上海實業控股有限公司
SHANGHAI INDUSTRIAL HOLDINGS LIMITED

（Incorporated in Hong Kong with limited liability）

(Stock Code: 363)

ANNOUNCEMENT OF 2020 INTERIM RESULTS

(Unaudited)

BUSINESS REVIEW

The Board of Directors of Shanghai Industrial Holdings Limited (the "**Company**") announces the unaudited interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2020. The Group's total revenue amounted to HK$13,211 million, representing a year-on-year decrease of 20.7%. Net profit decreased year-on-year by 60.1% to HK$803 million. These declines were largely due to the economic impact of the epidemic.

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

The Board of Directors has recommended for the year of 2020 the payment of an interim cash dividend of HK22 cents per share of the Company together with an interim special dividend in the form of distribution in specie of the shares of Shanghai Industrial Urban Development Group Limited ("**SI Urban Development**" or "**SIUD**") (the "**SIUD Shares**") held by the Group in proportion to the then respective shareholdings in the Company on the following basis, to shareholders whose names appear on the register of members of the Company on the Record Date:

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

The purpose of the payment of the interim special dividend is to reciprocate to our shareholders and to enable them to participate more directly in the future business growth of our subsidiary, SI Urban Development, and help to increase the liquidity of the SIUD Shares in the market.

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

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

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

INFRASTRUCTURE FACILITIES

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

Toll Roads

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

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

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

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

Toll roads/bridge	Interest attributable to the Group	Net profit attributable to the Group	Change	Toll revenue	Change	Traffic flow (vehicle journey)	Change
Jing-Hu Expressway (Shanghai Section)	100%	HK$27.78 million	-87.9%	HK$119 million	-65.8%	14.93 million	-48.3%
Hu-Kun Expressway (Shanghai Section)	100%	HK$11.78 million	-95.9%	HK$190 million	-65.3%	28.64 million	-0.6%
Hu-Yu Expressway (Shanghai Section)	100%	HK$1.89 million	-98.5%	HK$123 million	-60.1%	15.18 million	-28.0%
Hangzhou Bay Bridge	23.0584%	HK$13.71 million	-79.4%	HK$462 million	-49.4%	8.27 million	+17.9%
Total		**HK$55.16 million**	**-92.2%**	**HK$894 million**	**-57.8%**	**67.02 million**	**-21.9%**

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

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

Water Services

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

SIIC Environment

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

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

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

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

General Water of China

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

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

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

NEW BUSINESS ARENA

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

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

REAL ESTATE

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

The Group will continue to focus on the integration of the Yangtze River Delta to promote the long-term development of our business.

SI Development

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

In the first half of 2020, a total of 9 projects were under construction, covering an area of 1,920,000 square meters. To compensate for delays in construction due to suspension of work and production caused by the epidemic, SI Development has stepped up the pace of its construction of projects to make up for losses caused by the epidemic. In the area of property management, SI Development is planning to integrate the resources of its existing office and commercial projects to establish a common platform for the sharing of resources through multiple channels while adding value to its services in order to enhancing the core competitiveness of its business. In addition, the company will continue to explore its development potential in terms of scale, branding, technology and capital. Established for over 10 years, the Qingdao International Beer City has been successfully upgraded to Qingdao International Financial City and Qingdao International Wealth Management Financial Center, setting a new model for the integration of business and city building. In addition, the company has further introduced high-end hotel brands to the super high-rise buildings T1 and T2 projects which were under construction. The Shanghai Investment Industrial Centre, the all in one building featuring finance, commerce, hotels, culture and entertainment under one roof, will foster the upgrading and transformation of the financial and cultural temperament of the project.

