**94.29%**	94.29%	Manufacture and sale of packaging materials and printed products

Notes:

(i) This company is listed on the A Shares Market of the Shanghai Stock Exchange.

(ii) This company is listed on the Main Board of the Stock Exchange.

(iii) These companies were established in the PRC as wholly foreign owned enterprises.

(iv) This company is dual listed on the Main Board of the SGX-ST and Main Board of the Stock Exchange.

(v) Except for S.I. Infrastructure and SIHL Treasury, all the above subsidiaries are indirectly held by the Company.

(vi) None of the deferred shares are held by the Group. The deferred shares carry no rights to receive notice of or to attend or vote at any general meeting of the respective companies and have practically no rights to dividends or to participate in any distributions on winding up.

(vii) The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

(viii) This company was established in the PRC as sino-foreign owned enterprise.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in Hong Kong. These subsidiaries are mainly dormant companies or subsidiaries principally engaged in investment holding.

None of the subsidiaries had issued any debt securities at the end of the year except for those disclosed in note 33.

50. PRINCIPAL SUBSIDIARIES (continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiaries	Place of incorporation/ principal place of business	Proportion of ownership interest and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2023	2022	**2023**	2022	**2023**	2022
				HK$'000	HK$'000	**HK$'000**	HK$'000
SI Development	The PRC	**51.40%**	51.40%	**172,900**	85,463	**7,359,223**	7,420,739
SI Urban Development	Bermuda/The PRC	**56.98%**	57%	**281,806**	232,337	**7,652,356**	7,964,636
SUD	The PRC	**41%**	41%	**(83,562)**	(154,167)	**3,351,180**	3,533,185
SIIC Environment	The Republic of Singapore/The PRC	**50.75%**	50.75%	**334,702**	455,639	**5,852,858**	5,831,603
Individually immaterial subsidiaries with non-controlling interests				**396,126**	396,574	**6,641,446**	6,519,727
				1,101,972	1,015,846	**30,857,063**	31,269,890

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	SI Development (Consolidated)		SI Urban Development (Consolidated, including SUD)		SUD (Consolidated)		SIIC Environment (Consolidated)	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Current assets	**15,054,507**	35,194,992	**30,242,584**	28,599,523	**12,831,462**	10,392,887	**10,308,916**	9,848,503
Non-current assets	**22,772,554**	20,275,571	**28,773,636**	28,847,264	**14,622,968**	16,402,096	**36,564,504**	35,970,477
Current liabilities	**(12,038,081)**	(28,661,578)	**(20,957,780)**	(25,994,672)	**(8,764,878)**	(10,164,897)	**(11,364,814)**	(10,614,524)
Non-current liabilities	**(10,202,846)**	(11,332,038)	**(17,549,946)**	(10,620,841)	**(9,983,228)**	(7,470,108)	**(18,687,421)**	(18,462,933)
Equity attributable to owners of the Company	**6,789,474**	6,847,638	**6,358,613**	6,595,635	**4,822,431**	5,084,341	**5,286,600**	5,254,193
Non-controlling interests	**7,359,223**	7,420,739	**7,652,356**	7,964,636	**3,351,180**	3,533,185	**5,852,858**	5,831,603
Non-controlling interests of Group's subsidiaries	**1,437,437**	1,208,570	**6,497,525**	6,271,003	**532,713**	542,452	**5,681,727**	5,655,727

50. PRINCIPAL SUBSIDIARIES (continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

	SI Development (Consolidated)		SI Urban Development (Consolidated, including SUD)		SUD (Consolidated)		SIIC Environment (Consolidated)	
	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000
Revenue	11,142,798	6,173,497	7,953,596	11,022,496	898,295	2,508,295	8,373,388	9,634,489
Profit (loss) for the year	757,420	234,208	490,713	305,001	(199,144)	(372,139)	1,127,440	1,305,806
Other comprehensive expense for the year	(401,433)	(1,379,587)	(387,895)	(372,487)	(150,141)	(748,994)	(238,235)	(634,345)
Total comprehensive income (expense) for the year	355,987	(1,145,379)	102,818	(67,486)	(349,285)	(1,121,133)	889,205	671,461
Profit (loss) for the year attributable to the owners of the Company	163,481	80,807	212,764	174,486	(120,247)	(221,850)	333,165	451,259
Profit (loss) for the year attributable to the non-controlling interests	172,900	85,463	281,806	232,337	(83,562)	(154,167)	334,702	455,639
Profit (loss) for the year attributable to the non-controlling interests of Group's subsidiaries	421,039	67,938	(3,857)	(101,822)	4,665	3,878	459,573	398,908
Other comprehensive (expense) income for the year attributable to the owners of the Company	(195,096)	(670,479)	(13,632)	398,649	(150,056)	(501,872)	(117,331)	(312,681)
Other comprehensive (expense) income for the year attributable to the non-controlling interests	(206,337)	(709,108)	(220,324)	(212,318)	14,319	(203,025)	(120,904)	(321,930)
Other comprehensive (expense) income for the year attributable to the non-controlling interests of Group's subsidiaries	–	–	(153,939)	(558,818)	(14,404)	(44,097)	–	266
Total comprehensive (expense) income for the year attributable to the owners of the Company	(31,615)	(589,672)	199,132	573,135	(270,303)	(723,722)	215,834	138,578
Total comprehensive (expense) income for the year attributable to the non-controlling interests	(33,437)	(623,645)	61,482	20,019	(69,243)	(357,192)	213,798	133,709
Total comprehensive income (expense) for the year attributable to the non-controlling interests of Group's subsidiaries	421,039	67,938	(157,796)	(660,640)	(9,739)	(40,219)	459,573	399,174
Dividends paid to non-controlling interests	97,956	95,969	81,044	121,990	112,761	–	74,200	72,156
Net cash (outflow) inflow from operating activities	(3,090,148)	2,446,888	3,290,418	(5,050,631)	3,235,184	(3,010,051)	2,102,164	(1,622,635)
Net cash inflow (outflow) from investing activities	18,559	(2,608,352)	(691,811)	(613,163)	(356,931)	(396,387)	(1,585,576)	(765,703)
Net cash (outflow) inflow from financing activities	(1,372,232)	4,341,352	(1,031,695)	(3,105,441)	(1,306,169)	(3,490,875)	(98,914)	2,052,705
Net cash (outflow) inflow	(4,443,821)	4,179,888	1,566,912	(8,769,235)	1,572,084	(6,897,313)	417,674	(335,633)

