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 ANNUAL RESULTS

BUSINESS REVIEW

The Board of Directors of Shanghai Industrial Holdings Limited (the "**Company**") is pleased to announce the audited annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2020.

During 2020, due to the widespread concern about the severe impact of the COVID epidemic and respective preventive measures adopted by governments all over the world, global economic activity was badly hit. Such control measures included lockdowns and cross-border closures. The situation was further exacerbated by ongoing international trade disputes and volatility of world capital markets. In light of this, the Group has, under the leadership of the Board of Directors and the management team, responded swiftly to the adversity. On one hand, we have fully supported control measures put forward by governments around the world and safeguarded the health and safety conditions of our employees. On the other hand, we have effectively coordinated our resources to ensure the steady operation of our core businesses while minimizing 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 challenges. Despite a decline in its annual results for the year, given that the epidemic prevention-and-control actions taken by the PRC government have been very successful, resumption of work and production has been stepped up as economic recovery has begun to take effect. The Group's results for the second half of the year rebounded from those of the first half. As such, it is encouraging to note that the Group has been able to maintain overall profitability for the year.

The Group's audited revenue and profit attributable to shareholders amounted to HK$27,138 million and HK$2,219 million, representing a decline of 16.1% and 33.8% respectively over last year.

The Board of Directors has recommended a final dividend of HK52 cents per share (2019: HK52 cents per share) for 2020. For the year of 2020, the Company has completed the payment of an interim cash dividend of HK22 cents per share to shareholders of the Company and the payment of an interim special dividend in the form of distribution in specie to the qualified shareholders of the

Company on the basis of 1 share of Shanghai Industrial Urban Development Group Limited ("**SI Urban Development**") for every 5 shares of the Company held (2019: the payment in the form of distribution in specie to the qualified shareholders of the Company on the basis of 1 share of SI Urban Development for every 1 share of the Company held).

INFRASTRUCTURE FACILITIES

During the year, the infrastructure facilities business recorded a profit of HK$1,156 million, dropping 34.2% over the past year and accounting for 47.3% of the Group's Net Business Profit*. The Group continued to refine its strategic plans to strengthen the scale of its infrastructure facilities and environmental-protection businesses through joint investment and co-operation, while continuing to streamline and upgrade existing projects and boosting its profits through different channels. The toll roads/bridge business also faced considerable challenges in operations. To combat the epidemic, project companies have made considerable efforts to ensure safe and smooth road passage through enhancement of traffic flows, resulting in a gradual recovery of the traffic volume of vehicles.

In October 2020, a 50-50 joint venture was formed between a wholly-owned subsidiary of the Company and an independent third party for the investment of solid waste power generation in China. Through a bidding process, the new joint venture acquired a 30.22% shareholding in Shanghai SUS Environment Co., Ltd. ("**SUS Environment**") at a consideration of RMB2.9988 billion in the same month. The transaction was completed in mid-December. Established in Qingpu, Shanghai in 2008, SUS Environment is a comprehensive urban solid waste disposal service provider which consists of investment, construction and operation. Its principal business includes waste-to-energy Build-Operate-Transfer (BOT) projects and waste-to-energy engineering procurement (EPC) projects. As at the end of 2020, SUS Environment had accumulated some 60 waste-to-energy public-private-partnership (PPP) projects, with a planned daily capacity of over 80,000 tonnes of domestic waste, ranking among the top five in China.

Following a series of share acquisitions in Canvest Environmental Protection Group Company Limited ("**Canvest Environmental**") since 2017, the Company has now acquired a 19.48% interest in Canvest Environmental, a leading waste incineration power generation enterprise in China. The recent successful acquisition of SUS Environment is expected to further strengthen the Group's position in the waste incineration power generation industry and create strong synergy with its existing infrastructure business. The acquisition is also expected to significantly enhance the Group's core competitiveness and is in line with the strategic planning of the environmental protection business, into which the Group has made considerable investments over the years.

Toll Roads

The Group's three toll roads and the Hangzhou Bay Bridge recorded a decline in overall traffic flow and toll revenue for the year due to the following factors: (1) The waiver of toll tariffs for vehicles nationwide, resulting in a significant decrease in the number of toll collection days in the first half of the year. The charging of toll tariffs was resumed on 6 May. The Ministry of Transport has been studying the implementation of respective compensation policies; (2) The adjustment of toll mileage for the entry sections of expressways. Our project companies will proactively discuss relevant compensation issues with the Government. (3) A 5% toll discount on electronic toll collection (ETC) lanes nationwide was offered, commencing 1 July 2020, together with an increased proportion of ETC transactions; (4) A new charging system was adopted for the nationwide expressway network on 1 January 2020 and adjustment was made to vehicle classification and charging scales, hence also affecting our toll revenues.

With the resumption of collection of toll tariffs, our toll road project companies have adopted various measures to ensure smooth road passage for vehicles at each toll station. Incentive measures for toll collection, in the form of competitions, were implemented to motivate front-line staff to improve their efficiency in tariff collection. While the new toll system has been operating smoothly, our project companies will continue to optimize the system on a regular basis. Measures will also be taken to combat the epidemic, including the monitoring of anti-epidemic materials and protective equipment at maintenance spots, service areas and toll stations. During the year, the bridge intelligence reform project of Hangzhou Bay Bridge continued to progress smoothly and, in pursuit of service excellence, it has strongly advocated the renovation of the service areas of the Southern Coast.

The key operating figures of the respective toll roads/bridge 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$265 million	-23.6%	HK$428 million	-37.9%	34.77 million	-41.2%
Hu-Kun Expressway (Shanghai Section)	100%	HK$203 million	-47.0%	HK$643 million	-38.3%	63.29 million	+6.9%
Hu-Yu Expressway (Shanghai Section)	100%	HK$101 million	-52.5%	HK$419 million	-30.6%	35.73 million	-17.6%
Hangzhou Bay Bridge	23.0584%	HK$93 million	-36.9%	HK$1,655 million	-12.7%	17.27 million	+17.1%
Total		HK$662 million	-39.3**%**	HK$3,145 million	-25.6**%**	151.06 million	-14.4**%**

While overcoming a variety of difficulties during the year, our road project companies have successfully completed the assessment of the maintenance and management performance of the expressways nationwide, which takes place every five years. The companies have also safeguarded the road conditions of the third China International Impact Expo, including the timely completion of the improvement works on the roads with high quality. Jing-Hu Expressway (Shanghai Section) is the only model example in Shanghai (上海市精品示範路) that has participated in the national assessment program. During the year, Hu-Kun Expressway (Shanghai Section) received an assessment review by the Shanghai Work Safety Association and the title of A Modelled Enterprise for Safety Culture in Shanghai (上海市安全文化建設示範企業) was retained.

