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 2022 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 2022. The Group's audited total revenue amounted to HK$31,349 million, representing a decrease of 19.1%. Profit attributable to shareholders was HK$2,314 million, a decline of 38.2% over last year.

In 2022, prevention and control measures taken to contain the COVID-19 epidemic were still severe in Mainland China. In particular, cities including Shanghai and its surrounding areas were relatively more affected between March and July. These included the peak infection period of the public at the end of the year. Compounded by the complex international geopolitical environment, the supply chain of goods was significantly affected, resulting in a rapid rise in the prices of energy and food around the world. As consumer prices in some western countries reached record high, central banks of major countries raised their interest rates sharply and rapidly, leading to unusual fluctuations in the capital markets, including securities prices, exchange rates as well as interest rates. All these created further complexity and volatility to the overall business environment. Against this background, the Board of Directors and the Group's management team overcame these extreme situation and challenges and achieved stable performance and profitability through making great efforts to encourage innovation in business operations, strengthen internal controls and to create further synergy between the financing activities and operations, other than maintaining the stable operation and development of the Group's different core businesses In accordance with national strategies, the Group has also made a strong commitment in enhancing ESG (Environmental, Social and Governance) value in our business development. All these fully reflect the strong resilience of the Group's asset and business structures.

In view of the relatively ample cash flows of the Group, the Board of Directors has recommended a final dividend of HK50 cents per share (2021: HK54 cents per share) for 2022, and together with an interim dividend of HK42 cents per share (2021: HK48 cents per share) paid during the year. Total dividends for the year amounted to HK92 cents per share (2021: HK102 cents per share). Dividend payout ratio for the year is 43.2%.

INFRASTRUCTURE FACILITIES

During the year, the infrastructure facilities business recorded a profit of HK$1,926 million, dropping by 18.7% over the past year and accounting for 76.0% of the Group's Net Business Profit*. The decrease was mainly due to significant reductions in revenue and traffic flow of the toll road business following lockdowns due to the pandemic. The water services business continued to make relatively rapid progress with steady growth in scale and increased its market share in China's environmental protection industry.

In October 2022, Shanghai S.I. Yangtze River Delta Ecological Development Co., Ltd. ("**Shanghai SI Yangtze River Delta**"), an indirect 50-50 joint venture of the Company, won the bid to acquire a 40% equity interest of Shanghai Pharmaceutical (Group) Co., Ltd. ("**Shanghai Pharmaceutical Group**") for RMB6,236 million. The core business of the newly-acquired company covers a wide range of areas, including chemical and biological drugs, traditional Chinese medicines and pharmaceutical circulations, with products covering different areas of human life and health. Shanghai Pharmaceutical Group also holds 19.38% of the A shares of Shanghai Pharmaceuticals Holding Co., Ltd., dually listed in Shanghai and Hong Kong, and is the single-largest shareholder of its A shares. The successful bidding is in line with the strategic positioning and development direction of the Company's business, and follows the national development strategy of a "Healthy China". The acquisition is expected to enable us to capitalize on Hong Kong's resources to broaden the scope of our business in the area of comprehensive healthcare operations, better promote the long-term and stable development of Shanghai's biomedical industry, and enjoy the dividend income brought by the growth in value of Shanghai Pharmaceutical Group in the future, all of which are conducive to promoting business synergy between the two parties.

Toll Roads／Bridge

In 2022, the Group's three toll roads and the Hangzhou Bay Bridge experienced a significant decrease in overall traffic flow and toll revenue, mainly due to the unprecedented epidemic control situations caused by the COVID-19 epidemic. In particular, Shanghai and surrounding areas were relatively more affected from March to July. However, with the gradual lifting of lockdown in June and subsequent resumption of work and production, the overall traffic flow basically recovered to the pre-outbreak levels in August. Nevertheless, toll revenue recorded a loss from September to early December due to epidemic prevention-and-control management measures in various provinces and the "test upon arrival" requirements for vehicles traveling to and from Shanghai. These factors, as well as the peak infection period for the public towards the end of the year, resulted in the lowering of incoming and outgoing traffic flows. Furthermore, the opening of the western extension of the Songze elevated main line and selected ramps on 7 February 2022 further affected the traffic flow of the Hu-Yu Expressway (Shanghai Section). In accordance with the requirements of respective government departments and to support the post-epidemic prevention-and-control environment and business activities of related enterprises following resumption of work and production, the toll roads also offered rent reductions to leasing units in the service areas during the year.