SI Urban Development

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

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

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

CONSUMER PRODUCTS

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

Tobacco

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

In terms of sales for the company's major markets, with the rapid recovery of the Hong Kong duty-paid market, Nanyang Tobacco launched a series of promotional activities in the second quarter for the three major categories of cigarettes in the Hong Kong market, including traditional cigarettes, cigarettes distributed from China and blended cigarettes, and further penetrating the blended cigarette market with "value-for-money" capsule cigarettes. The new strategies have achieved unprecedented results for the company, registering a year-on-year sales increase of more than 30% in the Hong Kong and Macau duty-paid markets. In the first two months of the year, the China market was greatly affected by the epidemic, but with the subsequent resumption of work and production on the mainland, the company achieved growth both in sales volume and turnover. Capitalizing on the opportunities, the company concluded a series of sales contracts and made considerable efforts to speed up the sourcing of materials to ease production and inventory pressures. In addition, Nanyang Tobacco achieved a significant increase in the proportion of mid-to-high-end products in the product mix that was higher than the overall growth rate in such proportion in the product structure of China Tobacco.

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

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

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

Printing

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

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

** Net profit excluding net corporate expenses*

PROSPECTS

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

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

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

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

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

Shen Xiao Chu
Chairman
Hong Kong, 28 August 2020

INTERIM DIVIDEND

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

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

In addition, in relation to the interim special dividend, subject to overseas legal and regulatory restrictions, if any, it should be noted that it may not be possible or practicable to distribute the SIUD Shares to certain overseas shareholders of the Company. Further details of the arrangements for such shareholders and distribution of interim dividend as aforesaid will be given in further announcement(s) to be made by the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders' entitlement to the interim cash dividend and the interim special dividend, the register of members of the Company will be closed from Monday, 28 September 2020 to Tuesday, 29 September 2020, both days inclusive, during which period no transfer of Shares will be effected. As such, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Secretaries Limited of 54th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Friday, 25 September 2020.

REVIEW OF INTERIM RESULTS

The audit committee has reviewed the Company's unaudited consolidated interim results for the six months ended 30 June 2020.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of the Hong Kong Limited (the "**Stock Exchange**") throughout the six months ended 30 June 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

PUBLICATION OF THE INTERIM REPORT

The 2020 interim report will be despatched to shareholders in mid-September 2020 and will be made available at the HKExnews website of the Stock Exchange at *www.hkexnews.hk* and the website of the Company at *www.sihl.com.hk* accordingly.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises four executive Directors, namely, Mr. Shen Xiao Chu, Mr. Zhou Jun, Mr. Xu Bo and Mr. Xu Zhan; four independent non-executive Directors, namely, Prof. Woo Chia-Wei, Mr. Leung Pak To, Francis, Mr. Cheng Hoi Chuen, Vincent and Mr. Yuen Tin Fan, Francis.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2020

		Six months ended	
	Notes	**30.6.2020**	30.6.2019
		HK$'000	HK$'000
		(unaudited)	(unaudited)
Revenue	*3*	**13,210,952**	16,661,951
Cost of sales		**(8,345,795)**	(10,542,180)
Gross profit		**4,865,157**	6,119,771
Net investment income		**223,949**	318,651
Other income, gains and losses		**381,824**	480,045
Selling and distribution costs		**(502,260)**	(516,985)
Administrative and other expenses		**(1,052,878)**	(973,822)
Finance costs		**(865,909)**	(911,247)
Share of results of joint ventures		**94,566**	83,011
Share of results of associates		**121,241**	203,655
Gain on disposal of subsidaries/interests in associates		**87,015**	-
Profit before taxation		**3,352,705**	4,803,079
Income tax expense	*4*	**(1,663,584)**	(1,628,852)
Profit for the period	*5*	**1,689,121**	3,174,227
Profit for the period attributable to			
- Owners of the Company		**802,702**	2,009,628
- Non-controlling interests		**886,419**	1,164,599
		1,689,121	3,174,227
Earnings per share	*7*		
		HK$	HK$
- Basic		**0.725**	1.848
- Diluted		**0.725**	1.848

