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 2021 INTERIM RESULTS

(Unaudited)

BUSINESS REVIEW

The Board of Directors of Shanghai Industrial Holdings Limited (the "**Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2021. The Group's unaudited revenue amounted to HK$16,316 million, representing an increase of 23.5% over the same period last year. Profit attributable to shareholders were HK$2,131 million, a significant increase of 165.4% over the same period last year. The sharp increases were mainly due to the decline in profit recorded for the corresponding period last year due to the adverse impact of the COVID-19 epidemic on the overall business of the Group, while some of the Group's businesses, including toll roads, have resumed normal operations since the second half of last year. Furthermore, the improvement in results was also attributable to compensations received over the waiver of toll mileage for the entry sections of toll roads as well as profit contribution from a joint-venture property project with Shanghai Industrial Development Co., Ltd. ("**SI Development**"). The increase in profit was also due to additional profit recorded during the period arising from sale of a property project of the Group and a revaluation gain arising from the re-classification of a property development project.

During the first half of 2021, on the basis of significant progress on the prevention and control of the epidemic, the economy in the Mainland recorded stronger growth following the resumption of work and production of various industries. Nevertheless, the economic activities of some countries, as well as the mobility of people between countries, were seriously affected by the pandemic. In the capital markets, security prices as well as exchange rates and interest rates remained volatile due to the continued easing of monetary policies triggered by major central banks, international trade disputes and geopolitical uncertainty. The Company's Board of Directors and the management team have overcome various challenges and achieved notable business and profit growth, ensuring steady operation and development of the Group's core businesses while seizing the excellent opportunities that arise from the recovery of the economy amid the epidemic.

The Board of Directors has resolved to pay an interim dividend of HK48 cents per share for 2021 to shareholders whose names appear on the register of members of the Company on Friday, 24 September 2021. The above interim dividend will be paid to shareholders on or around Tuesday, 12 October 2021. For the corresponding period of the previous year, the Company effected (i) an interim cash dividend for 2020 of HK22 cents per share; and (ii) a distribution in specie of the shares of Shanghai Industrial Urban Development Group Limited ("**SI Urban Development**") held by the Group to the shareholders on the basis of 1 share of SI Urban Development for every 5 shares of the Company held.

INFRASTRUCTURE FACILITIES

During the period, the infrastructure facilities business recorded a profit of HK$1,215 million, representing an increase of 197.5% over the corresponding period last year and accounting for approximately 53.4% of the Group's Net Business Profit*. With the successful implementation of epidemic prevention-and-control measures in the Mainland last year, the Group's toll roads business improved significantly compared with the same period the previous year, bolstered by increased traffic flow and toll revenue of our toll roads. During the period, further investments in environmental protection and green energy were made, with continued orderly expansion in the solid waste business, aiming at developing new sources of profit growth for the future advancement of the Group.

Toll Roads

During the period, significant increases were recorded in overall traffic flow and toll revenue of our three toll roads and the Hangzhou Bay Bridge. The reason was mainly attributable to the waiver of toll tariffs brought about by state policies for vehicles nationwide from 17 February to 5 May 2020 over the corresponding period last year. Since then, the epidemic has been brought under control nationwide, and the operation of road networks has resumed to normal while traffic flow has also seen a natural increase. In addition, pursuant to a notice received from the Shanghai Municipal Transportation Commission last year, the toll mileage for the entry sections of our three toll roads, namely Jing-Hu Expressway, Hu-Yu Expressway and Hu-Kun Expressway, operated by the Group would be waived commencing 6 May 2020, thus affecting the toll revenue in the corresponding period last year. Following communication and consultation with the municipal Government, the Group received economic compensations totaling RMB3,553 million at the end of June this year. This amount will be accounted for as the Group's other income on a unit-of-usage basis over the remaining period of the respective toll road concession rights.

The key operating figures of the respective toll roads/bridge under the Group as at 30 June 2021 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$208 million	+647.9%	HK$300 million	+152.3%	19.48 million	+30.5%
Hu-Kun Expressway (Shanghai Section)	100%	HK$281 million	+2,283.0%	HK$444 million	+133.8%	34.70 million	+21.2%
Hu-Yu Expressway (Shanghai Section)	100%	HK$102 million	+5,323.1%	HK$297 million	+142.4%	20.30 million	+33.7%
Hangzhou Bay Bridge	23.0584%	HK$106 million	+673.8%	HK$1,183million	+156.0%	8.67 million	+4.8%
Total		**HK$697 million**	**+1,163.8%**	**HK$2,224 million**	**+148.9%**	**83.15 million**	**+24.1%**

During the period, our toll roads division has constantly monitored the status of the epidemic with ongoing measures and adjusted key prevention-and-control areas accordingly. In addition, special projects were carried out to improve road facilities and traffic environment, and to enhance the overall service in preparation for the centenary of the founding of the Communist Party, the 4th China International Import Expo and the 10th China Floral Expo. With the recovery of the Mainland economy and the gradual increase of traffic flows of the expressways, the demand for ensuing smooth road passage increased significantly. In the first half of the year, our toll road business continued to ensure safe and smooth road passage through enhancement of traffic management. For example, toll collection competitions were conducted to enhance collection speed and service quality. Information technology and intelligence project management were actively pursued, including the strengthening of CCTV monitoring of road sections, the wider application of electronic payment functions and the improvements made on on-site ad-hoc situation handling. During the period, the Hangzhou Bay Bridge and the "two districts and one island" were operating in a safe and orderly manner with sound implementation of epidemic prevention-and-control measures. Apart from this, good progress was made in the construction and special maintenance work of the "smart bridge" project.