Despite the challenging circumstances, all toll companies remained committed to efficient coordination of epidemic prevention and control, as well as road operations. They implemented strict safety controls, epidemic prevention and control, and emergency-management measures to ensure the smooth passage of vehicles transporting epidemic-prevention materials and medical personnel as well as steady operation of the expressways. During the year, the toll roads made every effort to secure smooth traffic flow during major festivals and events while unremittingly implementing regular epidemic prevention-and-control measures. They were able to maintain safe, steady and orderly traffic flows throughout the convening of the 20th Party Congress and the Import Expo. Additionally, the Hu-Yu Expressway (Shanghai Section) cooperated with the Shanghai Municipal Transportation Commission to proceed smoothly with the preliminary work of the widening and alteration project.

The key operating figures of the respective toll roads/bridge under the Group as at 31 December 2022 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$230 million	-48.1%	HK$400 million	-35.5%	25.78 million	-34.6%
Hu-Kun Expressway (Shanghai Section)	100%	HK$383 million	-24.9%	HK$653 million	-29.1%	51.43 million	-26.9%
Hu-Yu Expressway (Shanghai Section)	100%	HK$122 million	-47.5%	HK$390 million	-36.6%	28.75 million	-31.8%
Hangzhou Bay Bridge	23.0584%	HK$154 million	-22.4%	HK$1,941 million	-20.2%	13.79 million	-19.3%
Total		HK$889 million	-35.8%	HK$3,384 million	-26.2%	119.75 million	-29.2%

During the year, the Group's toll roads continued to strengthen smooth road passage and enhanced service quality of the toll counters by means of competitions to reward and motivate toll collectors. In addition, a three-year specific work safety campaign has been organized to strengthen employees' awareness of work safety. Furthermore, multiple measures have been adopted to promote the quality and efficiency of road facilities and to ensure that all types of expressway facilities are maintained in sound condition. The project companies also made considerable efforts to promote smart applications, resulting in significant improvements in monitoring operational efficiency. In addition, the toll collection system was constantly improved, and audits for fee recovery were strengthened to ensure collection of fees due. The Hangzhou Bay Bridge and the "two districts and one island" were generally running in an orderly manner, and road maintenance work and inspection of large and certain small and medium-sized bridges were completed in accordance with the specific annual maintenance plans for road facilities.

In June 2022, the Company acquired, through its indirect wholly-owned subsidiary Shanghai Jiyun Infrastructure Construction Co., Ltd. ("**Shanghai Jiyun**"), a further 40% equity interest in Shanghai Industrial Clean Energy (Shanghai) Co., Ltd. ("**SI Clean Energy**") for RMB224 million. The acquisition was completed in October, following which Shanghai Jiyun now holds a total of 80%

equity interest in the company. The transaction is in line with the Company's strategy to continue to nurture and develop its new energy business while increasing the profit contributions to the Group. Shanghai Green Environmental Protection Energy Co., Ltd., in which SI Clean Energy holds a 30% equity interest, maintained normal operations during the epidemic period and currently owns six new energy stations with a total capacity of 540 MW, of which the Fengxian project and the Donghai expansion project have been connected to the grid at full capacity, and the projects are making steady progress. To further promote the strategic upgrade and enhancement of the company's capability, the project company has made considerable efforts to explore new energy markets in Shanghai and across China. In April this year, the project company formed a consortium with other parties and successfully acquired the development right for the operation of the Jinshan Phase I offshore wind power project.

Water Services／Clean Energy

Capitalizing on opportunities brought about by national policies which emphasize the need to promote environmental protection and clean energy sectors, the Group accelerated the expansion of its environmental protection segment and further integrated the financing activities with its business operations for high-quality and sustainable development.