51. PRINCIPAL JOINT VENTURES

Particulars of the Group's principal joint venture at 31 December 2023 and 2022 are as follows:

Name of joint ventures	Place of establishment/ operations	Percentage of registered capital attributable to the Group 2023	2022	Principal activities
General Water	The PRC	**45%**	45%	Joint investment and operation of water-related and environment protection businesses in the PRC
Shanghai Nuozhuo	The PRC	**12.69% (Note i)**	12.69% (Note i)	Integrated management service
Yangtze River Delta	The PRC	**50%**	50%	Joint investment and operation of water-related services
Beiwaitan New Landmark	The PRC	**24.3% (Note ii)**	24.3% (Note ii)	Joint investment and property development, property investment and property management

Notes:

(i) This is a 50% owned joint venture of SUD, in which the Group indirectly owns 59% equity interest through SI Urban Development, a 43.02% (2022: 43%) owned listed subsidiary.

(ii) This is a 50% owned joint venture through SI Development, a 48.6% (2022: 48.6%) owned listed subsidiary.

(iii) The above joint ventures are indirectly held by the Company and are accounted for as joint ventures because the subsidiary of the Company and the joint venture partner have contractual arrangements to jointly control the strategic financial and operating policies pursuant to its Articles of Association.

(iv) The above table lists the joint venture of the Group which, in the opinion of the directors, principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other joint ventures would, in the opinion of the directors, result in particulars of excessive length.

52. PRINCIPAL ASSOCIATES

Particulars of the Group's principal associates at 31 December 2023 and 2022, which are all established in the PRC, are as follows:

Name of associates	Form of entities	Percentage of registered capital attributable to the Group 2023	2022	Principal activities
Shanghai Shentian	Sino-foreign joint venture	**8.88% (Note i)**	8.88% (Note i)	Property development
Hangzhou Bay Bridge	Sino-foreign joint venture	**23.06%**	23.06%	Holding a right to operate a road bridge
Canvest Environmental (Note iii)	Limited liability company	**19.48%**	19.48%	Provision of municipal solid waste handling services and operation and management of waste-to-energy plants in the PRC
Shanghai Galaxy (Note iv)	Limited Liability company	**45%**	45%	Operation photovoltaic related business in the PRC and provision of asset management services

Notes:

(i) This is a 35% owned associate of SUD, in which the Group indirectly owns 59% equity interest through SI Urban Development, a 43.02% (2022: 43%) owned listed subsidiary.

(ii) The above associates are indirectly held by the Company.

(iii) As disclosed in note 22(i), the Company has an investment in exchangeable bond which entitles the Company to exchange for no more than 243,954,117 ordinary shares of Canvest Environmental, representing approximately 10% of the entire issued share capital of Canvest Environmental as at the issue date.

(iv) The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

53. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the chief operating decision maker (i.e. the board of directors of the Company) for the purposes of resource allocation and performance assessment, are as follows:

During the year ended 31 December 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 businesses
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

Infrastructure and environmental protection, real estate, consumer products and comprehensive healthcare operations also represent the Group's reportable segments.

Segment revenue and results

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

For the year ended 31 December 2023

	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	10,398,628	19,096,395	3,202,932	–	–	32,697,955
Segment operating profit	3,958,227	5,516,630	473,711	–	92,299	10,040,867
Finance costs	(922,439)	(1,267,802)	(2,057)	–	(140,044)	(2,332,342)
Share of results of joint ventures	273,402	(13,115)	–	79,712	–	339,999
Share of results of associates	461,834	(24,773)	–	–	–	437,061
Gain on disposal of subsidiaries	–	254,982	–	–	–	254,982
Segment profit (loss) before taxation	3,771,024	4,465,922	471,654	79,712	(47,745)	8,740,567
Income tax expense	(767,350)	(3,223,082)	(81,930)	–	(142,538)	(4,214,900)
Segment profit (loss) after taxation	3,003,674	1,242,840	389,724	79,712	(190,283)	4,525,667
Less: segment profit attributable to non-controlling interests	(682,847)	(403,954)	(15,171)	–	–	(1,101,972)
Segment profit (loss) after taxation attributable to owners of the Company	2,320,827	838,886	374,553	79,712	(190,283)	3,423,695

53. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

For the year ended 31 December 2022

	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	11,076,906	17,195,993	3,075,693	–	31,348,592
Segment operating profit (loss)	3,440,780	3,416,931	400,119	(69,896)	7,187,934
Finance costs	(831,485)	(1,003,597)	(3,059)	(28,665)	(1,866,806)
Share of results of joint ventures	293,311	(15,847)	–	21,854	299,318
Share of results of associates	430,119	(297,546)	–	–	132,573
Gain (loss) on disposal/liquidation of subsidiaries	2,890	(244,831)	–	–	(241,941)
Segment profit (loss) before taxation	3,335,615	1,855,110	397,060	(76,707)	5,511,078
Income tax expense	(654,847)	(1,315,901)	(65,417)	(145,143)	(2,181,308)
Segment profit (loss) after taxation	2,680,768	539,209	331,643	(221,850)	3,329,770
Less: segment profit attributable to non-controlling interests	(754,682)	(239,704)	(21,460)	–	(1,015,846)
Segment profit (loss) after taxation attributable to owners of the Company	1,926,086	299,505	310,183	(221,850)	2,313,924

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3.

Segment assets and liabilities

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

At 31 December 2023

	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	**68,619,610**	**96,906,323**	**7,520,941**	**38,420**	**6,226,318**	**179,311,612**
Segment liabilities	**34,716,528**	**59,927,298**	**837,815**	**–**	**6,369,868**	**101,851,509**

At 31 December 2022

	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

53. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than corporate cash and cash equivalents, certain investments, certain interests in joint ventures and some other unallocated assets; and
- all liabilities are allocated to operating segments other than corporate tax liabilities, corporate bank borrowings and some other unallocated liabilities.

Other segment information

2023

	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
Amounts included in the measurement of segment profit or loss or segment assets:						
Additions to non-current assets (Note)	415,019	4,358,672	191,039	–	677	4,965,407
Depreciation and amortisation	1,195,127	209,884	280,884	–	5,779	1,691,674
Fair value changes on investment properties	–	(101,360)	–	–	–	(101,360)
Impairment loss on interest in associates	–	166,406	–	–	–	166,406
Impairment loss on trade receivables	36,066	(35,864)	1,578	–	–	1,780
Impairment loss on other receivables	14,924	(6,510)	(162)	–	–	8,252
Impairment loss on PHFS	–	1,040,789	–	–	–	1,040,789
Impairment loss on PUDFS	–	184,187	–	–	–	184,187
Impairment loss on properties, plant and equipment	–	–	6,645	–	–	6,645
Interest income	(255,667)	(118,363)	(86,372)	–	(235,269)	(695,671)
Interests in joint ventures	3,348,400	7,975,037	–	38,420	–	11,361,857
Interests in associates	5,347,340	1,805,563	–	–	–	7,152,903

53. SEGMENT INFORMATION (continued)

Other segment information (continued)

2022

	Infrastructure and environmental protection HK$'000	Real estate HK$'000	Consumer products HK$'000	Elimination and unallocated HK$'000	Consolidated HK$'000
Amounts included in the measurement of segment profit or loss or segment assets:					
Additions to non-current assets (Note)	1,435,618	9,795,707	317,323	3,028	11,551,676
Depreciation and amortisation	995,410	230,859	276,746	2,802	1,505,817
Fair value changes on investment properties	–	(10,196)	–	–	(10,196)
Impairment loss on trade receivables	7,232	21,951	(211)	–	28,972
Impairment loss on other receivables	1,521	(416)	10,726	–	11,831
Impairment loss on PHFS	–	55,448	–	–	55,448
Impairment loss on PUDFS	–	13,806	–	–	13,806
Interest income	(216,308)	(126,271)	(37,475)	(89,334)	(469,388)
Interests in joint ventures	3,358,361	8,205,644	–	–	11,564,005
Interests in associates	5,181,383	2,298,185	–	–	7,479,568

Note: Non-current assets excluded financial instruments and deferred tax assets.

Geographical information

The Group's operations are mainly located in Hong Kong (place of domicile) and the PRC.

The Group's revenue from external customers by geographical location of customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers	
	2023 HK$'000	2022 HK$'000
PRC	**30,800,203**	29,604,363
Asia areas, other than Hong Kong and the PRC	**621,044**	320,026
Hong Kong (place of domicile)	**801,633**	790,466
Other areas	**475,075**	633,737
	32,697,955	31,348,592

	Non-current assets (note)	
	2023 HK$'000	2022 HK$'000
PRC	**75,986,715**	72,661,365
Asia areas, other than Hong Kong and the PRC	**30,016**	19,719
Hong Kong (place of domicile)	**1,061,475**	1,148,508
	77,078,206	73,829,592

Note: Non-current assets excluded financial instruments and deferred tax assets.

53. SEGMENT INFORMATION (continued)

Information about major customers

No individual customer contributed to over 10% of the total revenue of the Group for both years.

54. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes borrowings disclosed in note 33, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, retained profits and other reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues, repurchase of shares as well as the issue of new debt or the redemption of existing debt.

55. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2023 HK$'000	2022 HK$'000
Financial assets		
FVTPL		
Mandatorily measured at FVTPL		
– Held for trading	**235,368**	268,387
– Others	**1,644,731**	7,939
Equity instruments at FVTOCI	**441,583**	386,915
Financial assets at amortised cost (including cash and cash equivalents)	**63,630,575**	67,874,029
Financial liabilities		
Amortised cost	**73,142,259**	72,802,839

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, financial assets at FVTOCI, equity instruments at FVTOCI, trade and other receivables, receivables under service concession arrangements, pledged bank deposits, short-term bank deposits, cash and cash equivalents, trade and other payables and bank and other borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

55. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies

Market risk

(i) Currency risk

The Group mainly operates in the PRC and Hong Kong and the exposure in exchange rate risks mainly arises from fluctuations in USD, HK$ and RMB exchange rates. The management monitors foreign currency exposure, especially in view of the current depreciation risk for RMB. The management will also consider hedging significant foreign currency exposure and adopting suitable measures where necessary in order to mitigate impacts due to the depreciation of the RMB to the Group.

The carrying amounts of the Group's monetary assets and monetary liabilities at the reporting date that are denominated in currencies other than the functional currency of the group entities ("foreign currency") are as follows:

	Assets		Liabilities	
	2023	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000
RMB (against HK$)	**368,044**	321,501	**1,900**	3,083
USD (against HK$ and RMB)	**4,477,578**	4,974,774	**5,221,560**	6,058,711
HK$ (against RMB)	**81,801**	111,320	**1,115,720**	2,677,596

The above foreign currency denominated monetary assets and monetary liabilities mainly represent the Group's trade and other receivables, pledged bank deposits, short-term bank deposits, cash and cash equivalents, trade and other payables and bank and other borrowings.

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2022: 5%) increase and decrease in the functional currency of each group entity against the above foreign currency. 5% (2022: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items, and adjusts their translation at the year end for a 5% (2022: 5%) increase in foreign currency rates. The sensitivity analysis also includes inter-company balances where the denomination of balances are in currencies other than the functional currency of the respective group companies. A positive (negative) number below indicates an increase (a decrease) in profit after taxation where the above foreign currency strengthens 5% against the functional currency of each group entity.

	2023	2022
	HK$'000	HK$'000
Decrease in profit after taxation	**(50,308)**	(127,257)

(ii) Interest rate risk

The Group's fair value and cash flow interest rate risks mainly relate to fixed and variable rates borrowings and lease liabilities respectively. The Group's receivables under service concession arrangements, pledged bank deposits, fixed-rate amounts due to certain fellow subsidiaries/associates, loan to a joint venture/an associate, amounts due to non-controlling shareholders and fixed-rate bank and other borrowings have exposure to fair value interest rate risk due to the fixed interest rate on these instruments. The Group's bank balances and variable-rate bank and other borrowings also have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate.

In order to exercise prudent management against interest rate risks, the Group continues to review market trends against its business operations and financial position in order to arrange the most interest rate risk management tools.

55. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates. Details of the impacts on the Group's risk management strategy arising from the interest rate benchmark reform and the progress towards implementation of alternative benchmark interest rates are set out under "interest rate benchmark reform" in this note.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for its variable-rate bank balances and short-term bank deposits (collectively referred to as the "Bank Deposits") and variable-rate borrowings at the end of the reporting period. The sensitivity analysis does not consider the effect of interest expenses qualified for capitalisation.

For variable-rate borrowings and Bank Deposits, the analysis is prepared assuming that the amount of asset/liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis points and 50 basis points (2022: 50 basis points and 10 basis points), respectively, increase or decrease are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rate.

If interest rates had been 50 basis points and 10 basis points (2022: 50 basis points and 10 basis points) higher/lower for bank borrowings and bank deposits respectively, and all other were variables were held constant, the Group's profit after taxation for the year would decrease/increase by HK$143,429,000 (2022: HK$157,648,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate Bank Deposits and borrowings.

(iii) Price risk

The Group is exposed to price risk through its listed investments classified as either financial assets at FVTPL or equity instruments at FVTOCI. The management strictly monitors this exposure by maintaining a portfolio of investments with different levels of risks. The Group's price risk is mainly concentrated on equity instruments quoted in the Stock Exchange and the Shanghai Stock Exchange. In addition, a special team has been appointed by the management to monitor the price risk and hedging against such risk exposures will be made should the need arises.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks on quoted equity instruments held by the Group at the reporting date:

If the prices of the respective quoted equity instruments had been 5% (2022: 5%) higher/lower:

- profit after taxation for the year would increase/decrease by HK$9,827,000 (2022: HK$11,205,000) as a result of the changes in fair value of financial assets at FVTPL; and
- investment revaluation reserve would increase/decrease by HK$1,463,000 (2022: HK$1,754,000) as a result of the changes in fair value of financial assets at FVTOCI.

55. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and other receivables, receivables under services concession arrangements, pledged bank deposit, short-term bank deposits and cash and cash equivalents. The Group's maximum exposure to credit risk which will cause a financial loss due to failure to discharge an obligation by the counterparties and financial guarantees provided is arising from the amount of liabilities in relation to financial guarantee issued by the Group as disclosed in note 44.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group recognises lifetime ECL as prescribed by HKFRS 9 under simplified approach on trade receivables and contract assets; and recognises 12m ECL on receivables under service concession arrangements and other receivables. To measure the ECL of trade receivables and contract assets, they are assessed collectively using provision matrix based on shared characteristics including historical credit loss experience, industry specific factors to the debtors, general economic conditions and the available and supportive forward-looking information, including time value of money where appropriate. To measure the ECL of receivables under service concessions and other receivables, they are assessed individually on the recoverability based on historical settlement records, past experience, and also the available and supportive forward-looking information.

Except for the credit-impaired trade receivables, other receivables and contract assets of HK$515,373,000, HK$2,432,993,000 and HK$368,047,000, respectively (2022: HK$513,593,000, HK$2,424,741,000 and HK$368,047,000, respectively), the management of the Group believes that there is no material credit risk inherent in the Group's outstanding balance of trade and other receivables, and contract assets.

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

The credit risk arising from receivable under service concession arrangements is limited as these receivables are guaranteed by the relevant governmental authorities in the PRC.

The Group's concentration of credit risk by geographical locations of customers are mainly in the PRC and Hong Kong which accounted for 100% (2022: 100%) and 0% (2022: 0%), respectively, of the trade receivables as at 31 December 2023.

The Group's credit risk on cash and cash equivalents and bank deposits is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group has concentration of credit risk in relation to amounts due from associates and joint ventures which account for 49% (2022: 44%) of other receivables. These counterparties have a sound financial background at the end of the reporting period by reference to their financial position and business prospects. The Group's credit risk position is monitored closely by the management.

55. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The tables below detail the credit risk exposures of the Group's trade and other receivables, contract assets, receivables under service concession arrangements, pledged/short-term bank deposits and cash and cash equivalents, which are subject to ECL assessment:

	Notes	12-month or Lifetime ECL	**31 December 2023 Gross carrying amount HK$'000**	**HK$'000**	31 December 2022 Gross carrying amount HK$'000	HK$'000
Financial assets at amortised cost						
Trade receivables (note 27)	(ii)	Lifetime ECL – not credit-impaired	**5,263,859**		4,854,962	
	(ii)	Lifetime ECL – credit-impaired	**515,373**	**5,779,232**	513,593	5,368,555
Other receivables (note 27)	(i)	12m ECL	**1,437,381**		1,746,421	
	(i)	Lifetime ECL – not credit-impaired	**445,485**		645,355	
	(i)	Lifetime ECL – credit-impaired	**2,432,993**	**4,315,859**	2,424,741	4,816,517
Amounts due from related parties (note 27)	(i)	12m ECL		**2,916,759**		2,926,705
Receivables under service concession arrangements (note 23)	(i)	12m ECL		**25,776,269**		26,815,209
Pledged bank deposits (note 29)	(iii)	12m ECL		**183,023**		228,583
Short-term deposits (note 29)	(iii)	12m ECL		**2,382,773**		1,786,601
Cash and cash equivalents (note 29)	(iii)	12m ECL		**25,225,026**		28,870,193
Other items						
Contract assets (note 28)	(ii)	Lifetime ECL – not credit-impaired		**83,487**		87,882
	(ii)	Lifetime ECL – credit-impaired		**368,047**		368,047
Financial guarantees	(iv)	12m ECL		**6,208,645**		7,358,919

Notes:

(i) For other receivables and receivables under service concession arrangements, the Group measures the loss allowance equal to 12m ECL. The Group applies internal credit risk management to assess whether credit risk has increased significantly since initial recognition, in which case the Group recognises lifetime ECL. Except for other receivables of HK$2,432,993,000 (2022: HK$2,424,741,000) which are credit-impaired and ECL has been provided amounting to HK$8,252,000 (2022: HK$11,831,000) as at 31 December 2023, the credit risk on other receivables and receivables under service concession arrangements are limited because the counterparties have no historical default record and the ECL on these items are considered insignificant.

(ii) For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the expected credit losses on these items using a provision matrix, grouped by past due status.

During the year ended 31 December 2023, impairment allowance of HK$1,780,000 (2022: HK$28,972,000), HK$8,252,000 (2022: HK$11,831,000) and HK$nil (2022: HK$nil) were made on credit impaired trade receivables, other receivables and contract assets, respectively.

55. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Notes: (continued)

(ii) (continued)

The following table shows the movement in lifetime ECL that has been recognised for trade and other receivables and contract assets under the simplified approach.

	Trade receivables (credit-impaired) HK$'000	Other receivables (credit-impaired) HK$'000	Contract assets (credit-impaired) HK$'000
As at 1 January 2022	484,621	2,412,910	368,047
Changes due to financial instruments recognised and at 1 January 2022:			
– Impairment losses recognised	28,972	11,831	–
As at 31 December 2022	513,593	2,424,741	368,047
Changes due to financial instruments recognised and at 1 January 2023:			
– Impairment losses recognised	1,780	8,252	–
As at 31 December 2023	**515,373**	**2,432,993**	**368,047**

(iii) Pledged bank deposits, short-term bank deposits and cash and cash equivalents that are deposited with state-owned banks or financial institutions with high credit rating to be low credit risk financial assets. The management of the Group considers these assets are short-term in nature and the probability of default is negligible on the basis of high-credit-rating issuers, and accordingly, no loss allowance was recognised during the year.