In April 2020, the Company's wholly-owned subsidiary, Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd. ("**Hu-Ning Expressway**"), 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**") for a consideration of RMB419,508,055. The transaction was completed in May. Hu-Ning Expressway will indirectly hold such equity interest through its 45% interest in 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 on its core business of toll roads, and replenish its working capital for the implementation of strategic transformation plans.

Water Services

Reaching a daily water treatment capacity of 12,890,000 tonnes, SIIC Environment Holdings Ltd. ("**SIIC Environment**") will push forward its strategic deployment in the Yangtze River Delta region and Guangdong-Hong Kong-Macau Greater Bay Area, which is closely in line with the national strategic plans, and continue to consolidate its position as the leading enterprise in water treatment in China and a first-tier enterprise in environmental protection. General Water of China Co., Ltd. ("**General Water of China**") has during the year made significant achievements in terms of increasing output, promoting efficiency, enhancing market exploration and accelerating the pace of project development amid its efforts to combat the epidemic.

SIIC Environment

In 2020, SIIC Environment recorded revenue of RMB6,252 million, representing a year-on-year increase of 4.9% and profit attributable to shareholders of RMB635 million, representing a year-on-year increase of 5.8%. Operating and maintenance income from service concession arrangements and financial income together achieved a year-on-year increase of 12.7%, mainly attributable to the rise in both sewage treatment volume and treatment tariffs. Construction revenue recorded a year-on-year decrease of 3.7% due to delays in construction projects caused by the epidemic and the flood season, but construction revenue significantly increased in the fourth quarter.

With the effective control of the epidemic in China, the construction of, and bidding activities for, new municipal environmental protection projects at all levels of the Government gradually resumed. During the year, SIIC Environment has been pushing ahead with the development of its projects and as at the year end of 2020 acquired 16 new sewage-treatment projects with a total planned daily capacity of 401,300 tonnes along with 24 upgrade and expansion projects with a total planned daily capacity of 1,547,500 tonnes. In addition, six sewage treatment projects were put into commercial operation with a total planned daily capacity of 190,000 tonnes. The construction of 12 upgrade and expansion projects and projects under construction with a total planned daily capacity of 530,000 tonnes was also completed and went into commercial operation. For solid waste projects, SIIC Environment has acquired an expansion project and a relocation project with a total planned daily capacity of 2,000 tonnes. In 2020, sewage water volume treatment grew by 5.3% to 2,400,000,000 tonnes; sewage water tariffs increased by 19.4% year-on-year and water-treatment volume under O&M projects increased by 5.8% to 140,000,000 tonnes.

The central Government's endeavor to prevent and control water pollution in the Yangtze River Delta and to enhance the sewage-treatment collection and processing capability of urban and rural areas has brought about enormous development potential in the area. With its early presence in the Yangtze River Delta region, SIIC Environment has secured strategic benchmark projects such as the sewage treatment plant project and artificial wetland O&M project in Zhejiang as well as the Huishan project in Wuxi and the Pinghu project in Zhejiang. The new national laws on solid waste implemented during the year are expected to bring about more opportunities for professional environmental protection enterprises. Capitalizing on such opportunities arising from national policies, SIIC Environment has focused its efforts to construct the renewable energy center project in Baoshan as a solid waste benchmark project in the Yangtze River Delta region together with the Baowu Group Environmental Resources Technology Co., Ltd. The project is expected to commence operation in 2022 with a daily capacity reaching 3,800 tonnes. SIIC Environment will also seek to acquire other water projects in the green demonstration area in the Yangtze River Delta region to build up a better future for China.

General Water of China

Despite the impact of the epidemic during the year, General Water of China completed all its operational targets, driven by its relentless efforts in safety operations as well as a determination to streamline its corporate management and to accelerate the pace of technological innovation. During the year, the company recorded revenue of HK$2,517 million, representing a year-on-year increase of 14.5%. Net profit amounted to HK$274 million, representing an increase of 28.8% over last year. As at the end of 2020, the company operated a total of 34 water-supply plants and 27 sewage-water treatment plants with a combined daily capacity of 6,927,000 tonnes, of which the daily capacity of water supply is 4,429,500 tonnes and the daily capacity of sewage-water treatment is 2,497,500 tonnes. The company has two reservoirs with a total storage capacity of 182,320,000 tonnes and a pipe network of 6,248 kilometers. General Water of China has been named one of the Top 10 Most Influential Enterprises in China's Water Industry for the 17th consecutive year, and has once again been ranked in the top three companies in this area.

In April 2020, General Water of China signed a contract with Bengbu Housing and Urban-Rural Development Bureau for the construction of the Bengbu reclaimed water project. The project represents an important step in fulfilling its responsibility as the main platform for environmental protection and pollution control of the Yangtze River. The total investment in the project is RMB278 million, with a planned daily capacity of 160,000 tonnes, (the current daily capacity was 90,000 tonnes). By the end of June, General Water of China's Guiyi reclaimed-water plant in Guiyang (a project which adopts a PPP model) was put into trial operation 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 and put into trial operation, 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 operation with a daily treatment capacity reaching 300,000 tonnes, which will greatly alleviate insufficient water supply during the hot season to supply water in the Hedong district. In July, affected by the rainy season, the water level of the reservoir in Tiger Lake approached its flood limit and the water gate was opened on two occasions in line with the policy of timely implementation of stringent flood-prevention measures to ensure the safety of the city's residents.

NEW BUSINESS ARENA

As at the end of 2020, the photovoltaic assets capacity of Shanghai Galaxy and SIIC Aerospace Galaxy Energy (Shanghai) Co., Ltd. (“**Galaxy Energy**”), its subsidiary, reached 690MW. The total amount of on-grid electricity sold from its 14 photovoltaic power stations was approximately 927 million kWh, representing an increase of 7.2% over last year. During the year, Anda Zhongcheng photovoltaic power station at Heilongjiang province was acquired with a newly-added asset scale of 100 kWh.

In 2020, the National Energy Administration Bureau promulgated detailed criteria for applying additional subsidies on tariffs for renewable-energy projects, which will greatly enhance the efficiency of granting subsidies. The projects of Shanghai Galaxy and Galaxy Energy are well prepared for the application for subsidies in the next round. Currently, renewable energy, such as photovoltaic, has been listed in the “Fourteenth Five-year Plan” in various provinces and regions and set as a vision for 2035 in various proposal documents. Local governments have expedited the progress on the development of a low-carbon green economy and the transformation of energy, and this has greatly promoted the development of the photovoltaic industry. Shanghai Galaxy and Galaxy Energy will pay close attention to the environment of emerging industries amid the reform and the opportunities arising from the industry layout, to grasp the prime investment opportunities. They will also explore investment opportunities in biopharmaceuticals together with leading listed companies.