SIIC Environment

In 2022, total revenue of SIIC Environment Holdings Ltd. ("**SIIC Environment**") reached RMB8,304 million, representing a year-on-year increase of 14.3%, of which construction revenue increased by 19.4% over the previous year, primarily attributable to the construction progress of the Shanghai Baoshan Renewable Energy Utilization Center, a key solid waste treatment project. The center commenced the commissioning phase in September 2022, contributing to higher construction revenue for the year. Operating and maintenance income and financial income from service concession arrangements recorded a year-on-year increase of 9.7%. The increase was mainly due to higher sewage treatment volume and water supply volume, as well as higher average sewage treatment tariffs. Net profit attributable to shareholders for the year was RMB780 million, a year-on-year increase of 10.5%. Gross profit for the year increased by 9.5% over the previous year.

Benefiting from a series of favorable policies introduced by the State and the continued construction and tendering of new sewage treatment and water supply projects by local governments, SIIC Environmental's new projects have made good progress. During the year, the company was awarded 13 new sewage treatment and water supply projects with a total planned daily capacity of 367,200 tonnes. In addition, seven sewage treatment projects with a planned daily capacity of 880,000 tonnes in total were awarded upgrades, expansion, tariff increase and extension of operation-and-management (O&M) periods, and a tariff increase was signed for a sludge treatment project with a planned daily capacity of 200 tonnes. Furthermore, 12 projects of SIIC Environment commenced commercial operation, among which one was a reclaimed-water treatment project with a total planned daily capacity of 40,000 tonnes, and 11 were upgrading and expansion projects with a total planned daily capacity of 1,090,000 tonnes. As at the end of 2022, SIIC Environment had almost 250 sewage treatment and water supply projects, and the total daily capacity reached 13,040,000 tonnes.

During the year, the volume of sewage water treated by SIIC Environment grew 1.5% year-on-year to 2,470,000,000 tonnes, while the water supply volume rose by 3.1% year-on-year to 317,000,000 tonnes. In terms of treatment tariffs, the average sewage treatment tariff increased by 9.5% year-on-year to RMB1.86 per tonne and average water supply tariff was RMB2.48 per tonne, representing a slight decrease of 1.9% over the previous year.

Driven by a series of favourable policies, SIIC Environment leveraged its resource advantages and unwaveringly followed its own pace of development during the year. The company won the bid for the Cangxi project in Sichuan in August, commenced construction of the Xicen project in November and won the bid for the Macau project in December. While further strengthening its strategic deployment in the Yangtze River Delta region, SIIC Environment accelerated expansion in the Guangdong-Hong Kong-Macao Greater Bay Area and the Yangtze River Economic Belt. For solid waste incineration, the company's key solid waste project, the Baoshan project, entered into the commissioning phase in September 2022. It will serve as a solid waste benchmark project in the Yangtze River Delta region, driving collaborative development in the region, and will be of great significance for Shanghai in achieving the goal of zero landfill treatment of household waste.

SIIC Environment will closely follow national policies, pursue green development, speed up digitalization and low-carbon development, and continue to seek new opportunities in the environmental protection sector. The company's future focus will be on realizing the green development concept into practice in the Baoshan and Xicen projects. While further strengthening its strategic layout in the Yangtze River Delta region, the company will actively expand into other key regions and basins and build more high-standard and modern environmental protection projects to achieve steady and high-quality development, and maintain its leading position among the top-tier players in China's water and environmental protection industries.

General Water of China

In 2022, despite the difficult economic situations brought about by the pandemic, General Water of China Co., Ltd. ("**General Water of China**") proactively adjusted its operational focus on three key areas: developing new markets, enhancing quality and efficiency, and pursuing innovation and reform. The company also sought innovation and breakthroughs to stabilize and improve its core operations. As at the end of 2022, the company operated a total of 34 water-supply plants and 27 sewage-treatment plants with a combined daily capacity of 6,556,000 tonnes. The daily capacity of water generation is 3,004,500 tonnes and the daily capacity of sewage treatment is 3,551,500 tonnes. The company has two reservoirs with a total storage capacity of 182,320,000 tonnes and a pipe network of 6,248 kilometers. During the year, General Water of China recorded revenue of HK$2,150 million, representing a year-on-year decrease of 11.6%. Net profit amounted to HK$248 million, representing a rise of 8.8% over the previous year.