(iv) For financial guarantee contracts, the gross carrying amount representing the maximum amount the Group has guaranteed under the respective contracts. Further details are set out in note 44.

Liquidity risk

The Group's liquidity position are monitored closely by management. The following tables detail the contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate %	Less than 1 month or on demand HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2023 HK$'000
2023							
Non-interest bearing	–	13,113,548	–	–	–	13,113,548	13,113,548
Fixed interest rate instruments	2.65	28,375	54,003	5,414,775	8,869,972	14,367,125	13,972,467
Variable interest rate instruments	3.99	155,979	322,651	11,170,649	38,170,386	49,819,665	46,056,244
		13,297,902	376,654	16,585,424	47,040,358	77,300,338	73,142,259
Financial guarantee contracts	–	6,208,645	–	–	–	6,208,645	–
Lease liabilities	4.70	5,318	10,699	48,121	122,026	186,164	165,261
		6,213,963	10,699	48,121	122,026	6,394,809	165,261

55. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	Weighted average interest rate %	Less than 1 month or on demand HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2022 HK$'000
2022							
Non-interest bearing	–	13,387,127	–	–	–	13,387,127	13,387,127
Fixed interest rate instruments	3.35	37,149	70,703	5,999,639	8,113,763	14,221,254	13,741,352
Variable interest rate instruments	4.32	143,228	305,741	13,287,489	35,326,283	49,062,741	45,674,360
		13,567,504	376,444	19,287,128	43,440,046	76,671,122	72,802,839
Financial guarantee contracts	–	7,358,919	–	–	–	7,358,919	–
Lease liabilities	4.71	7,631	15,261	68,675	137,210	228,777	210,763
		7,366,550	15,261	68,675	137,210	7,587,696	210,763

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Interest rate benchmark reform

For HIBOR bank and other borrowings, the Group has confirmed with the relevant counterparties HIBOR will continue to maturity. For USD LIBOR bank loans, of which approximately HK$1,396 million was early repaid during the year ended 31 December 2023.

The management anticipates that the interest rate benchmark reform will have no material impact on the Group's risk exposure.

(c) Fair value measurement of financial instruments

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

55. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurement of financial instruments (continued)

Financial assets	Fair value as at 31 December 2023 HK$'000	Fair value as at 31 December 2022 HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input(s)
Financial assets at FVTPL					
Listed equity securities	**235,368**	268,387	Level 1	Quoted bid prices in an active market	N/A
Unlisted equity securities	**7,731**	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.
Unlisted exchangeable bonds	**1,637,000**	–	Level 3	Equity component: adopted Trinomial Tree method under Black-Scholes model.	Volatility, the higher volatility, the higher fair value
				Debt component: adopted effective interest methods	Discount rate, the higher the discount rate, the lower the fair value
Financial assets at FVTOCI					
Listed equity security	**39,020**	46,780	Level 1	Quoted bid prices in an active market	N/A
Unlisted equity securities	**402,563**	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.

55. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurement of financial instruments (continued)

Reconciliation of Level 3 fair value measurements of financial assets

	Unlisted equity instruments at FVTPL HK$'000	Unlisted exchanges bonds at FVTPL HK$'000	Unlisted equity instruments at FVTOCI HK$'000	Total HK$'000
At 1 January 2022	635	–	367,999	368,634
Fair value loss in other comprehensive income	–	–	(6,433)	(6,433)
Acquisition	7,859	–	9,060	16,919
Exchange loss	(555)	–	(30,491)	(31,046)
At 31 December 2022	7,939	–	340,135	348,074
Fair value loss in other comprehensive income	–	–	(19,279)	(19,279)
Acquisition	–	1,637,000	56,567	1,693,567
Transfer from disposal of a subsidiary	–	–	36,634	36,634
Exchange loss	(208)	–	(11,494)	(11,702)
At 31 December 2023	**7,731**	**1,637,000**	**402,563**	**2,047,294**

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 engages third party qualified valuers to perform the valuation. Management of the Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model on a regular basis, or when needs arise and will report the significant results and findings to the board of directors of the Company. The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments.

56. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities HK$'000	Bank and other borrowings HK$'000 (Note)	Dividend paid to non-controlling interests (included in other payables) HK$'000	Interests payable (included in other payables) HK$'000	Dividend payable (included in other payables) HK$'000	Amount due to related parties (included in other payables) HK$'000	Amounts due to fellow subsidiaries (included in other payables) HK$'000	Consideration payable (included in other payables) HK$'000	Total HK$'000
At 1 January 2022	249,253	64,257,135	1,963,472	267,228	–	1,613,636	138,051	–	68,488,775
Financing cash flows	(123,476)	1,762,974	(1,236,994)	(2,814,236)	(1,043,723)	(1,299,983)	(1,451)	(204,905)	(4,961,794)
Non-cash changes									
Addition from acquisition of a subsidiary (note 37)	–	106,205	–	–	–	–	–	–	106,205
Consideration payables (note 38)	–	–	–	–	–	–	–	781,447	781,447
Dividend declared (note 12)	–	–	–	–	1,043,723	–	–	–	1,043,723
Dividend declared paid to non-controlling interests	–	–	894,978	–	–	–	–	–	894,978
Disposal of a subsidiary (note 40)	–	(431,709)	–	–	–	–	–	–	(431,709)
Finance costs (including amounts capitalised in properties under development held for sale) (note 7)	12,897	–	–	2,812,766	–	–	–	–	2,825,663
Liquidation of a subsidiary (note 41)	–	(218,373)	–	–	–	–	–	–	(218,373)
New leases entered/lease modified	77,128	–	–	–	–	–	–	–	77,128
Transfer to liabilities held for sale (note 39)	–	(2,637,460)	–	–	–	–	–	–	(2,637,460)
Transfer to other receivables	–	(21,144)	–	–	–	–	–	–	(21,144)
Exchange difference	(5,039)	(4,086,635)	–	(19,189)	–	(90,150)	(10,863)	(205)	(4,212,081)
At 31 December 2022	210,763	58,730,993	1,621,456	246,569	–	223,503	125,737	576,337	61,735,358
Financing cash flows	(99,207)	1,051,178	(423,451)	(2,594,291)	(1,000,235)	(4,028)	(629)	(576,337)	(3,647,000)
Non-cash changes									
Dividend declared (note 12)	–	–	–	–	1,000,235	–	–	–	1,000,235
Dividend declared paid to non-controlling interests	–	–	523,513	–	–	–	–	–	523,513
Finance costs (including amounts capitalised in properties under development held for sale) (note 7)	10,918	–	–	2,623,468	–	–	–	–	2,634,386
New leases entered/lease modified	49,285	–	–	–	–	–	–	–	49,285
Transfer to other receivables	–	6,593	–	–	–	–	–	–	6,593
Exchange difference	(6,498)	(1,125,403)	(43,495)	(6,685)	–	(5,905)	(3,330)	–	(1,191,316)
At 31 December 2023	165,261	58,663,361	1,678,023	269,061	–	213,570	121,778	–	61,111,054

Note: The cash flows from bank and other borrowings comprise the net amount of new bank and other borrowings raised and repayment of bank and other borrowings.

57. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2023 HK$'000	2022 HK$'000
Non-Current Assets		
Property, plant and equipment	**1,767**	2,083
Investment	**1,637,000**	–
Investments in subsidiaries	**556,477**	735,055
	2,195,244	737,138
Current Assets		
Deposits, prepayments and other receivables	**17,058**	13,532
Amounts due from subsidiaries	**33,269,065**	33,492,969
Short-term deposit	**–**	432,243
Cash and cash equivalents	**1,353,307**	2,148,016
	34,639,430	36,086,760
Current Liabilities		
Other payables and accrued charges	**31,889**	21,295
Amounts due to subsidiaries	**1,273,839**	1,137,484
Taxation payable	**157,032**	158,947
	1,462,760	1,317,726
Net Current Assets	**33,176,670**	34,769,034
Total Assets less Current Liabilities	**35,371,914**	35,506,172
Capital and Reserves		
Share capital	**13,649,839**	13,649,839
Reserves	**21,722,075**	21,856,333
Total Equity	**35,371,914**	35,506,172

Shen Xiao Chu
Chairman

Zhang Qian
Deputy Chief Executive Officer

58. RESERVES OF THE COMPANY

	Capital reserve HK$'000 (Note ii)	Retained profits HK$'000	Total HK$'000
At 1 January 2022	1,137,728	20,081,132	21,218,860
Profit for the year	–	1,681,196	1,681,196
Dividends paid (note 12)	–	(1,043,723)	(1,043,723)
At 31 December 2022	1,137,728	20,718,605	21,856,333
Profit for the year	–	865,977	865,977
Dividends paid (note 12)	–	(1,000,235)	(1,000,235)
At 31 December 2023	**1,137,728**	**20,584,347**	**21,722,075**

Notes:

(i) The Company's reserves available for distribution to shareholders as at 31 December 2023 comprised of retained profits of approximately HK$20,584 million (2022: HK$20,719 million).

(ii) The Company's capital reserve which arose in year 1997 upon reduction of share premium as confirmed by the Order of the High Court of Hong Kong was not realised profits and is an undistributable reserve.

	Year ended 31 December				
	2019 HK$'000	2020 HK$'000	2021 HK$'000	2022 HK$'000	**2023** **HK$'000**
RESULTS					
Revenue	32,345,473	27,137,601	38,747,951	31,348,592	**32,697,955**
Profit before taxation	8,906,201	6,917,061	10,746,014	5,511,078	**8,740,567**
Income tax expense	(3,572,645)	(2,993,918)	(6,633,048)	(2,181,308)	**(4,214,900)**
Profit for the year	5,333,556	3,923,143	4,112,966	3,329,770	**4,525,667**
Profit for the year attributable to					
– Owners of the Company	3,349,531	2,218,877	3,745,505	2,313,924	**3,423,695**
– Non-controlling interests	1,984,025	1,704,266	367,461	1,015,846	**1,101,972**
	5,333,556	3,923,143	4,112,966	3,329,770	**4,525,667**
	HK$	HK$	HK$	HK$	**HK$**
Earnings per share					
– Basic	3.081	2.014	3.429	2.128	**3.149**
– Diluted	3.081	2.014	3.429	2.128	**3.149**