REAL ESTATE

In 2020, the real estate business recorded a profit of HK$770 million, in line with that of last year, and accounted for 31.5% of the Group’s Net Business Profit*. The moderate decline was mainly due to restrictions in marketing activities and delays in the delivery of properties as a result of the epidemic and the reduction in rental income. With the Government’s effective control of the epidemic over the country, different provinces and cities have resumed commercial and business activities. The Group’s real estate business has accelerated the pace of its construction projects and achieved significant progress.

SI Development

During the year, Shanghai Industrial Development Co., Ltd. (“**SI Development**”) recorded revenue of RMB8,049 million, representing a year-on-year decrease of 9.2%. Net profit was RMB818 million, representing a year-on-year increase of 4.6%, mainly attributable to the company’s booked income from projects delivered during the year. In view of macro-economic pressure and complicated issues arising in the industry in 2020, SI Development utilised multiple financing channels and adopted versatile marketing strategies in the development of its business, hence maintaining stable results for the company.

In terms of property sales, SI Development met its annual target ahead of schedule. The promotion and marketing of its projects were made through on-line and off-line channels and a variety of marketing initiatives. In addition, considerable efforts were made to speed up the progress of contract signing and in the collection of receivables. Favorable contract sales were recorded in a number of property projects, including such projects as Shanghai Bay (Phase 4) in Qingpu, Shanghai, Territory

Shanghai in Jing'an, Shanghai, Era of Elites in Baoshan, Shanghai, Sea Palace in Quanzhou, SIIC Tianlan Bay in Huzhou and SIIC Yungjing Bay in Huzhou. Contract sales of real estate projects for the year reached RMB5,000 million, covering an area of approximately 228,800 square meters. Property sales booked during the year amounted to HK$4,834 million, including the delivery of a gross floor area of properties of approximately 260,000 square meters, mainly comprised of Hi-Shanghai in Hangzhou, Shanghai Bay (Phase 4) in Qingpu, Shanghai, SIIC Tianlan Bay in Huzhou, A New Era in the City in Jiading, Shanghai and Sea Palace in Quanzhou. Rental income for the year was approximately HK$381 million.

During the year, to compensate for delays in construction, SI Development stepped up the pace of its construction projects to make up for time loss. A total of nine projects were under construction, covering a total gross floor area of about 192 square meters. Despite pressures arising from the epidemic and an unfavorable market environment, the company continued to maintain progress in its property investment operations. During the early period of resumption of work and production, the company reduced the rent for small and medium enterprises pursuant to the relevant requirements of the municipal government, benefitting a total of 287 tenants and covering a rental area of about 196,000 square meters. With the preferential measures offered for ensuring contract renewal of existing tenants and the smooth transition of new tenants, the company maintained an occupancy rate of more than 90% for the year. During the year, SI Development acquired 23 additional projects and renewed tenancy for 39 of its projects. The newly-added area amounted to 1,380,000 square meters and the area under management reached 26,650,000 square meters.

In November 2020, a wholly-owned subsidiary of SI Development established Sichuan Shanghai Innovation Fund with Shanghai Industrial Investment (Holdings) Company Limited ("**SIIC**") and other cornerstone investors, with a total capital contribution of RMB600 million, of which RMB100 million was contributed by SI Development, for investment in the artificial intelligence industry. The Fund will actively participate in the construction of the Shanghai Scientific Innovation Center and integrated developments in the Yangtze River Delta region, synergizing the resources between new technologies and business-development efforts. The project is expected to provide prime investment opportunities for the company's diversified investment portfolio and generate stable revenue. Supported by SI Development's strategic investment planning in emerging business, the project will lay a solid foundation for the further exploration of the potentials in artificial intelligence.

Taking an active part in the acquisition of real-estate projects, SI Development in December 2020 won a bid for the land-use rights of the land parcel situated at No. 90, North Bund, Hongkou District, Shanghai with a total site area of 12,725 square meters through listing-for-sale at a consideration of RMB3,893 million for office, commercial and recreation and sports uses. Located in close proximity to the land parcel situated at No. 89, North Bund, which is currently under development and construction by SI Development, the newly acquired project created synergy between the two developments. The two sites will be developed into a new cultural and recreation zone of Shanghai Bund with global exposure, and the company is striving to make it a new landmark in the North Bund area.

Looking forward, SI Development will focus its development in critical regions and penetrate into cities with competitive edges in the development of its projects. In addition, the company will focus on three core regions for future development. These will include: Shanghai and Yangtze River Delta region which is characterized by the signature architectural complex at North Bund, Hongkou; the Bohai Bay area, which is led by the Qingdao International Beer City; and the Chengdu-Chongqing region, which focuses on mid- to high-end residential housing and ancillary commercial projects. Such an initiative will expand the potential for development and the brand influence.

SI Urban Development

SI Urban Development recorded revenue of HK$6,357 million for 2020, representing a decrease of 25.9% over last year. Profit attributable to shareholders for the year amounted to HK$522 million, representing a year-on-year decrease of 13.1%. Property sales booked during the year amounted to RMB5,485 million. Properties delivered mainly included Urban Cradle in Shanghai, Contemporary Splendour Villa (Courtyard Villa) in Shanghai and Contemporary Art Villa (Jade Villa) in Shanghai, with a gross floor area of approximately 167,400 square meters. Rental income for the year was approximately HK$663 million. Contract sales amounted to RMB7,610 million, representing a gross floor area of approximately 152,000 square meters, which mainly included Contemporary Splendour Villa (Courtyard Villa) in Shanghai, West Diaoyutai in Beijing, Originally in Xi'an and Urban Cradle in Shanghai. SI Urban Development had a total of 14 projects under construction with a gross floor area of approximately 3,097,000 square meters.

In conjunction with its 50%-owned joint venture and China Aerospace Group, SI Urban Development took part in the bidding of the Guilin Road land project located in the southwest of Xuhui District, Shanghai in January 2020, with a total capital commitment of 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 local governments and its platform companies to fund their projects in local infrastructure, water supply and construction of rail transportation. The transaction was approved by independent shareholders at the special general meeting held in September 2020. With this project, SI Urban Development is expected to further deepen the integration of finance into business and create synergy between the two areas.

During the year, SI Urban Development expanded the coverage of its comprehensive healthcare business and formed a joint venture with SIIC and Shanghai Pharmaceutical (Group) Co., Ltd. in October with a total investment of RMB150 million to engage in the development and operation of a medical beauty institution in Shanghai, China. SI Urban Development owns a shareholding of 19% in the joint venture, which will engage Shanghai No. 9 People's Hospital, a market-leading tertiary public hospital in the PRC with leading national comprehensive strengths in the medical field, to provide technical management consulting services and support in relation to hospital management and medical affairs. The project offers SI Urban Development opportunities for long-term strategic development in the comprehensive health sector.