During the year, General Water of China acquired/signed 13 new projects with a total planned investment of RMB532 million and a contract sum of approximately RMB225 million. The new projects have a daily capacity of 712,000 tonnes, a pipe network of 4,803 kilometers and photovoltaic power generation of 7.08MW. The new projects include: (1) an urban-rural integrated water supply EPCO project in Dangshan County; (2) a sewage-treatment plant (Phase II) project in Aotou, Xiamen; (3) a sewage-treatment plant upgrading entrusted EPCM project in eastern

Wenzhou City; (4) the cleaning and discharge technology improvement PPP project for the sewage-treatment plant in the new zone of eastern Huzhou City; (5) an urban-rural integrated water supply entrusted operation project in Wuhe County; (6) the Chengxi water-supply booster pumping station project in Bengbu City; (7) the reclaimed-water plant project in Yujiawu Sub-center; (8) the main water-supply network of Xiangyang with the construction of a new pipe network of 51 kilometers; and (9) the five photovoltaic power generation projects for the sewage-treatment plant in the new zone of eastern Huzhou City, Bengbu Zhonghuan Sewage Treatment Co., Ltd., the water supply plant in Guzhen County, the water plant in the city north of Huaiyuan and Guzhen Zhonghuan Sewage Treatment Co., Ltd.

For the 19th consecutive year, General Water of China has been named one of the Top 10 Most Influential Enterprises in China's Water Industry, and has been ranked among the top three. During the year, Xiangtan No. 3 water-plant project, involving upgrading, alteration and expansion, was awarded "Hunan Province Quality Project" by Hunan Construction Industry Association. The sewage-treatment plant in the new zone of eastern Huzhou City was awarded "Key Precision Control Benchmark Sewage Plant" in the smart sector at the 2022 (the 14th) Shanghai Water Industry Hot Topics Forum.

Canvest Environmental

Canvest Environmental Protection Group Company Limited ("**Canvest Environmental**") is a leading integrated urban environmental protection and sanitation solution provider, focusing on waste-to-energy and the provision of intelligent urban environmental hygiene and related services. The Group currently holds 19.48% equity interests. For 2022, Canvest Environmental recorded revenue of HK$8,247 million, representing an increase of 21.4% over the previous year. The increase was mainly contributed by the increase in power sales and sewage treatment tariffs from operating plants, and construction revenue from new projects. Net profit for the year reached HK$1,359 million, representing a year-on-year increase of 3.1%.

During the year, Canvest Environmental had secured 38 projects with a daily processing capacity of 56,740 tonnes, and has a total of 31 projects in operation with a daily processing capacity of 41,890 tonnes. Its business coverage expanded to 13 provinces and 28 cities in China. The total daily capacity of the new projects for the year amounted to 5,750 tonnes, further enhancing its business deployment in mainland China. Nearly 14,000,000 tonnes of waste were innocuously treated during the year, an increase of 26.4% over last year. Annual electricity generation reached 5,250 million kWh, a year-on-year increase of 19.9%.

SUS Environment

Shanghai SUS Environment Co., Ltd. ("**SUS Environment**"), held 28.34% by Shanghai SI Yangtze River Delta, is a comprehensive urban solid waste disposal service provider with a full industry chain, consisting of investment, construction and operation. Currently, the company's projects are mainly located in Mainland China, including such cities as Ningbo, Zhuhai, Qingdao, Xi'an, Taiyuan and Lhasa.