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Six months ended	
	30.6.2020	30.6.2019
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit for the period	**1,689,121**	3,174,227
Other comprehensive income (expense)		
Item that will not be reclassified to profit or loss		
Fair value change on equity instruments at fair value through other comprehensive income held by subsidiaries, net of tax	**18,228**	12,773
Items that may be subsequently reclassified to profit or loss		
Exchange differences arising on translation of foreign operations		
- subsidiaries	**(1,327,033)**	(71,894)
- joint ventures	**(67,886)**	(2,935)
- associates	**(62,261)**	(2,918)
Other comprehensive expense for the period	**(1,438,952)**	(64,974)
Total comprehensive income for the period	**250,169**	3,109,253
Total comprehensive income for the period attributable to		
- Owners of the Company	**47,881**	1,971,850
- Non-controlling interests	**202,288**	1,137,403
	250,169	3,109,253

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020

	Notes	**30.6.2020**	31.12.2019
		HK$'000	HK$'000
		(unaudited)	(audited)
Non-Current Assets			
Investment properties		**23,956,856**	22,844,587
Property, plant and equipment		**5,623,814**	5,617,784
Right-of-use assets		**492,353**	407,482
Toll road operating rights	*8*	**7,065,115**	7,480,543
Goodwill		**732,351**	771,093
Other intangible assets		**7,388,159**	7,628,528
Interests in joint ventures		**4,960,433**	3,252,546
Interests in associates		**6,082,178**	6,416,054
Investments		**686,845**	696,027
Receivables under service concession arrangements – non-current portion		**20,068,295**	19,456,025
Deposits paid on acquisition of investment properties/ property, plant and equipment/intangible assets/ a subsidiary		**1,350,109**	1,584,289
Other non-current receivables		**9,239**	9,239
Deferred tax assets		**410,235**	502,829
		78,825,982	76,667,026
Current Assets			
Inventories		**53,721,860**	56,706,001
Trade and other receivables	*9*	**9,978,657**	9,446,194
Contract assets		**540,531**	600,758
Investments		**673,084**	810,732
Receivables under service concession arrangements – current portion		**543,120**	547,535
Prepaid taxation		**761,103**	612,444
Pledged bank deposits		**721,749**	1,292,335
Short-term bank deposits		**303,469**	128,365
Bank balances and cash		**24,168,257**	27,904,781
		91,411,830	98,049,145
Assets classified as held for sale		**226,777**	226,119
		91,638,607	98,275,264

	Note	30.6.2020 HK$'000 (unaudited)	31.12.2019 HK$'000 (audited)
Current Liabilities			
Trade and other payables	*10*	**17,396,475**	19,503,774
Lease liabilities – current portion		**99,865**	100,762
Contract liabilities		**13,827,093**	14,803,392
Taxation payable		**3,468,622**	4,335,119
Bank and other borrowings		**16,248,114**	19,443,750
		51,040,169	58,186,797
Liabilities associated with assets classified as held for sale		**165,714**	174,715
		51,205,883	58,361,512
Net Current Assets		**40,432,724**	39,913,752
Total Assets less Current Liabilities		**119,258,706**	116,580,778
Capital and Reserves			
Share capital		**13,649,839**	13,649,839
Reserves		**26,120,446**	26,589,973
Equity attributable to owners of the Company		**39,770,285**	40,239,812
Non-controlling interests		**33,209,950**	32,564,748
Total Equity		**72,980,235**	72,804,560
Non-Current Liabilities			
Provision for major overhauls		**81,902**	84,263
Bank and other borrowings		**37,544,733**	34,983,838
Lease liabilities – non-current portion		**339,975**	262,030
Deferred tax liabilities		**8,311,861**	8,446,087
		46,278,471	43,776,218
Total Equity and Non-Current Liabilities		**119,258,706**	116,580,778

Notes:

(1) REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements for the six months ended 30 June 2020 are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), by Deloitte Touche Tohmatsu, whose report on review of condensed consolidated financial statements is included in the interim report to be sent to shareholders.