	As at 31 December				
	2019 HK$'000	2020 HK$'000	2021 HK$'000	2022 HK$'000	**2023** **HK$'000**
ASSETS AND LIABILITIES					
Total assets	174,942,290	194,882,370	207,710,535	193,933,752	**179,311,612**
Total liabilities	(102,137,730)	(112,814,987)	(126,352,834)	(117,139,841)	**(101,851,509)**
	72,804,560	82,067,383	81,357,701	76,793,911	**77,460,103**
Equity attributable to owners of the Company	40,239,812	43,678,766	47,439,454	45,524,021	**46,603,040**
Non-controlling interests	32,564,748	38,388,617	33,918,247	31,269,890	**30,857,063**
	72,804,560	82,067,383	81,357,701	76,793,911	**77,460,103**

PARTICULARS OF MAJOR PROPERTIES HELD FOR INVESTMENT PURPOSES

Details of the Group's major properties held for investment purposes as at 31 December 2023 are as follows:

	Location	Term of lease	Type of use	Group's interest
1.	Urban Development International Tower (城開國際大廈) No. 355 Hongqiao Road, Xuhui District, Shanghai, the PRC	Held under a land use right for a term expiring on 7 October 2053	Commercial	25.38%
2.	YOYO Tower (城開YOYO) No. 111 and 123 Tianyaoqiao Road, Xuhui District, Shanghai. the PRC	Held under a land use right with an unspecified term	Commercial	25.38%
3.	ShanghaiMart (上海世貿商城) No. 2299 Yanan Road West, Changning District, Shanghai, the PRC	Held under a land use right for a term expiring on 20 October 2049	Commercial, Office and Expo	21.94%
4.	Phase 2 of Shanghai Youth City (上海青年城) No. 1519 Husong Road, Jiuting Town, Songjiang District, Shanghai, the PRC	Held under a land use right for a term expiring on 8 July 2055	Commercial	43.02%
5.	Lot No. B2, Phase I of Top City (城上城) No. 1 Aoti Road, Yuanjiagang, Jiulongpo District, Chongqing, the PRC	Held under a land use right for a term expiring in February 2044	Commercial and Car Park Spaces	43.02%
6.	The commercial building at Phase 3 of Youngman Point, No. 2 Gan Lu Yuan Zhong Li, Qingnian Road, Chaoyang District, Beijing, the PRC	Held under a land use right for a term expiring on 5 February 2044	Commercial	43.02%
7.	Tai Yuan Street, Taiyuan Business Avenue (瀋陽城開中心), Heping District, Shenyang, Liaoning Province, the PRC	Held under a land use right for a term expiring on 11 January 2048 and 2 February 2050	Commercial and office	43.02%
8.	The retail, office and basement car park portion of Changning United 88 (長寧八八中心) No. 88 Changning Road, Changning District, Shanghai, the PRC	Held under a land use right for a term expiring on 14 August 2052	Composite	48.60%
9.	Several levels of Golden Bell Plaza (金鐘廣場) No. 98 Huahai Road Central, Huangpu District, Shanghai, the PRC	Held under a land use right for a term expiring on 18 November 2043 and 22 August 2050	Commercial and Office	43.74%
10.	Several levels of commercial and Cultural Complex of Hi Shanghai (海上海) Lane 568 Feihong Road and Nos. 950, 970 and 990 Dalian Road, Yangpu District, Shanghai, the PRC	Held under a land use right for a term expiring on 19 September 2052	Composite	48.60%

Location	Term of lease	Type of use	Group's interest
11. Tower 3 of Shanghai Industrial Investment Center(上實中心) No. 195 Xianggang East Road, Laoshan District, Qingdao, the PRC	Held under a land use right for a term expiring on 8 September 2054	Commercial and Office	48.60%
12. Commercial units of Huangpu Estate (黃浦新苑) No. 1130 and Nos. 1-2, Lane 1108, Tibet Road South, Huangpu District, Shanghai, the PRC	Held under a land use right for a term expiring on 8 November 2050	Commercial	48.60%
13. The Land Lot No.9 Qiu and 1/920 Qiu, 90 Jiefang, Tilanqiao Street, East of Dantu Road, south of East Daming Road, west of HK323-02 Green Land, north of East Changzhi Road, Hongkou District, Shanghai, the PRC	Held under a land use right for a term of 40 years for culture and commercial use and 50 years for office use from 29 January 2021	Commercial, office and culture	48.60%
14. The Land Lot No. 21 Qiu and 1/929 Qiu, 91 Jiefang, Tilanqiao Street, East of Dantu Road, south of East Changzhi Road, west of Gaoyang Road, north of Tangshan Road, Hongkou District, Shanghai, the PRC	Held under a land use right for a term of 40 years for commercial use, 40 years for hotel use and 50 years for office use from 29 January 2021	Commercial, office and hotel	24.30%

GLOSSARY OF TERMS

Term used	Brief description
Board	the board of directors of the Company
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)
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	Shanghai Industrial Urban Development Group Limited (HKSE stock code: 563)
SI Urban Development Scheme	A share option scheme adopted by SI Urban Development at the annual 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)
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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