As at the end of 2022, the company's waste incineration projects had a total daily capacity of 34,600 tonnes. The amount of household waste entering the plants for the year was 13,100,000 tonnes, representing a year-on-year increase of 49.8%. The amount of on-grid electricity sold was 4,550 million kWh, representing a year-on-year increase of 49.7%. During the year, six waste-to-energy projects were newly acquired in Mainland China, with a daily capacity of 6,250 tonnes, while the construction progress of waste-to-energy projects accelerated, with 17 projects being put forward. In addition, the company was awarded 16 complete equipment projects with a total daily capacity of 14,300 tonnes and two EPC projects with a total daily capacity of 1,450 tonnes. In terms of new business, the company also won the bids for the construction waste PPP project in Ganyu, Lianyungang (90,000 tonnes/annual renovation waste + 150,000 tonnes/year of demolition waste). On the basis of consolidating and expanding its existing core businesses, it will actively cultivate and expand new businesses such as integrated sanitation and construction waste and develop international markets.

NEW BUSINESS ARENA

As at the end of 2022, the photovoltaic assets capacity of Shanghai Galaxy Investment Co., Ltd. and SIIC Aerospace Galaxy Energy (Shanghai) Co., Ltd., its subsidiary, reached 740 MW. The total amount of on-grid electricity sold during the year from their 15 photovoltaic power stations was approximately 1,130 million kWh, representing an increase of 1.44% over the previous year. The photovoltaic team continued to strengthen its work related to macro policies, industry dynamics, capital market research and project acquisition.

During the year, respective national departments formulated and launched carbon peaking, carbon neutrality and "1+N" policies to promote green and low-carbon technological breakthroughs, further enhance the dual control of energy consumption and encourage society to save energy. These policies are expected to accelerate the development of the industry. In December, national departments issued further circulars on matters related to promoting the healthy development of the photovoltaic industry, consolidating industry development, easing bottlenecks in upstream and downstream capacity as well as in the pricing of the photovoltaic industry chain, and enhancing the capability of the supply chain ancillary facilities. With silicon prices remaining in a reasonable range and the module production costs falling, the return rate of photovoltaic power stations is expected to resume to a reasonable level. With policy support and an improving economic situation, the photovoltaic industry in China is expected to achieve fast and sustainable growth.

REAL ESTATE

In 2022, the real estate business recorded a profit of HK$300 million, representing a year-on-year decrease of 66.5% and accounting for approximately 11.8% of the Group's Net Business Profit*. The decline was mainly attributable to an increase in the capital cost of real estate enterprises, a drop in contract sales and collection of receivables, in addition to delays in projects under construction and in launching property projects due to the pandemic. These factors resulted in a decline in operating performance and an increase in the company's gearing ratio, while in last year, increased profits attributable to the Company was recorded from the booked revenue of the Shanghai Bay project (Phase 4) in which the Company holds a direct 49% equity interest, and there was additional gains arising from the sale of investment properties. The industry outlook is expected to remain positive as the central Government gradually relaxes epidemic controls and launches policies to support economic growth.

SI Development

In the first half of 2022, the repeated resurgence of the pandemic in Shanghai had a significant impact on the real estate business of Shanghai Industrial Development Co., Ltd. ("**SI Development**"). The company has made considerable efforts to respond to operational pressure brought by external situations and to remedy delays in construction and progress in sales which resulted from the pandemic lockdown. In addition, the company also made efforts to resolve the adverse impact from the SIIC Longchuang Smart Energy Technology Company Limited ("**SIIC Longchuang**") incident to ensure the stable operation of its business. During the year, SI Development recorded revenue of RMB5,248 million, representing a year-on-year decrease of 48.0%. The revenue was mainly derived from sales booked from properties delivered. The company recorded a profit of RMB123 million, representing a year-on-year decrease of 33.2%. During the year, the gross floor area of properties delivered was approximately 154,000 square meters, mainly including Sea Palace in Quanzhou and Era of Elites in Baoshan, Shanghai. Contract sales of real estate projects for the year amounted to RMB5,661 million, including such projects as International Beer City in Qingdao, Shanghai Bay (Phase 5) in Qingpu, Shanghai and Sea Palace in Quanzhou, with a gross floor area of 168,000 square meters. As at the end of 2022, seven projects were under construction, consisting of an area of 988,200 square meters. Rental income for the year was HK$297 million.