In December 2020, SI Urban Development entered into a cooperation agreement with an independent third party to acquire the land use right of the Wuhan Site located at the Yangluo Economic Development Zone in the district of Xinzhou in Wuhan of the Hubei Province, the PRC. Acquired for a consideration of RMB1,329 million, the site which consists of a total site area of approximately 258,000 square metres and an estimated gross floor area of approximately of 440,000 square metres, will be used for scientific research as well as commercial and residential purposes. The Xinzhou district represents a provincial key development zone, and the acquisition is in line with the business development strategy and planning of SI Urban Development which holds a 49% interest in the project. Apart from this, SI Urban Development won in the same month the bid for the land use right of Plot No. 3, Tianjin Polytechnic University, Hedong District in Tianjin, the PRC for a land premium payment of RMB2,660 million. With a total site area of approximately 42,145 square metres, the land parcel is for residential use and is planned to be developed into approximately 115,800 square meters of residential development. Located in close proximity to Metro Line No. 5 in the Hedong District, Tianjin, the site is supplemented by comprehensive auxiliary facilities, and is expected to be developed into a new landmark development project which is in line with SI Urban Development's strategy of developing residential properties in key metropolitan areas.

CONSUMER PRODUCTS

For the year of 2020, the Group's consumer-products business made a profit of HK$518 million, representing a decrease of 53.0% over the previous year and accounting for approximately 21.2% of the Group's Net Business Profit*. The production and operations of Nanyang Brothers Tobacco Company, Limited ("**Nanyang Tobacco**") were affected by the global spread of COVID-19 as business transport and shipping became almost stagnant. During the year, Nanyang Tobacco focused its efforts on the expansion of slim cigarette production, composite filters and new tobacco products. In terms of marketing and branding, the company endeavored to seek breakthroughs, while achieving significant progress in overseas production and sales cooperation projects. The company will continue to strengthen its business and seek innovation to prepare itself for the future market recovery. The Wing Fat Printing Company, Limited ("**Wing Fat Printing**") overcame various challenges during the year and achieved growth in the adverse market environment and has steadily promoted the "1+1+1" strategy with its annual mission completed well beyond target, with profitability and industry competitiveness much enhanced. The packaging business recorded stable profit; the moulded-fibre business has made a remarkable contribution, and the medicine-packaging business is set to gear up.

Tobacco

The turnover and profit after tax of Nanyang Tobacco for the year were HK$1,868 million and HK$361 million respectively, representing a decline of 44.0% and 63.0% respectively over the previous year. This is mainly attributable to the COVID-19 epidemic outbreak and customs-closure measures around the world, which led to a significant decline in the sales of cigarettes at duty-free shops and a respective drop in exports and ship-tobacco business. Firmly adhering to its business goals, Nanyang Tobacco has made considerable efforts to consolidate its competitive edges and to seek breakthroughs amid the adverse environment caused by the epidemic. The company's goals are: To ensure healthy internal operations and external development as well as to strengthen our existing business through the pursuit of excellence. As a centennial enterprise, the company has demonstrated its commitment to social responsibility and strong resilience in seeking development in adversity.

To stay abreast of rapid innovations in the new tobacco market, Nanyang Tobacco has introduced higher capabilities for flexible production lines of new products and created more favorable conditions for the development of new tobacco. Nanyang Tobacco has made a strong commitment to promote the expansion of a production line for slim cigarettes. The project was launched at the beginning of the year and with the full integration of the machine in July, production successfully commenced in late September, providing favorable conditions for the development and commissioning of new products in flexible workshops. The additional composite production capacity represents an important part of flexible manufacturing with multiple specifications. Today, the company has completed the installation of two core equipment units which will connect the upstream and downstream operation of equipment and technologies for new tobacco. This will also establish the necessary capacity for the production of products with multiple specifications and further strengthen the development of new tobacco products.

The duty-free market on the Guangdong and Hong Kong border, the most important market for Nanyang Tobacco, suspended operations due to the closure of the border. As a result, the sales channels became stagnant, but the impact on Hong Kong's duty-paid market and the China market was relatively small. The demand from the duty-paid market in Hong Kong grew beyond expectation as the inflow of tax-free tobacco was limited under the closure of borders. Nanyang Tobacco is now taking active measures in product marketing in order to seize a greater market share and to expand the influence of the branding. Sales from the China market increased while the import of foreign cigarettes remained steady. The tax-free markets in China, Hong Kong and Macau remained inactive under the impact of the epidemic. Overseas markets and the ship-tobacco market were adversely affected while sales in most of the targeted overseas markets remained stagnant. Nanyang Tobacco will take active measures to explore new sales channels which are less affected by the epidemic. The company has now focused on product reserves in the process of its new product development.

In terms of business cooperation, the overseas sales and production cooperation project between Nanyang Tobacco and a large mainland cigarette company has entered a substantive stage of development. Nanyang Tobacco will take this as an opportunity for strengthening and promoting cooperation between the two parties and provide strong support for building new production bases overseas and innovating sales channels in future. The parties have been promoting local production of cut tobacco, and trial production will turn into commercial production. Exclusive distributorship for overseas tax-free markets has been chosen and a target cigarette company in the Southeast Asian region will be acquired, with the intention to facilitate an orderly production in 2021.

Printing

Wing Fat Printing recorded a turnover of HK$1,670 million for the year 2020, an increase of 1.6% over the previous year. The net profit amounted to HK$169 million, representing a year-on-year increase of 24.6%. During the year, in the face of the epidemic and the escalation of Sino-US trade friction, the company took effective epidemic prevention and control measures which enabled it to resume production in an orderly manner. Seizing the critical timing of "capacity shortage" during the early period of the epidemic, the company secured consistent growing orders from clients in the consumer electronics industry, one of the industries that most benefited from the epidemic, covering the moulded-fibre business and exquisite box business, laying a strong foundation for the company's growth in turnover.

In the later stage of the epidemic, guided by the "1+1+1" strategy implemented over the last two years, the company continued to promote the optimization of business and production structure, and is geared to develop in the direction of intelligent manufacturing enhancement. This has not only helped the company to overcome critical challenges such as structural changes in the market during the outbreak of the epidemic, irrational increase in the price of paper and price cut from core clients, but also allowed the company to increase the overall profit margin in adverse environment. Supported by favorable policies offered by local governments during the outbreak of the epidemic, the company has scaled new heights in terms of profitability for the year. In 2020, Wing Fat Printing successfully completed the merger and acquisition of Wuxi Foreign Trade Printing Co., Ltd. The company also ranked the top in the supplying tender and became a core supplier of paper packaging for Shanghai Pharmaceuticals Holding Co., Ltd.