Water Services

With rapid growth in the scale of its water services, the business of SIIC Environment Holdings Ltd. ("**SIIC Environment**") continued to expand with quality development, ranking steadily in the forefront of the water industry in China.

SIIC Environment

In the first half of 2021, SIIC Environment recorded a turnover of RMB3,300 million, representing a year-on-year increase of 25.0%. Construction revenue surged 31.8% over the same period last year. The rise was mainly attributable to the increase in construction activities during the period with resumed growth, against delays in construction projects brought by the epidemic over the corresponding period the previous year. Benefiting from increases in the volume of sewage water treatment and tariffs, operating and maintenance income and financial income from service concession arrangements recorded a year-on-year increase of 22.4%. Profit after tax for the period was RMB333 million, representing a year-on-year increase of 18.3%.

For the first half of the year, SIIC Environment secured five sewage-treatment and reclaimed projects with a total planned daily capacity of 95,800 tonnes. In addition, four sewage-treatment projects with a total planned daily capacity of 215,000 tonnes were awarded upgrade, expansion and extended operation-and-management (O&M) service period. In addition, nine sewage treatment projects with a total planned daily capacity of 205,000 tonnes have been completed upgrade and expansion, and commercial operations have commenced. During the period, the volume of sewage water treated by SIIC Environment grew 1.2% year on year, while the volume of water supply rose 12.3%. The average sewage treatment tariff increased by 21.4% from RMB1.39 per tonne to RMB1.69 per tonne and average water supply fees increased from RMB2.48 per tonne to RMB2.53 per tonne.

Driven by national policies, SIIC Environment will capitalize on opportunities presented by the "14th Five-Year Plan" to optimize its strategic deployment in the Yangtze River Delta region and the Guangdong-Hong Kong-Macao Bay Area. Leveraging on its unique strategic positioning and business models, the company will continue to strengthen the development of its water services and solid waste incineration businesses and to enhance the efficiency of its projects. SIIC Environment will look closely for development opportunities brought about by the carbon emission trading market of our country, explore creative financing channels and speed up deployments in the realm of environmental protection technology. The company will continue to advocate the integration of financing and business operations and maintain its strategy of sustainable and quality development.

General Water of China

In the first half of 2021, General Water of China Co., Ltd. ("**General Water of China**") recorded revenue of HK$999 million, representing a year-on-year decrease of 9.2%. Net profit amounted to HK$159 million, representing a decrease of 4.8% over the same period last year. During the period, the company continued to duly implement, modify and execute the "14th Five-year Plan" while establishing closed-loop management with the strategic objective of high-quality development of the company. Apart from this, quality improvement, efficiency enhancement and cost savings were constantly pursued. During the period, the company launched "Production Safety Month" to further implement safety responsibilities and promote safe development across the full range of operations of the company. For the 18th consecutive year, General Water of China has been one of the Top 10 Most Influential Enterprises in China's Water Industry, ranking within the top three tiers.

During the period, a contract was reached to acquire and construct the new water supply plant (phase II) located west of the Beijing-Shanghai Railway in the Guzhen Economic Development Zone. With a site of approximately 46.6 mu, the project has a water supply capacity of 40,000 tonnes and an estimated total investment of RMB105 million. In addition, a subsidiary of General Water of China has commenced works to improve the water supply network of Yinji Town in Xiangcheng since 2019. Upon commencement of operation of the Tangxi Boosting Pumping Station the previous year, the problem of water supply to Yinji Township has generally been resolved and the current daily water supply capacity is expected to reach over 8,000 tonnes. Further construction of facilities is planned within this year to achieve full coverage of tap water to households.

NEW BUSINESS ARENA

Shanghai Galaxy Investment Co., Ltd. ("**Shanghai Galaxy**") and SIIC Aerospace Galaxy Energy (Shanghai) Co., Ltd. ("**Galaxy Energy**"), its subsidiary, continued to expand the coverage of their photovoltaic business and completed the acquisition of Weifang Tian'en Photovoltaic Power Station in Shandong Province during the period, adding a new capacity of 50 MW. As at the end of June 2021, the asset scale of the 15 photovoltaic power stations held reached 740 MW with on-grid electricity sold reaching approximately 570 million kWh, representing an increase of 22.9% over the same period last year. During the period, three additional photovoltaic power station projects have submitted applications for listing in the National Renewable Energy Subsidy Catalogue, and it is expected that all projects of the companies will enter the Renewable Energy Subsidy Catalogue within this year.

State leaders have called for the due implementation of various initiatives on "capping carbon emissions" and "achieving carbon neutrality" with the formulation of action plans to achieve carbon-emission capping by 2030, optimize industry and energy structures and to promote the clean and efficient use of coal. In addition, plans are to be made for the active development of new energy sources and the nurturing and strengthening of energy-saving and environmental protection industries.

REAL ESTATE

In the first half of 2021, the real estate business recorded a profit of HK$768 million, representing a significant year-on-year increase of 199.5% and accounting for approximately 33.7% of the Group's Net Business Profit*. The increase was mainly attributable to relatively higher profits generated from the sales revenue of the Shanghai Bay project (Phase 4) under development by SI Development in which the Company holds a 49% equity interest. The increase in profit was also due to additional profit recorded during the period arising from sale of a property project of the Group and a revaluation gain arising from the re-classification of a property development project.

SI Development

During the period, SI Development adhered to the strategic layout of "1+3+X" with Shanghai as the core of the Yangtze River Delta, Qingdao as the centre of the Bohai Rim region and Chengdu and Chongqing as the centre of the southwest region. The company has also acquired quality project resources in a timely manner. Utilising technology and enhanced management, SI Development continued to improve the efficiency and precision of project management and to enhance profitability. Through integrating the resources of domestic and overseas strategic partners, SI Development was able to promote the implementation of its business and property projects and accelerating the upgrade of its core business while cultivating property management services as an important part of its overall business.