(2) BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

(i) Basis of preparation

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

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

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

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

(ii) Principal Accounting Policies

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

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

Application of amendments to HKFRSs

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

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

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

(a) Impacts of application on Amendments to HKAS 1 and HKAS 8 "Definition of Material"

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

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

(b) Accounting policies newly applied by the Group

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

<u>Perpetual bonds</u>

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

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

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

(3) SEGMENT INFORMATION

Segment revenue and results

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

Six months ended 30 June 2020 (unaudited)

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

Six months ended 30 June 2019 (unaudited)

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

Segment assets and liabilities

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

At 30 June 2020 (unaudited)

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

At 31 December 2019 (audited)

	Infrastructure facilities	Real estate	Consumer products	Unallocated	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	53,703,214	108,171,141	8,144,709	4,923,226	174,942,290
Segment liabilities	22,148,064	68,115,143	1,019,031	10,855,492	102,137,730

(4) INCOME TAX EXPENSE

	Six months ended	
	30.6.2020	30.6.2019
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Current tax		
- Hong Kong	**54,653**	101,806
- PRC Land Appreciation Tax ("**LAT**")	**714,941**	797,636
- PRC Enterprise income tax ("**EIT**") (including PRC withholding tax of HK$18,608,000 (six months ended 30 June 2019: HK$57,929,000))	**693,012**	1,047,319
	1,462,606	1,946,761
(Over)underprovision in prior periods		
- Hong Kong	**(78)**	-
- PRC LAT	**129,444**	(58,967)
- PRC EIT (including an overprovision of PRC withholding tax of HK$3,009,000 (six months ended 30 June 2019: HK$14,870,000))	**(16,657)**	(55,491)
	112,709	(114,458)
Deferred taxation for the current period	**88,269**	(203,451)
	1,663,584	1,628,852

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

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

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

(5) PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2020	30.6.2019
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting) the following items:		
Amortisation of toll road operating rights (included in cost of sales)	**271,805**	394,913
Amortisation of other intangible assets (included in cost of sales)	**172,263**	172,242
Depreciation of property, plant and equipment	**312,471**	231,861
Depreciation of right-of-use assets	**42,416**	28,638
Interest expenses for lease liabilities	**10,597**	4,308
Net increase in fair value of investment properties (included in other income, gains and losses)	**(136,866)**	(221,324)
Dividend income from investments (included in net investment income)	**(2,761)**	(3,393)
Net gain on disposal of property, plant and equipment (included in other income, gains and losses)	**(4,474)**	(1,910)
Interest income (included in net investment income)	**(226,897)**	(254,984)
Decrease (increase) in fair value of financial assets at fair value through profit or loss (included in net investment income)	**9,530**	(58,447)
Net foreign exchange loss (included in other income, gains and losses)	**32,996**	1,209
Share of PRC EIT of joint ventures (included in share of results of joint ventures)	**36,402**	41,128
Share of PRC EIT of associates (included in share of results of associates)	**32,256**	61,985

(6) DIVIDENDS

	Six months ended 30.6.2020 HK$'000 (unaudited)	30.6.2019 HK$'000 (unaudited)
2019 final dividend paid of HK52 cents (six months ended 30 June 2019: 2018 final dividend paid of HK52 cents) per share	**565,350**	565,350

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

(7) EARNINGS PER SHARE

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

	Six months ended 30.6.2020 HK$'000 (unaudited)	30.6.2019 HK$'000 (unaudited)
Earnings:		
Profit for the period attributable to owners of the Company	**802,702**	2,009,628
Interest to holders of perpetual bond	**(14,011)**	-
Earnings for the purpose of basic and diluted earnings per share	**788,691**	2,009,628
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:

(i) the exercise of options issued by SI Urban Development, a listed subsidiary of the Group, because the exercise price of those options was higher than the average market price for the corresponding period; and