On the assumption that the epidemic may become more rampant in the world, and that international disputes may intensify, despite Wing Fat's satisfactory results amid the epidemic, the management remained cautious about long-term challenges and weak sentiment that will prevail in the future macroeconomic environment, resulting in overall weak consumption in the post-epidemic period while the consumption boost during the epidemic may drop upon cessation of the epidemic along with the consistent rise of paper prices. To this end, the company will uphold stability and continue to thoroughly and diligently implement its established and well-planned strategies with a view to achieving all its operational targets in the coming year.

* *Net profit excluding net corporate expenses*

PROSPECTS

Looking forward to 2021, as China has achieved high recognition for its efforts to combat the epidemic, major activities have resumed and production has been stepped up, resulting in overall economic growth. Nevertheless, uncertainties about the epidemic still remained in Hong Kong and other countries around the world. The impact created by control measures taken by governments worldwide on normal economic and production activities, together with geopolitical factors, international trade disputes, and volatility in interest and exchange rates, will still present severe challenges to the development of the Group's businesses. Against such a backdrop, the Group will take proactive steps to enhance its operating and management efficiency, strengthen risk management and controls, and continue to reform and innovate while maintaining its efforts to curb the epidemic. Resources will be carefully planned and deployed to improve operating results. 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 seek in-depth development in the environmental protection sector and expand the scale of their investments in an orderly manner. Technological innovation will also be further strengthened and management models refined. The management team will be further streamlined to minimize costs and enhance efficiency and to expedite business development and enhance core competitiveness. The toll road business will continue to reduce costs, increase efficiency, and maintain profitability and steady growth while strictly preventing and controlling the epidemic. Through investments in new business arenas, the Group's investments in the environmental-protection and green-energy segment will become a new source of profit growth for the Group.

The Company's real estate business will focus on key regions and main cities. In the post-epidemic period, the segment will accelerate all aspects of its project construction and operational activities with a view to meeting and exceeding development and sales goals. In addition, the segment will manage overall risk, revitalize its assets and further streamline its asset and financial structures.

Given a rapid recovery in the duty-paid market in Hong Kong due to a decrease in the quantity of duty-free cigarettes in the market, Nanyang Tobacco will actively capture such market share. However, the prospects for the airport duty-free market, ship-tobacco market and overseas markets are rather weak in the short term. The company will actively explore new sales channels that are less affected by the epidemic. It will also seek cooperation with large PRC cigarette enterprises for overseas production and sales, making efforts to enhance its overall competitiveness to broaden the scope of its markets and global presence. The company will continue to make progress in technological innovation, optimise production processes, provide incentives to staff and actively plan for breakthroughs in development.

In 2021, Wing Fat Printing will adhere to its established strategy and policy, and steadily promote the orderly development and structural optimization of each business. The company will embark on bold innovations, keep forging ahead, continue to improve itself in the course of development and enhance its market competitiveness and risk resistance.

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

Shen Xiao Chu
Chairman

Hong Kong, 30 March 2021

FINAL DIVIDEND

The Board of Directors has recommended a final dividend of HK52 cents per share (2019: HK52 cents per share) for 2020. For the year of 2020, the Company has completed the payment of an interim cash dividend of HK22 cents per share to shareholders of the Company and the payment of an interim special dividend in the form of distribution in specie to the qualified shareholders of the Company on the basis of 1 share of SI Urban Development for every 5 shares of the Company held (2019: the payment in the form of distribution in specie to the qualified shareholders of the Company on the basis of 1 share of SI Urban Development for every 1 share of the Company held).

Subject to approval by the Shareholders at the 2021 Annual General Meeting, the final dividend will be paid on or about Friday, 18 June 2021 to Shareholders whose names appear on the register of members of the Company on Friday, 4 June 2021.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at the Ballroom at 1st Floor, South Pacific Hotel, 23 Morrison Hill Road, Wanchai, Hong Kong on Tuesday, 25 May 2021 at 3:00 p.m. (the "**Annual General Meeting**"). Notice of the meeting will be despatched to the shareholders in mid-April 2021 and will be made available at the HKExnews website of The Hong Kong Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") at *www.hkexnews.hk* and the website of the Company at *www.sihl.com.hk* accordingly.

CLOSURE OF REGISTER OF MEMBERS

Annual General Meeting

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 Friday, 14 May 2021 and Monday, 17 May 2021, 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 Thursday, 13 May 2021.

Final Dividend

For the purpose of determining shareholders' entitlement to the final dividend, the register of members of the Company will be closed on Friday, 4 June 2021, on which no transfer of shares will be effected. As such, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Secretaries Limited of 54th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Thursday, 3 June 2021.

REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed the Company's consolidated annual results for the year ended 31 December 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 for the year ended 31 December 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities.

PUBLICATION OF THE ANNUAL REPORT

The Annual Report 2020 will be despatched to the Shareholders in mid-April 2021 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 of Directors of the Company 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.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	**2020**	2019
		HK$'000	HK$'000
Revenue	*3*	**27,137,601**	32,345,473
Cost of sales		**(17,319,822)**	(19,813,289)
Gross profit		**9,817,779**	12,532,184
Net investment income		**572,752**	622,310
Other income, gains and losses		**219,877**	713,754
Selling and distribution costs		**(1,097,249)**	(1,079,532)
Administrative and other expenses		**(2,273,393)**	(2,478,540)
Finance costs		**(1,854,385)**	(1,895,807)
Share of results of joint ventures		**163,034**	159,904
Share of results of associates		**644,888**	331,928
Gain on disposal of subsidiaries/interests in associates		**723,758**	-
Profit before taxation		**6,917,061**	8,906,201
Income tax expense	*4*	**(2,993,918)**	(3,572,645)
Profit for the year	*5*	**3,923,143**	5,333,556
Profit for the year attributable to			
- Owners of the Company		**2,218,877**	3,349,531
- Non-controlling interests		**1,704,266**	1,984,025
		3,923,143	5,333,556
		HK$	HK$
Earnings per share	*7*		
- Basic		**2.014**	3.081
- Diluted		**2.014**	3.081

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	HK$'000	HK$'000
Profit for the year	**3,923,143**	5,333,556
Other comprehensive income (expense)		
Items that may be subsequently reclassified to profit or loss		
Exchange differences arising on translation of foreign operations		
- subsidiaries	**4,776,576**	(1,141,887)
- joint ventures	**320,327**	(48,900)
- associates	**344,292**	(86,663)
Items that will not be reclassified to profit or loss		
Fair value change on equity instruments at fair value through other comprehensive income held by subsidiaries, net of tax	**(13,953)**	3,526
Fair value loss on revaluation of properties, net of tax	**-**	(13,813)
Other comprehensive income (expense) for the year	**5,427,242**	(1,287,737)
Total comprehensive income for the year	**9,350,385**	4,045,819
Total comprehensive income for the year attributable to		
- Owners of the Company	**4,862,737**	2,640,414
- Non-controlling interests	**4,487,648**	1,405,405
	9,350,385	4,045,819