During the period, SI Development recorded revenue of RMB4,025 million, representing a year-on-year decrease of 10.4%. The revenue was mainly derived from booked revenue from properties delivered during the period, including such projects as Shanghai Bay (Phase 4) in Qingpu, Shanghai, Territory Shanghai in Jing'an, Shanghai, SIIC Yungjing Bay in Huzhou, SIIC Tianlan Bay in Huzhou and Sea Palace in Quanzhou, covering an area of approximately 132,000 square meters. Net profit recorded during the period was RMB344 million, representing a year-on-year decrease of 19.8%. During the period, a total of seven projects with a combined area of 1,484,300 square meters were under construction. Capitalizing on a booming property market in the Mainland during the first half of 2021, SI Development launched a series of projects while increasing the turnover of non-residential projects. Contract sales of real estate projects for the period reached RMB4,043 million, including projects such as Era of Elites (Phases 1 and 2) in Baoshan, Shanghai, SIIC Tianlan Bay in Huzhou and SIIC Yungjing Bay in Huzhou, Sea Palace in Quanzhou, Territory Shanghai in Jing'an, Shanghai and Shanghai Bay (Phase 4) in Qingpu, Shanghai, covering an area of approximately 184,800 square meters. Rental income for the period amounted to approximately HK$240 million.

In April this year, SIIC Elderly Care Investment Co., Ltd. ("**SIIC Elderly Care**"), in which SI Development holds a 38% equity interest, effected capital increase by capital contribution in proportion to existing shareholdings, the other shareholders of SIIC Elderly Care being the parent company of the Company and an independent third party. The registered capital of SIIC Elderly Care would increase from RMB20 million to RMB520 million, and SI Development made an additional capital contribution of RMB190 million in proportion to its shareholding. Following the capital increase, the percentage of equity interests held by each shareholder will remain unchanged. The capital increase will enable SIIC Elderly Care to enhance its financial position and capability for its operation and financing, as well as to satisfy the expected capital requirement of SI Development for the continuous participation in real estate projects for the elderly community.

In May, the tender consortium formed by SI Development and two independent investors won the bid for the acquisition of the land use rights of the land lot No. 91 situated at the North Bund, Hongkou District, Shanghai through listing-for-sale at a consideration of RMB9,106 million. The land parcel has a total site area of approximately 34,585 square meters and is for office, catering venues and hotel uses. SI Development has a 50% interest in the project and the three parties will establish a joint venture company for the development of the land. The project is another investment under SI Development's strategy for in-depth development in the North Bund, Hongkou District. The land parcel is located in close proximity to the land parcels situated at Nos. 89 and 90, North Bund which are currently under development and construction by SI Development. The development plans for the three land parcels in the same area are expected to create a complementary, integrated effect. They will be developed into a new international cultural and entertainment complex at the Bund, with the aim of becoming a new landmark in the North Bund area. The synergy and integration among the three land parcels will have a positive impact on the commercial office branding of SI Development in the future.

In the second half of the year, in the face of uncertainty brought about by the severe global pandemic and the changing political and economic situation of the economy of the Mainland, the company will closely monitor policies and market trends, modify and optimize its strategic planning, tap market opportunities and revitalize its existing assets. It will innovate financing methods and channels, promote operations, enhance efficiency, and secure collection of receivables to enable the company to achieve healthy, stable and high-quality developments, and to explore upgrades and transformation.

SI Urban Development

SI Urban Development recorded revenue of HK$4,577 million for the first half of 2021, representing a rise of 44.3% over the same period last year. The increase was mainly due to stronger booked revenue from properties delivered and significant improvements in rental income recorded during the period. Profit attributable to shareholders for the period amounted to HK$54.03 million, representing a year-on-year decrease of 64.2%, mainly attributable to additional distribution and selling expenses incurred during the pandemic, and the rise in land appreciation tax due to increased revenue. Emphasizing the importance of "seizing favourable timing, seizing good opportunities and seizing market share", SI Urban Development achieved contract sales of RMB4,867 million during the period, representing an increase of 31.3% and a gross floor area of approximately 111,000 square meters. This mainly included Originally in Xi'an, West Diaoyutai•Emperor Seal in Beijing, Contemporary Splendour Villa in Shanghai, Urban Cradle and Shanghai Jing City in Shanghai. Property sales booked during the period amounted to HK$4,031 million, with a gross floor area of approximately 96,000 square meters, mainly comprised of Contemporary Splendour Villa in Shanghai, Urban Cradle in Shanghai, and Contemporary Art Villas in Shanghai. Rental income for the first half of the year was approximately HK$418 million.

In early March this year, SI Urban Development won the bid for the land-use rights of Lot CB4-3-225 located to the south of Qiyuan Second Road and to the east of Shangchun North Road in Xi'an, Shaanxi Province, the PRC. The residential land has a site area of approximately 51,208 square meters and may be developed into approximately 94,400 square meters of residential units with ancillary public and commercial facilities. The land premium is approximately RMB1,525 million. The land lot is located in the Chanba Ecological Area in Xi'an and is in close proximity to Weiyang Lake station of the Metro Line No.10 of Xi'an Metro under construction and the Ba River. Taking advantage of the opening of China's 2021 National Games and the continued expansion of infrastructure in Xi'an, the Chanba Ecological Area is undergoing significant improvements in its infrastructure and ecological environment. This is further supported by more convenient transport and comprehensive ancillary facilities. The project has promising prospects and fits into SI Urban Development's strategy of developing in the main regions of key metropolitan areas.