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

(8) TOLL ROAD OPERATING RIGHTS

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

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

(9) TRADE AND OTHER RECEIVABLES

The following is an aged analysis of trade receivables, net of allowance for credit loss, presented based on the invoice or contract date, which approximates the respective revenue recognition dates:

	30.6.2020	31.12.2019
	HK$'000	HK$'000
	(unaudited)	(audited)
Within 30 days	**964,194**	947,290
Within 31 – 60 days	**385,601**	417,446
Within 61 – 90 days	**256,579**	385,387
Within 91 – 180 days	**295,142**	418,638
Within 181 – 365 days	**904,149**	344,534
Over 365 days	**715,417**	524,391
	3,521,082	3,037,686

(10) TRADE AND OTHER PAYABLES

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

	30.6.2020	31.12.2019
	HK$'000	HK$'000
	(unaudited)	(audited)
Within 30 days	**1,494,813**	1,463,519
Within 31 – 60 days	**345,525**	449,638
Within 61 – 90 days	**271,122**	434,901
Within 91 – 180 days	**467,590**	525,328
Within 181 – 365 days	**1,200,596**	1,520,820
Over 365 days	**1,402,882**	1,130,835
	5,182,528	5,525,041

FINANCIAL REVIEW

I. Analysis of Financial Results

1. Revenue

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

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

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

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

2. Profit Contribution from Each Business

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

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

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

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

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

3. Profit before Taxation

(1) Gross profit margin

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

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

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

4. Dividend

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

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

If the calculation results in the distribution of fragmented SIUD shares to eligible shareholders, the distributing number of SIUD shares will be reduced to the nearest whole number of SIUD shares. Fragmented SIUD shares will not be distributed, it will be sold on the market when practicable and the net income from the sale will be transferred to the Company.

The Board of Directors of the Company has resolved to pay an interim dividend for same period last year in form of distribution in specie to shareholders of the Company on the basis of 1 SIUD Share for every 1 share of the Company held.

II. Financial Position of the Group

1. Capital and Equity attributable to owners of the Company

The Company had a total of 1,087,211,600 shares in issue as at 30 June 2020. There is no change compared with 1,087,211,600 shares as at the end of 2019.

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

2. Indebtedness

(1) Borrowings

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

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

(2) Pledge of assets

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

(a) investment properties with an aggregate carrying value of HK$11,371,220,000 (31 December 2019: HK$9,792,486,000);

(b) leasehold land and buildings with an aggregate carrying value of HK$13,959,000 (31 December 2019: HK$123,539,000);

(c) plant and machineries with an aggregate carrying value of HK$22,590,000 as at 31 December 2019 (30 June 2020: Nil);

(d) one (30 June 2020: Nil) toll road operating right with a carrying value of HK$1,884,742,000 as at 31 December 2019 (30 June 2020: Nil);

(e) receivables under service concession arrangements with an aggregate carrying value of HK$14,307,313,000 (31 December 2019: HK$14,419,408,000);

(f) properties under development held for sale with an aggregate carrying value of HK$15,100,452,000 (31 December 2019: HK$2,869,155,000);

(g) properties held for sale with an aggregate carrying value of HK$270,667,000 (31 December 2019: 645,466,000);

(h) trade receivables with an aggregate carrying value of HK$204,813,000 (31 December 2019: HK$172,688,000); and

(i) bank deposits with an aggregate carrying value of HK$721,749,000 (31 December 2019: HK$1,292,335,000).

(3) Contingent liabilities

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

3. Capital Commitments

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

4. Bank Balances and Short-term Investments

As at 30 June 2020, bank balances and short-term investments held by the Group amounted to HK$25,193.48 million (31 December 2019: HK$29,325.48 million) and HK$673.08 million (31 December 2019: HK$810.73 million) respectively. The proportions of US dollars and other currencies, Renminbi and HK dollars of bank balances were 4%, 82% and 14% (31 December 2019: 3%, 78% and 19%) respectively. Short-term investments mainly consisted of investments such as bonds, Hong Kong and PRC listed shares.

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