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2020

	Note	**2020**	2019
		HK$'000	HK$'000
Non-Current Assets			
Investment properties		**27,166,276**	22,844,587
Property, plant and equipment		**5,763,753**	5,617,784
Right-of-use assets		**535,198**	407,482
Toll road operating rights		**7,132,190**	7,480,543
Goodwill		**810,832**	771,093
Other intangible assets		**7,974,255**	7,628,528
Interests in joint ventures		**5,475,401**	3,252,546
Interests in associates		**6,899,413**	6,416,054
Investments		**732,031**	696,027
Receivables under service concession arrangements – non-current portion		**23,159,535**	19,456,025
Deposits paid on acquisition of non-current assets		**3,885,676**	1,584,289
Other non-current receivables		**-**	9,239
Deferred tax assets		**396,040**	502,829
		89,930,600	76,667,026
Current Assets			
Inventories		**59,557,443**	56,706,001
Trade and other receivables	*8*	**13,329,541**	9,446,194
Contract assets		**403,204**	600,758
Investments		**632,753**	810,732
Receivables under service concession arrangements – current portion		**819,316**	547,535
Prepaid taxation		**577,240**	612,444
Pledged bank deposits		**806,864**	1,292,335
Short-term bank deposits		**142,382**	128,365
Bank balances and cash		**28,354,355**	27,904,781
		104,623,098	98,049,145
Assets classified as held for sale		**328,672**	226,119
		104,951,770	98,275,264

	Note	2020	2019
		HK$'000	HK$'000
Current Liabilities			
Trade and other payables	*9*	**21,521,708**	19,503,774
Lease liabilities – current portion		**113,239**	100,762
Contract liabilities		**21,695,922**	14,803,392
Taxation payable		**3,410,431**	4,335,119
Bank and other borrowings		**13,755,345**	19,443,750
		60,496,645	58,186,797
Liabilities associated with assets classified as held for sale		**180,428**	174,715
		60,677,073	58,361,512
Net Current Assets		**44,274,697**	39,913,752
Total Assets less Current Liabilities		**134,205,297**	116,580,778
Capital and Reserves			
Share capital		**13,649,839**	13,649,839
Reserves		**30,028,927**	26,589,973
Equity attributable to owners of the Company		**43,678,766**	40,239,812
Non-controlling interests		**38,388,617**	32,564,748
Total Equity		**82,067,383**	72,804,560
Non-Current Liabilities			
Provision for major overhauls		**88,160**	84,263
Bank and other borrowings		**43,186,801**	34,983,838
Deferred tax liabilities		**8,545,117**	8,446,087
Lease liabilities – non-current portion		**317,836**	262,030
		52,137,914	43,776,218
Total Equity and Non-Current Liabilities		**134,205,297**	116,580,778

Notes:

(1) GENERAL

The financial information relating to the years ended 31 December 2020 and 2019 included in this announcement does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap.622) 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 (Cap.622) and will deliver the financial statements for the year ended 31 December 2020 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap.622).

Scope of work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2020 as set out in the results announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the results announcement.

(2) BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

(i) Basis of Preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material with 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 (the "**Listing Rules**") and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of the reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

(ii) Principal Accounting Policies

Application of new and amendments to HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the "Amendments to References to the Conceptual Framework" in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**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 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 References to the Conceptual Framework" in HKFRSs and the 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.

(a) Impacts on application of 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 year had no impact on the consolidated financial statements.

(b) Impacts on application of Amendments to HKFRS 3 "Definition of a Business"

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The amendments had no impact on the consolidated financial statements but may impact future periods should the Group make any acquisition.

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 year.

Perpetual bonds

Perpetual bonds issued by the Group are classified as equity instrument as they do not 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.

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.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[2]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 June 2020.
5 Effective for annual periods beginning on or after 1 January 2021.

(3) SEGMENT INFORMATION

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 2020

	Infrastructure facilities	**Real estate**	**Consumer products**	**Unallocated**	**Consolidated**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
REVENUE					
Segment revenue - external sales	**8,538,488**	**15,233,047**	**3,366,066**	**-**	**27,137,601**
Segment operating profit (loss)	**2,319,378**	**4,280,303**	**645,941**	**(5,856)**	**7,239,766**
Finance costs	**(751,423)**	**(1,015,628)**	**(2,018)**	**(85,316)**	**(1,854,385)**
Share of results of joint ventures	**163,206**	**(172)**	**-**	**-**	**163,034**
Share of results of associates	**331,329**	**308,967**	**4,592**	**-**	**644,888**
Gain on disposal of subsidiaries/ interests in associates	**70,295**	**637,666**	**15,797**	**-**	**723,758**
Segment profit (loss) before taxation	**2,132,785**	**4,211,136**	**664,312**	**(91,172)**	**6,917,061**
Income tax expense	**(388,024)**	**(2,351,294)**	**(120,377)**	**(134,223)**	**(2,993,918)**
Segment profit (loss) after taxation	**1,744,761**	**1,859,842**	**543,935**	**(225,395)**	**3,923,143**
Less: segment profit attributable to non-controlling interests	**(588,941)**	**(1,089,728)**	**(25,597)**	**-**	**(1,704,266)**
Segment profit (loss) after taxation attributable to owners of the Company	**1,155,820**	**770,114**	**518,338**	**(225,395)**	**2,218,877**

For the year ended 31 December 2019

	Infrastructure facilities	Real estate	Consumer products	Unallocated	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE					
Segment revenue - external sales	9,093,938	18,649,649	4,601,886	-	32,345,473
Segment operating profit	3,047,514	5,887,543	1,359,728	15,391	10,310,176
Finance costs	(750,419)	(964,967)	(2,563)	(177,858)	(1,895,807)
Share of results of joint ventures	159,885	19	-	-	159,904
Share of results of associates	348,297	(22,498)	6,129	-	331,928
Segment profit (loss) before taxation	2,805,277	4,900,097	1,363,294	(162,467)	8,906,201
Income tax expense	(607,022)	(2,595,804)	(242,345)	(127,474)	(3,572,645)
Segment profit (loss) after taxation	2,198,255	2,304,293	1,120,949	(289,941)	5,333,556
Less: segment profit attributable to non-controlling interests	(442,661)	(1,523,987)	(17,377)	-	(1,984,025)
Segment profit (loss) after taxation attributable to owners of the Company	1,755,594	780,306	1,103,572	(289,941)	3,349,531