CONSUMER PRODUCTS

For the first half of 2021, the consumer products business made a profit contribution of HK$292 million to the Group, representing a decrease of 18.9% over the corresponding period last year and accounting for approximately 12.9% of the Group's Net Business Profit*. As the global pandemic is not yet under control and travel and transport are still restricted, revenue of Nanyang Brothers Tobacco Company, Limited ("**Nanyang Tobacco**") for the period dropped compared with the previous year. During the period, Nanyang Tobacco has been proactive in strengthening its fundamental management, securing production safety, improving operational capabilities, innovating marketing methods, and continuing to manage finances prudently while controlling its expenses. During the period, The Wing Fat Printing Company, Limited ("**Wing Fat Printing**") adhered to its “1+1+1” strategy”, and achieved satisfactory growth, attributable to the expansion of its medicine packaging business, growth of its wine packaging business and successful customer diversification of its moulded-fibre business.

Tobacco

Nanyang Tobacco’s turnover and profit after tax for the period were HK$918 million and HK$191 million respectively, representing a decline of 18.3% and 30.2% respectively over the corresponding period last year. The decline was mainly attributable to Hong Kong’s customs-closure measures in response to the pandemic since February last year, which led to a sharp decline in sales of duty-free shops. In addition, the company’s exports and ship-tobacco business were also affected. This year, Nanyang Tobacco has adopted innovative management for its operation and established the concept of refined managment, emphasizing epidemic prevention and safety as the foundation, while promoting economic and operational efficiency as the center of its efforts. Technical innovation and project transformation were a key focus as well as continued brand building. The company also utilized flexible sales strategies to open up the sales of products, striving to gradually resume normal overall sales.

During the period, Nanyang Tobacco focused its business on different fronts, including innovation for traditional cigarettes and new filter rods, development of new tobacco, production of exquisite cigarettes and equipment management, with the aim of securing long-term and healthy development. The building of a production platform for composite filter rods has been completed while equipment installation and commissioning are progressing well. To maintain its leading position in the canned cigarette market, the company is seeking to complete trial production of oval-shaped heterotypic cans by the third quarter this year. The innovative tobacco production line has become fully operational and the equipment installed meets expectations. The company will keep focusing on refined production at flexible workshops and will improve stability and reliability during the process of turning cut tobacco to wrapping.

Due to the pandemic, the duty-free channel in Hong Kong was closed during the period. Total market sales of Nanyang Tobacco in Hong Kong thus remained high. In view of the slight decline of traditional cigarette brands due to the impact of smuggled cigarettes, the company will consider launching promotional activities for traditional cigarette brands and introducing innovative cigarettes to major channels depending on market conditions in the second half. Sales from Mainland markets increased, and overall operations have been strong and efficient. In the second half of the year, marketing initiatives will be developed according to the sales of various brands, with the aim of laying a solid foundation for launching large volumes of products and improving the overall brand structure in 2022. The tax-free markets in the Mainland, Hong Kong and Macau have begun to recover since September last year, with sales mainly coming from the Zhuhai-Macau Port and basic channels for tax-free markets in the Mainland (excluding the Hong Kong airport and the Guangdong-Hong Kong border). The company will proactively prepare for the opening of customs in the future. Currently, the global pandemic is still having a significant impact on ship cigarettes and overseas markets. Meanwhile, the company is making efforts to clear old stock of key products at all levels of the market and to raise prices to normal standards on a gradual basis.

In the second half, the company will ensure the stability of its major products while putting more effort into cultivating innovative cigarettes in overseas markets. At the same time, the company will actively integrate resources, develop innovative marketing concepts and adjust product channel structures to protect company interests from controllable risks.

Printing

Wing Fat Printing recorded turnover of HK$875 million during the period, an increase of 18.6% over the same period last year. This was mainly due to the consolidation of Wuxi Foreign Trade Co., Ltd. into the company accounts for the period, as well as significant growth in its medicine-packaging business, and the positive development of the wine-packaging business driven by vibrant downstream markets. Net profit for the period was HK$109 million, an increase of 15.7% over the same period last year.

Due to the pandemic environment, the company faced a number of irregular external challenges during the period, such as "roller-coaster" fluctuations in raw material prices attributable to the global easing of monetary policies, the intensification of competition due to the weakening of downstream markets, and a rapid contraction in demand for individual products in the moulded-fibre business. While the Wing Fat team has faced unpredictable variables of the kind not seen in both upstream and downstream markets in recent years, it has relied on its strong foundations to maintain its strength, actively tapping into its potential to enhance efficiency and achieve satisfactory results against adverse condition. With little prospect of short-term improvements in the pandemic-affected operating environment, coupled with rising inflation and uncertain market risks, the Wing Fat team will tackle the rapidly changing circumstances by providing a comprehensive range of services based on core values of environmental protection and technological intelligence. The company is confident that it will continue to build on its inherited development attributes to achieve success.

** Net profit excluding net corporate expenses*

PROSPECTS

In the latter half of 2021, uncertainties surrounding the global epidemic and the political and economic situation pose enormous challenges to the business development of the Group. Against this scenario, the Group will continue to monitor the impacts of COVID-19 and will explore effective on-going prevention measures to contain the spreading of the virus. At the same time, we will continue to adhere to our reforms and innovations, stepping up our efforts in the upgrading of our core businesses, and enhancing our management efficiency and precision. We will also strive to consolidate our resources, strengthen our risk controls, improve our profitability, and continue to look for opportunities to acquire quality projects in order to optimize our asset portfolio and enhance the value for our Shareholders.