During the year, as a local state-owned enterprise of Shanghai, SI Development responded to the requirements of respective government departments and fulfilled its social responsibility. It formulated rent-relief plans for a total of 218 small and micro enterprises as well as individual enterprises, involving rent reduction for an area of some 136,000 square meters. For property services, the company made great efforts despite difficulties encountered to combat the impact of the epidemic in Shanghai to protect the lives and wellbeing of the owners and residents. The company also contributed to the construction and operation of a makeshift hospital in Lingang of Shanghai. During the year, it renewed 25 management service contracts and acquired 24 new projects. The area of properties under its management amounted to approximately 27,860,000 square meters. The company's subsidiary was ranked 40th in the 2022 Top 500 China Property Services Enterprise in Comprehensive Strengths and 15th in the 2022 Top 50 China State-owned Property Services Enterprises in Comprehensive Strengths.

To focus its efforts, capital and resources, fully consolidate existing development projects and safeguard medium and long-term operating performance, SI Development planned to exit its development project located at Lot No. 89, North Bund, Hongkou District, Shanghai. In December 2022, SI Development and Shanghai Hongsheng Investment Development Co., Ltd. ("**Hongsheng Investment**"), its indirect 90% owned subsidiary, signed equity interest transfer agreements respectively, pursuant to which, Hongsheng Investment will transfer its 90% equity interest in Shanghai Shisen Real Estate Co., Ltd. ("**Shisen Real Estate**") for approximately RMB291.40 million and SI Development will assign all the debts of Shisen Real Estate due to it for approximately RMB4,316 million through public tender to an independent third-party buyer. Shisen

Real Estate is the project company of SI Development for the development of the land lot No. 89. The land is for office and commercial use and occupies a site area of approximately 23,037 square meters, with a planned gross floor area of approximately 126,705 square meters and a total gross floor area of approximately 230,568 square meters. The structural topping out for buildings on the land has been completed. The transaction is conducive to the return of capital to SI Development, enabling it to enhance its cash flow and focus its resources on key projects to ensure smooth operation and development of the company. Completed in mid-January 2023, the transaction realized an income of approximately RMB4,600 million for the company. With the completion of the transaction, Shanghai Shisen is no longer a subsidiary of the Group and its financial results will therefore no longer be consolidated into the Group's financial statements. In January 2023, the buyer further contributed capital of RMB8,408,560,000 to Shisen Real Estate while SI Development waived contribution of capital in accordance with the proportion of its shareholding. As such, SI Development's beneficial equity interest in Shisen Real Estate was further diluted to near zero.

SI Urban Development

In 2022, Shanghai Urban Development (Holdings) Co., Ltd. ("**SI Urban Development**") recorded revenue of HK$11,022 million, representing an increase of 0.1% over the previous year. Profit attributable to shareholders for the year amounted to HK$407 million, representing a year-on-year decrease of 28.9%. Properties delivered during the year mainly included West Diaoyutai • Emperor Seal in Beijing, Originally in Xi'an, Shangtou Xinhong, Shangtou Baoxu and Urban Cradle in Shanghai, with a gross floor area of approximately 393,000 square meters. Rental income for the year was approximately HK$541 million. Contract sales amounted to RMB7,908 million, representing a gross floor area of approximately 504,000 square meters, which mainly included Originally in Xi'an and Shangtou Xinhong, Shangtou Baoxu, Lingang 105 Project • Ocean One and Qingpu Project • Cloud Vison in Shanghai.

During the year, SI Urban Development prioritized the construction of key projects, strove to meet the construction timeline of entrusted projects and enhanced its construction plans upon resumption of work and production in Shanghai. The company also completed the structural topping out for a number of projects, including Phase I of the Shanghai Pharma Zhangjiang Base, Phase II of the Shanghai Pharma Logistics Center at Suide Road and Shentian T18 Tower, a metro superstructure project in Xinzhuang. SIIC Medical Cosmetology Hospital officially opened in September. The construction of the Jinshan Green Pharmaceutical Product Base and the Shanghai Pharma Lingang Industrial Park commenced in March and July respectively.