Segment assets and liabilities

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

At 31 December 2020

	Infrastructure facilities	**Real estate**	**Consumer products**	**Unallocated**	**Consolidated**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Segment assets	**59,683,449**	**122,536,741**	**7,635,790**	**5,026,390**	**194,882,370**
Segment liabilities	**24,810,022**	**77,212,882**	**866,079**	**9,926,004**	**112,814,987**

At 31 December 2019

	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

	2020	2019
	HK$'000	HK$'000
Current tax		
- Hong Kong	**81,509**	206,493
- PRC Land appreciation tax ("**PRC LAT**")	**1,549,796**	1,982,675
- PRC Enterprise income tax ("**PRC EIT**") (including PRC withholding tax of HK$85,617,000 (2019: HK$83,683,000))	**1,596,376**	2,235,576
	3,227,681	4,424,744
Overprovision in prior years		
- Hong Kong	**(308)**	(135)
- PRC LAT (note i)	**(19,347)**	(52,790)
- PRC EIT (note i)	**(65,141)**	(111,901)
	(84,796)	(164,826)
Deferred taxation for the year	**(148,967)**	(687,273)
	2,993,918	3,572,645

notes:

(i) The Group recognised overprovisions of PRC LAT and PRC EIT during the years ended 31 December 2020 and 2019, upon completion of tax clearance procedures by certain PRC subsidiaries with the respective tax authorities.

(ii) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

(iii) The Group's subsidiaries in the PRC are subject to PRC EIT at a rate of 25% for both years, except that (i) four (2019: two) 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.

(iv) 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 YEAR

	2020	2019
	HK$'000	HK$'000
Profit for the year has been arrived at after charging:		
Amortisation of toll road operating rights (included in cost of sales)	**644,840**	797,114
Amortisation of other intangible assets (included in cost of sales)	**360,077**	358,457
Depreciation of property, plant and equipment	**524,767**	533,403
Depreciation of right-of-use assets	**94,288**	72,511
Impairment loss on financial assets under expected credit loss model	**100,647**	28,847
Impairment loss on other receivables	**89,842**	-
Impairment loss on properties held for sale	**100,212**	145,219
Impairment loss on properties under development held for sale	**23,739**	145,414
Impairment loss on goodwill	**79,555**	15,567
Impairment loss on toll road operating right	**322,123**	-
Net foreign exchange loss (included in other income, gains and losses)	**-**	38,596
Net decrease in fair value of investment properties	**185,972**	-
Research expenditure	**2,953**	4,370
Share of PRC EIT of joint ventures (included in share of results of joint ventures)	**67,261**	77,739
Share of PRC EIT of associates (included in share of results of associates)	**394,624**	98,699
and after crediting:		
Interest income	**477,879**	540,198
Net increase in fair value of investment properties	**-**	221,809
Net gain on disposal of property, plant and equipment	**4,396**	5,571
Net foreign exchange gain (included in other income, gains and losses)	**75,972**	-
Reversal of impairment loss on trade receivables	**-**	10,061
Reversal of impairment loss on other receivables	**-**	2,997
Reversal of impairment loss on inventories, other than properties	**1,551**	4,352

(6) DIVIDENDS

	2020	2019
	HK$'000	HK$'000
Dividends recognised as distribution during the year:		
2020 interim dividend of HK22 cents per share and settled in form of distribution in specie (2019: 2019 interim dividend settled in form of distribution in specie (note)	**397,919**	1,098,084
2019 final dividend of HK52 cents (2019: 2018 final dividend of HK52 cents) per share	**565,350**	565,350
	963,269	1,663,434

note: An 2020 interim dividend of HK22 cents and settled in form of distribution in specie of 217,442,320 shares in SI Urban Development (“**2020 SIUD Share”**) on the basis of 1 2020 SIUD Share for every 5 share of the Company (“**2020 Distribution in Specie”**) were settled on 22 October 2020. The aggregate fair value of the 2020 SIUD Shares distributed under the 2020 Distribution in Specie was HK$158,733,000, which represented a distribution of HK15 cents per share (closing price on the date of dispatch) of the Company.

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

The final dividend of HK52 cents per share in respect of the year ended 31 December 2020 (2019: HK52 cents), amounting to approximately HK$565.4 million (2019: HK$565.4 million) in total, has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

(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:

	2020 HK$'000	2019 HK$'000
Earnings:		
Profit for the year attributable to owners of the Company	**2,218,877**	3,349,531
Interest to holder of perpetual bond	**(29,568)**	-
Earnings for the purpose of basic and diluted earnings per share	**2,189,309**	3,349,531

	2020	2019
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 period up till lapse the options lapsed/year; and

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

(8) TRADE AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables		
- Good and services	**3,740,179**	3,150,024
- Lease receivables	**13,424**	17,816
	3,753,603	3,167,840
Less: allowance for credit loss	**(230,801)**	(130,154)
	3,522,802	3,037,686
Other receivables	**5,604,187**	4,397,095
Amount due from related parties	**3,667,983**	2,011,413
Guarantee deposit paid for the auction of a parcel of land	**534,569**	-
Total trade and other receivables	**13,329,541**	9,446,194

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.

	2020	2019
	HK$'000	HK$'000
Within 30 days	**943,183**	947,290
Within 31 – 60 days	**420,590**	417,446
Within 61 – 90 days	**540,861**	385,387
Within 91 – 180 days	**408,506**	418,638
Within 181 – 365 days	**314,677**	344,534
Over 365 days	**894,985**	524,391
	3,522,802	3,037,686

(9) TRADE AND OTHER PAYABLES

	2020	2019
	HK$'000	HK$'000
Trade payables	**7,304,427**	5,525,041
Bills payables	**1,770,015**	2,101,183
Other payables	**12,447,266**	11,877,550
Total trade and other payables	**21,521,708**	19,503,774

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

	2020	2019
	HK$'000	HK$'000
Within 30 days	**2,931,542**	1,463,519
Within 31 – 60 days	**328,009**	449,638
Within 61 – 90 days	**271,286**	434,901
Within 91 – 180 days	**417,515**	525,328
Within 181 – 365 days	**1,633,827**	1,520,820
Over 365 days	**1,722,248**	1,130,835
	7,304,427	5,525,041

FINANCIAL REVIEW

I. Analysis of Financial Results

1. Revenue

In 2020, the revenue amounted to approximately HK$27,137.60 million, representing a year-on-year decrease of 16.1%, mainly due to the operation of each business was affected by the COVID-19 outbreak. The revenue of the infrastructure facilities business recorded a decline in toll revenue due to the exemption of tolls from highways during the epidemic prevention and control period, and the measures implemented for the removal of toll stations on provincial borders. The real estate business recorded a decrease in the delivery and settlement of properties, and a decline in rental income and hotel revenue. The significant decrease in duty free and export cigarette sales was attributable to the continued customs closure measures in various areas.