For the infrastructure and environmental protection segments, SIIC Environment will seize good opportunities brought by national policies on promoting environmentally friendly and clean energy, as well as to explore new funding sources, accelerate the deployment of our resources in the area of environmental protection technologies, facilitate the integration of business and financing, and promote the sustainable and quality development of the company. For our toll roads, we will also continue to focus on epidemic prevention and enhance operational efficiency to maintain stable business development. Through investments in new business arenas, the Group's investments in the environmental protection and green energy segment are expected to generate new contributions to the Group.

With diversified market uncertainties in the real estate business of the Company, we will closely monitor national policies and market trends, optimize our strategic plans, further explore market opportunities, revitalize existing assets, seek new sources of funds and financing channels, accelerate collection of receivables so as to improve operating efficiency, and promote healthy, stable and quality developments through transformation and upgrades.

In the short-term, Nanyang Tobacco's airport duty-free market as well as the ship-tobacco and overseas markets are expected to be affected by the pandemic. In the second half of the year, the company will focus on developing new products, consolidating resources, establishing new marketing ideas, adjusting the structure of product channels, and actively plan for breakthroughs in the overall development of the company. In order to protect the interests of the company under controllable risks, Nanyang Tobacco will also continue to seek cooperation with large PRC cigarette enterprises for overseas production and sales, making efforts to enhance overall competitiveness by broadening the scope of the company's markets and global presence.

The spread of the pandemic is not expected to be contained in the short term while inflation continues to prevail. Under the circumstances, the Wing Fat team will continue to work hard and forge ahead, actively tapping its potential to enhance operational efficiency. Capitalizing on its corporate development attributes, the company will make considerable efforts to monitor risk in a changing environment and develop plans for the future while striving to achieve its operational targets.

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, 31 August 2021

INTERIM DIVIDEND

The Board of Directors has resolved to pay an interim dividend of HK48 cents per share (2020: the payment of an interim cash dividend HK22 cents per share and the payment of an interim special dividend in the form of distribution in specie to the shareholders of the Company on the basis of 1 share of SI Urban Development for every 5 shares of the Company held) for 2021, to shareholders whose names appear on the register of members of the Company on Friday, 24 September 2021. The interim dividend will be paid to shareholders on or about Tuesday, 12 October 2021.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders' entitlement to the interim dividend, the register of members of the Company will be closed on Friday, 24 September 2021, no transfer of shares will be effected on that day. As such, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Secretaries Limited of 54th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Thursday, 23 September 2021.

REVIEW OF INTERIM RESULTS

The audit committee has reviewed the Company's unaudited consolidated interim results for the six months ended 30 June 2021.

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 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2021, SIIC Environment, a subsidiary of the Company, bought back a total of 14,012,000 and 13,140,000 of its own ordinary shares on the Stock Exchange and the Singapore Stock Exchange for a total consideration of approximately HK$16,841,944 and SG$2,662,126 respectively, and all these shares were cancelled.

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

PUBLICATION OF THE INTERIM REPORT

The 2021 interim report will be despatched to shareholders in mid-September 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 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 2021

	Notes	**Six months ended 30.6.2021 HK$'000 (unaudited)**	Six months ended 30.6.2020 HK$'000 (unaudited)
Revenue	*3*	**16,315,820**	13,210,952
Cost of sales		**(9,895,101)**	(8,345,795)
Gross profit		**6,420,719**	4,865,157
Net investment income		**221,133**	223,949
Other income, gains and losses		**1,074,388**	381,824
Selling and distribution costs		**(599,166)**	(502,260)
Administrative and other expenses		**(1,083,645)**	(1,052,878)
Finance costs		**(784,308)**	(865,909)
Share of results of joint ventures		**163,249**	94,566
Share of results of associates		**183,673**	121,241
Gain on disposal of subsidaries/interests in associates		**76,812**	87,015
Profit before taxation		**5,672,855**	3,352,705
Income tax expense	*4*	**(2,539,827)**	(1,663,584)
Profit for the period	*5*	**3,133,028**	1,689,121
Profit for the period attributable to			
- Owners of the Company		**2,130,516**	802,702
- Non-controlling interests		**1,002,512**	886,419
		3,133,028	1,689,121
Earnings per share	*7*		
		HK$	HK$
- Basic		**1.945**	0.725
- Diluted		**1.945**	0.725

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Six months ended	
	30.6.2021	30.6.2020
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit for the period	**3,133,028**	1,689,121
Other comprehensive (expense) income		
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	**(6,725)**	18,228
Items that may be subsequently reclassified to profit or loss		
Exchange differences arising on translation of foreign operations		
- subsidiaries	**935,157**	(1,327,033)
- joint ventures	**54,682**	(67,886)
- associates	**62,825**	(62,261)
Other comprehensive income (expense) for the period	**1,045,939**	(1,438,952)
Total comprehensive income for the period	**4,178,967**	250,169
Total comprehensive income for the period attributable to		
- Owners of the Company	**2,631,923**	47,881
- Non-controlling interests	**1,547,044**	202,288
	4,178,967	250,169

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2021

	Note	30.6.2021 HK$'000 (unaudited)	31.12.2020 HK$'000 (audited)
Non-Current Assets			
Investment properties		**28,633,731**	27,166,276
Property, plant and equipment		**5,896,776**	5,763,753
Right-of-use assets		**548,025**	535,198
Toll road operating rights		**6,861,816**	7,132,190
Goodwill		**844,164**	810,832
Other intangible assets		**8,019,454**	7,974,255
Interests in joint ventures		**5,873,274**	5,475,401
Interests in associates		**7,734,678**	6,899,413
Investments		**711,035**	732,031
Receivables under service concession arrangements		**24,405,421**	23,159,535
Deposits paid on acquisition of non-current assets		**8,014,382**	3,885,676
Deferred tax assets		**334,473**	396,040
		97,877,229	89,930,600
Current Assets			
Inventories		**64,508,367**	59,557,443
Trade and other receivables	*8*	**11,588,969**	13,329,541
Contract assets		**746,013**	403,204
Investments		**577,202**	632,753
Receivables under service concession arrangements		**794,079**	819,316
Prepaid taxation		**1,054,205**	577,240
Pledged bank deposits		**841,276**	806,864
Short-term bank deposits		**134,612**	142,382
Bank balances and cash		**31,812,266**	28,354,355
		112,056,989	104,623,098
Assets classified as held for sale		**825,260**	328,672
		112,882,249	104,951,770

	Note	**30.6.2021**	31.12.2020
		HK$'000	HK$'000
		(unaudited)	(audited)
Current Liabilities			
Trade and other payables	*9*	**20,912,022**	21,521,708
Lease liabilities		**117,334**	113,239
Contract liabilities		**25,299,814**	21,695,922
Deferred income		**441,525**	-
Taxation payable		**3,563,531**	3,410,431
Bank and other borrowings		**16,399,778**	13,755,345
		66,734,004	60,496,645
Liabilities associated with assets classified as held for sale		**-**	180,428
		66,734,004	60,677,073
Net Current Assets		**46,148,245**	44,274,697
Total Assets less Current Liabilities		**144,025,474**	134,205,297
Capital and Reserves			
Share capital		**13,649,839**	13,649,839
Reserves		**32,101,882**	30,028,927
Equity attributable to owners of the Company		**45,751,721**	43,678,766
Non-controlling interests		**39,324,630**	38,388,617
Total Equity		**85,076,351**	82,067,383
Non-Current Liabilities			
Provision for major overhauls		**88,487**	88,160
Deferred income		**3,509,805**	-
Bank and other borrowings		**46,288,460**	43,186,801
Deferred tax liabilities		**8,754,862**	8,545,117
Lease liabilities		**307,509**	317,836
		58,949,123	52,137,914
Total Equity and Non-Current Liabilities		**144,025,474**	134,205,297

Notes:

(1) REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements for the six months ended 30 June 2021 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 2020 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 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

(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 2021 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2

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

(a) Impacts and accounting policies on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform - Phase 2"

(1) Accounting policies

<u>Financial instruments</u>

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

<u>Leases</u>

The Group as a lessee

Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform, the Group applies the practical expedient to remeasure the lease liabilities by discounting the revised lease payments using the unchanged discount rate and makes a corresponding adjustment to the related right-of-use assets. A lease modification is required by interest rate benchmark reform if, and only if, both of these conditions are met:

- the modification is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the lease payments is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

(2) Transition and summary of effects

As at 1 January 2021, the Group has several financial liabilities, the interest of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform. The amendments have had no impact on the condensed consolidated financial statements of the Group as none of the Group's outstanding loan contracts has been transitioned to the relevant replacement rates during the interim period.

(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 2021 (unaudited)

	Infrastructure facilities	Real estate	Consumer products	Unallocated	Consolidated
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
REVENUE					
Segment revenue - external sales	**5,000,390**	**9,605,644**	**1,709,786**	**-**	**16,315,820**
Segment operating profit (loss)	**1,879,775**	**3,942,500**	**311,584**	**(100,430)**	**6,033,429**
Finance costs	**(404,120)**	**(364,680)**	**(821)**	**(14,687)**	**(784,308)**
Share of results of joint ventures	**166,540**	**(3,291)**	**-**	**-**	**163,249**
Share of results of associates	**246,792**	**(63,119)**	**-**	**-**	**183,673**
Gain on disposal of subsidiaries/ interest in an associate	**28,270**	**-**	**48,542**	**-**	**76,812**
Segment profit (loss) before taxation	**1,917,257**	**3,511,410**	**359,305**	**(115,117)**	**5,672,855**
Income tax expense	**(350,589)**	**(2,103,358)**	**(56,287)**	**(29,593)**	**(2,539,827)**
Segment profit (loss) after taxation	**1,566,668**	**1,408,052**	**303,018**	**(144,710)**	**3,133,028**
Less: segment profit attributable to non-controlling interests	**(351,602)**	**(640,192)**	**(10,718)**	**-**	**(1,002,512)**
Segment profit (loss) after taxation attributable to owners of the Company	**1,215,066**	**767,860**	**292,300**	**(144,710)**	**2,130,516**

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 in associates	71,218	-	15,797	-	87,015
Segment profit (loss) before taxation	791,273	2,277,359	444,641	(160,568)	3,352,705
Income tax expense	(150,087)	(1,379,383)	(72,290)	(61,824)	(1,663,584)
Segment profit (loss) after taxation	641,186	897,976	372,351	(222,392)	1,689,121
Less: segment 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

Segment assets and liabilities

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

At 30 June 2021 (unaudited)

	Infrastructure facilities	**Real estate**	**Consumer products**	**Unallocated**	**Consolidated**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Segment assets	**67,485,027**	**131,783,980**	**7,499,588**	**3,990,883**	**210,759,478**
Segment liabilities	**31,676,396**	**84,716,239**	**865,536**	**8,424,956**	**125,683,127**

At 31 December 2020 (audited)

	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

(4) INCOME TAX EXPENSE

	Six months ended	
	30.6.2021	30.6.2020
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Current tax		
- Hong Kong	**45,783**	54,653
- PRC Land Appreciation Tax ("**LAT**")	**1,291,240**	714,941
- PRC Enterprise income tax ("**EIT**") (including PRC withholding tax of HK$137,846,000 (six months ended 30 June 2020: HK$18,608,000))	**1,038,372**	693,012
	2,375,395	1,462,606
(Over)underprovision in prior periods		
- Hong Kong	**-**	(78)
- PRC LAT	**-**	129,444
- PRC EIT (including an overprovision of PRC withholding tax of HK$nil (six months ended 30 June 2020: HK$3,009,000))	**(1,926)**	(16,657)
	(1,926)	112,709
Deferred taxation for the current period	**166,358**	88,269
	2,539,827	1,663,584