2. Profit Contribution from Each Business

The infrastructure facilities business recorded a net profit of approximately HK$1,155.82 million for the year, accounting for 47.3% of the net business profit and representing a decrease of 34.2% over last year.

Affected by the outbreak of COVID-19 epidemic and a series of industry policies and measures introduced by the Ministry of Transport of the People's Republic of China, the revenue and profit contribution from toll roads and bridge business fell sharply. New industry policies and measures include toll exemption during the epidemic prevention and control period for toll roads and bridges, the implementation of a 5% discount on tolls for ETC lanes, and the standardisation of starting point of toll charging. Under the new measures, the Hu-Kun Expressway (Shanghai Section) recorded an after tax impairment of operating right of HK$241.59 million after valuation.

Despite the impact of epidemic, water services and waste-to-energy business still managed to record an increase in profit contribution of 12.3%. Of which, SIIC Environment recorded an increase in net profit contribution of 7.5%, mainly due to profit growth driven by the increase in operating income during the year. The approximately 2% increase in equity stake of Canvest Environmental by the Company in April 2020 has increased in its profit contribution to the Group.

The real estate business recorded a profit of approximately HK$770.11 million, accounting for 31.5% of net business profit, and remaining at the same level as 2019.

The consumer products business recorded a net profit of HK$518.34 million, accounting for 21.2% of net business profit, and representing a year-on-year decrease of 53.0%. The revenue of Nanyang Tobacco decreased by 44.0% year-on-year mainly due to the decrease in duty-free and export sales affected by the epidemic, leading to the net profit decreased by HK$614.33 million or 63.0%. Wing Fat Printing's profit contribution increased by 22.7% as the revenue of moulded-fibre package segment of Wing Fat Printing, with higher gross profit margin, increased significantly by HK$199.54 million, together with a gain on disposal of 100% equity interests in Sichuan Kemei Paper Co., Ltd. ("**Sichuan Kemei**"), help offsetting the adverse impact of the printing and wine packaging business from the epidemic.

3. Profit before Taxation

(1) Gross profit margin

Compared to 2019, the overall gross profit margin for the year decreased by 2.5 percentage points, mainly due to the impact on the infrastructure facilities business by the toll exemption measure implemented during the epidemic prevention and control period, the toll revenue decreased but the amortization of intangible operating rights was recognised based on the traffic volume on the basis of units-of-usage.

(2) Other income, gains and losses

Other income, gains and losses decreased, which was mainly due to the loss of the fair value change of investment properties and the impairment loss on toll road operating right.

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

The gain for the year was mainly attributable to the disposal of 67% and 100% equity interests in subsidiaries Hunan Qianshuiwan Xiangya Garden Co., Ltd. and Sichuan Kemei and 23.97% equity interests in Wufangzhai, an associate of the Company.

4. Dividend

The Board of Directors of the Group has proposed to declare a final dividend of HK52 cents per share (2019: HK52 cents per share). Together with an interim cash dividend of HK22 cents per share for 2020 and an interim special dividend in the form of distribution in specie of 1 SIUD Share for every 5 share of the Company held and based on the closing price of SI Urban Development on the date of despatch of the SIUD Shares on 22 October 2020, the interim special dividend was HK$0.15 per share, the total dividend amounted to HK89 cents per share for 2020 (2019: HK153 cents per share). Annual dividend payout ratio is 44.2% (2019: 49.7%).

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 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$43,678.77 million as at 31 December 2020, and was attributable to the net profit for the year after deducting the dividend actually paid during the year.

2. Indebtedness

(1) Borrowings

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

As at 31 December 2020, the total borrowings of the Group including bank borrowings and other borrowings amounted to approximately HK$56,973.81 million (31 December 2019: HK$54,456.57 million), of which 70.3% (31 December 2019: 68.5%) was unsecured credit facilities. The proportions of US dollars, Renminbi and HK dollars of total borrowings were 3%, 85% and 12% (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$10,334,774,000 (31 December 2019: HK$9,792,486,000);

(b) leasehold land and buildings with an aggregate carrying value of HK$70,816,000 (31 December 2019: HK$123,539,000);

(c) plant and machineries with an aggregate carrying value of HK$192,379,000 (31 December 2019: HK$22,590,000);

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

(e) receivables under service concession arrangements/intangible assets with an aggregate carrying value of HK$16,744,560,000 (31 December 2019: HK$14,419,408,000);

(f) properties under development held for sale with an aggregate carrying value of HK$12,537,442,000 (31 December 2019: HK$2,869,155,000);

(g) properties held for sale with an aggregate carrying value of HK$645,466,000 (31 December 2020: nil) as at 31 December 2019;

(h) trade receivables with an aggregate carrying value of HK$196,344,000 (31 December 2019: HK$172,688,000);

(i) bank deposits with an aggregate carrying value of HK$806,864,000 (31 December 2019: HK$1,292,335,000);

(j) equity interests of subsidiaries with aggregate carrying value of HK$178,190,000 (31 December 2019: nil); and

(k) land use rights with aggregate carrying value of HK$1,074,000 (31 December 2019: nil).

(3) Contingent liabilities

As at 31 December 2020, the guarantees given to banks by the Group in respect of banking facilities utilised by property buyers and associates amounted to approximately HK$7,254.14 million and HK$1,411.37 million (31 December 2019: HK$7,107.92 million and HK$2,018.77 million) respectively.

3. Capital Commitments

As at 31 December 2020, the Group had capital commitments mainly contracted for business developments and investments in fixed assets of HK$15,606.16 million (31 December 2019: HK$15,814.20 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 2020, bank balances, pledge bank deposits and short-term investments held by the Group amounted to HK$29,303.60 million (31 December 2019: HK$29,325.48 million) and HK$632.75 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%, 85% and 11% (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 developments, and will seek opportunities to optimize its capital structure should the need arises.

III. Events after the Reporting Period

The Group has the following events subsequent to the end of the reporting period:

(i) Subsequent to the end of the reporting period, the Group has won the bid in a parcel of land in Xian in the PRC for a consideration of approximately RMB1.5 billion and it will be developed into an area with residential and commercial properties. Details for this successful bid for the land are set out in the SI Urban Development's announcement on 1 March 2021; and

(ii) On 15 March 2021, SIIC Environment completed the issuance of its corporate bonds on the Shanghai Stock Exchange. The aggregate size of issue of the corporate bonds is RMB1,500,000,000 at an interest rate of 3.89% per annum with the maturity date being 5 years from the date of issue. The corporate bonds have been fully subscribed by professional investors in the PRC.