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	
	30.6.2021	30.6.2020
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting) the following items:		
Amortisation of other intangible assets (included in cost of sales)	**198,197**	172,263
Amortisation of toll road operating rights (included in cost of sales)	**357,441**	271,805
Depreciation of property, plant and equipment	**256,218**	312,471
Depreciation of right-of-use assets	**46,948**	42,416
Dividend income from investments (included in net investment income)	**(3,498)**	(2,761)
Government compensation of toll road operating rights (included in other income, gains and losses)	**(196,244)**	-
Impairment loss on trade receivables (included in other income, gains and losses)	**219,669**	1,081
(Increase) decrease in fair value of financial assets at fair value through profit or loss (included in net investment income)	**(22,817)**	9,530
Interest expenses for lease liabilities	**8,596**	10,597
Interest income (included in net investment income)	**(192,859)**	(226,897)
Net foreign exchange loss (included in other income, gains and losses)	**30,745**	32,996
Net gain on disposal of property, plant and equipment (included in other income, gains and losses)	**(1,105)**	(4,474)
Net increase in fair value of investment properties (included in other income, gains and losses)	**(793,617)**	(136,866)
Share of PRC EIT of joint ventures (included in share of results of joint ventures)	**39,616**	36,402
Share of PRC EIT of associates (included in share of results of associates)	**66,344**	32,256

(6) DIVIDENDS

	Six months ended	
	30.6.2021	30.6.2020
	HK$'000	HK$'000
	(unaudited)	(unaudited)
2020 final dividend paid of HK52 cents (six months ended 30 June 2020: 2019 final dividend paid of HK52 cents) per share	**565,350**	565,350

Subsequent to the end of the current interim period, the directors of the Company have determined that a 2021 interim cash dividend of HK48 cents per share will be paid to the shareholders of the Company whose names appear on the Company's register of members on 24 September 2021.

Subsequent to the end of the last interim period, a 2020 interim cash dividend of HK22 cents per share and a distribution in specie of 217,442,320 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 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	
	30.6.2021	30.6.2020
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Earnings for the purpose of basic and diluted earnings per share:		
Profit for the period attributable to owners of the Company	**2,130,516**	802,702
Interest to holders of perpetual bond	**(16,211)**	(14,011)
	2,114,305	788,691
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 share option issued by SI Urban Development because the exercise price of the share options was higher than the average market price for that period. During the six months ended 30 June 2021, none of share options were outstanding as all of them had expired on 23 September 2020.

(ii) the exercise of share option 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) 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:

	30.6.2021 **HK$'000** **(unaudited)**	31.12.2020 HK$'000 (audited)
Within 30 days	**1,170,265**	943,183
Within 31 – 60 days	**588,652**	420,590
Within 61 – 90 days	**432,367**	540,861
Within 91 – 180 days	**782,619**	408,506
Within 181 – 365 days	**717,078**	314,677
Over 365 days	**573,681**	894,985
	4,264,662	3,522,802

(9) TRADE AND OTHER PAYABLES

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

	30.6.2021 **HK$'000** **(unaudited)**	31.12.2020 HK$'000 (audited)
Within 30 days	**2,773,019**	2,931,542
Within 31 – 60 days	**322,324**	328,009
Within 61 – 90 days	**265,537**	271,286
Within 91 – 180 days	**323,188**	417,515
Within 181 – 365 days	**742,565**	1,633,827
Over 365 days	**1,865,819**	1,722,248
	6,292,452	7,304,427

FINANCIAL REVIEW

I. Analysis of Financial Results

1. Revenue

For the six months ended 30 June 2021, revenue of approximately HK$16,315.82 million was recorded, up 23.5% year-on-year. Of which, the revenue base of infrastructure facilities was low for the same period last year due to the implementation of toll exemption measures for highways and less construction investment was made by SIIC Environment due to the epidemic; the booked revenue upon delivery of the properties by the real estate business increased year-on-year; and the duty-free and export cigarette sales of the consumer products business continued to decline due to the epidemic.

2. Profit Contribution from Each Business

Net profit from the infrastructure facilities business for the period amounted to approximately HK$1,215.07 million, accounting for 53.4% of Net Business Profit, and representing a year-on-year increase of 197.5%.

Due to the outbreak of the COVID-19 epidemic early last year, the Ministry of Transport of the People's Republic of China introduced toll exemption measure for toll roads and bridges during the pandemic period, which together with the waivers of toll mileage for the entry sections, led to a significant decrease in toll revenue. Despite of this, amortizations of toll road operating rights were recognized based on the traffic volume on the basis of units-of-usage, this resulted in a substantial decrease in profit contributions from toll roads and bridge business and a low base of profit in the same period last year. While compensation was received for the decrease of toll mileage for the entry sections and toll revenue resumed normal, and the profit contributions from toll roads and bridge business for the period returned to pre-pandemic level.

The profit of water services and waste-to-energy business increased by 46.7% year-on-year. Of which, the profit contribution from SIIC Environment for the period increased by 30.3%, mainly driven by increased income. Waste-to-energy business recorded additional profit contribution from Shanghai SUS Environment Co., Ltd. which was acquired at the end of last year.

The real estate business recorded a profit of approximately HK$767.86 million, accounting for 33.7% of the Net Business Profit, and representing an increase of approximately HK$511.51 million over the same period in 2020. The increase was mainly due to the recognition of property sales revenue during the period for the Shanghai Bay project, in which the Company holds 49% interest directly, and the disposal of the investment property located at No. 815 Dongdaming Road, Hongkou District, for which a fair value gain with reference to the price of the sales contract was recorded before completion of the transaction, leading to a significant growth in the profit from the real estate business.

The consumer products business recorded a net profit of HK$292.30 million for the period, accounting for 12.9% of Net Business Profit, and representing a year-on-year decrease of 18.9%. The cigarette sales of Nanyang Tobacco decreased by 18.3% year-on-year, mainly due to the duty free and export sales remain sluggish while customs closure measures in various areas were still in place, resulting in a decrease in net profit by HK$82.74 million or 30.2%. The revenue of Wing Fat Printing for the period increased by 18.6% year-on-year but the profit of its tobacco packaging business, with a relatively high gross margin, was decreased due to the decrease in cigarette sales of Nanyang Tobacco. However, Wing Fat Printing recorded a gain on disposal of 37.23% interest in Jinan Quanyong Printing Co., Ltd. ("**Jinan Quanyong**") during the period, which led to the increase in its profit contribution by HK$14.72 million year-on-year.

3. Profit before Taxation

(1) Gross profit margin

Compared to the first half of 2020, the overall gross profit margin for the period increased by 2.6 percentage points, mainly due to the toll exemption measures for highways while amortization of toll road operating rights were recognized based on the traffic volume on the basis of units-of-usage during the same period last year, which resulted in a negative gross profit of the toll roads business and a drag on the overall gross profit margin.

(2) Other income, gains and losses

Other income, gains and losses increased, which was mainly due to the disposal of investment properties, for which a fair value gain with reference to the price of the sales contract was recorded before completion of the transaction, as well as compensations were received by toll road operating companies for the decrease of toll mileage for the entry sections.

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

Gain for the period was mainly attributable to the disposal of 80% equity interest in a subsidiary, Lingbi Chenxin Green Industry Development Co., Ltd. and an approximately 37.23% equity interest in an associate, Jinan Quanyong.

4. Dividend

The Board of Directors of the Group has resolved to declare an interim dividend of HK48 cents per share, an increase of 29.7% as compared with 2020 total interim dividend of HK37 cents per share (including an interim cash dividend of HK22 cents per share and an interim special dividend in the form of distribution in specie of 1 SIUD Share for every 5 shares of the Company held, based on the closing price of SIUD on the date of despatch, 22 October 2020, the interim special dividend was HK$0.15 per share). The interim dividend payout ratio is 24.7% (2020 interim: 51.0%).

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 2021. There is no change compared with 1,087,211,600 shares as at the end of 2020.

Equity attributable to owners of the Company reached HK$45,751.72 million as at 30 June 2021, it was attributable to the net profit for the first half of the year after deducting the dividend actually paid during the period.

2. Indebtedness

(1) Borrowings

As at 30 June 2021, the total borrowings of the Group including bank borrowings and other borrowings amounted to approximately HK$62,713.14 million (31 December 2020: HK$56,973.81 million), of which 68.6% (31 December 2020: 70.3%) was unsecured credit facilities. The proportions of US dollars, Renminbi and HK dollars of total borrowings were 2%, 89% and 9% (31 December 2020: 3%, 85% and 12%) 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$11,270,761,000 (31 December 2020: HK$10,334,774,000);

(b) leasehold land and buildings with an aggregate carrying value of HK$12,300,000 (31 December 2020: HK$70,816,000);

(c) plant and machineries with an aggregate carrying value of HK$94,930,000 (31 December 2020: HK$192,379,000);

(d) receivables under service concession arrangements/intangible assets with an aggregate carrying value of HK$17,356,458,000 (31 December 2020: HK$16,744,560,000);

(e) properties under development held for sale with an aggregate carrying value of HK$17,853,954,000 (31 December 2020: HK$12,537,442,000);

(f) properties held for sale with an aggregate carrying value of HK$202,987,000 (31 December 2020: nil);

(g) trade receivables with an aggregate carrying value of HK$282,425,000 (31 December 2020: HK$196,344,000);

(h) bank deposits with an aggregate carrying value of HK$841,276,000 (31 December 2020: HK$806,864,000);

(i) equity interests of subsidiaries with aggregate carrying value of HK$180,375,000 (31 December 2020: HK$178,190,000); and

(j) land use rights included in right-of-use assets, with aggregate carrying value of HK$1,017,000 (31 December 2020: HK$1,074,000).

(3) Contingent liabilities

As at 30 June 2021, the guarantees given to banks by the Group in respect of banking facilities utilised by property buyers and associates amounted to approximately HK$7,438.88 million and HK$1,369.94 million (31 December 2020: HK$7,254.14 million and HK$1,411.37 million) respectively.

3. Capital Commitments

As at 30 June 2021, the Group had capital commitments mainly contracted for business development and investments in fixed assets of HK$12,814.57 million (31 December 2020: HK$15,606.16 million). The Group had sufficient internal resources and/or through loan markets for the finance of its capital expenditures.

4. Bank Balances and Short-term Investments

As at 30 June 2021, bank balances and short-term investments held by the Group amounted to HK$32,788.15 million (31 December 2020: HK$29,303.60 million) and HK$577.20 million (31 December 2020: HK$632.75 million) respectively. The proportions of US dollars and other currencies, Renminbi and HK dollars of bank balances were 4%, 85% and 11% (31 December 2020: 4%, 85% and 11%) respectively. Short-term investments mainly consisted of investments such as bonds, structured deposits, Hong Kong and PRC listed shares.

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