In June 2022, SI Urban Development announced the bidding for the land use rights for six parcels of land in Shanghai, PRC in conjunction with a joint bidder (being an independent third party). The land parcels, located in Lingang New Area, the China (Shanghai) Pilot Free Trade Zone, are expected to be developed into approximately 271,081 square meters of residential development and 9,892 square meters of commercial development. The land parcels, located in the central part of Lingang New Area, are of great value, and are expected to further strengthen the leading position of SI Urban Development in the Shanghai market.

In November 2022, SI Urban Development announced the acquisition of a 28.5% equity interest in Xi'an Chanba Construction Development Co., Ltd. ("**Xi'an Chanba**") held by an external shareholder of Xi'an Chanba. The remaining 71.5% shares are held by non-wholly owned subsidiaries of SI Urban Development. Xi'an Chanba is the project company for the development of the Originally project located in Chanba Ecotope, Xi'an, the PRC. The project is for residential, commercial and hotel use, occupying a site area of more than 2,000,000 square meters. A total of 12 land parcels are included in the plan to cater for diverse functions and related facilities which are completed or soon to be completed to meet community business requirements and educational, medical and shopping needs. The transaction was completed in December 2022, and Xi'an Chanba has become a wholly-owned subsidiary of SI Urban Development. The acquisition will enhance the profit, the flexibility of dividend distribution as well as the capital management of SI Urban Development, providing more flexibility in the management of the project and subsequent contract sales or leasing of the property units.

CONSUMER PRODUCTS

The Group's consumer-products business recorded a profit for the year of HK$310 million, representing a decrease of 53.7% over the previous year and accounting for approximately 12.2% of the Group's Net Business Profit*. Despite complex external situations and a difficult internal operational environment during the year, Nanyang Brothers Tobacco Company, Limited ("**Nanyang Tobacco**") adopted multiple measures and strove to seek breakthroughs against the odds, demonstrating the resilience of a century-old enterprise through careful analysis of the global economic situation and the impact of the pandemic on overseas markets. Similarly, The Wing Fat Printing Company, Limited ("**Wing Fat Printing**") also minimized adverse impacts on certain parts of its business despite the complex and volatile downturn market environment by striking a structural balance in different areas of its business, and was able to overcome multiple challenges to put the Vietnam factory into operation. The company proactively explored internal potential to enhance efficiency to largely mitigate the downward impact on its performance and to maintain a robust asset structure.

Tobacco

As a tobacco manufacturing company mainly engaged in the production of Chinese-style flue-cured tobacco, Nanyang Tobacco faced considerable pressure and adverse impact in consumption, logistics and production during the year due to its strong dependence on the consumer base and supply chain in China. The pandemic resulted in low demand from overseas markets throughout the year. High inventories in various channels gave rise to the risk of product expiration and falling prices, which significantly jeopardized the status of its brands. During the peak of the pandemic outbreak in Hong Kong, Nanyang Tobacco actively responded to the pandemic, insisted on uninterrupted management and operation, and implemented a closed-management mode to guarantee non-stop production. The company also conducted initiatives on lowering inventories, adjusting status and reducing costs. The turnover and profit after tax of Nanyang Tobacco for the year were HK$1,431 million and HK$182 million respectively, representing a decrease of 39.8% and 63.5%.

For lowering of inventories, as inventories for various sales channels remained high during the year and profit margins in all segments continued to shrink, the company significantly reduced product inventories through precise linkage and interaction of supply and sales. The company improved its inventory turnover and optimized storage space by compressing the procurement of raw and auxiliary materials and adjusting and extending their delivery period. The company launched targeted promotions in the Mainland market and achieved satisfactory stock-to-sales ratios, forecasting accurately product demands in the China, Hong Kong and Macau duty-free markets, and promoted the sales of slow-moving products. For the overseas market, which was most affected by the pandemic, the company made great efforts to assist distributors in inventory de-stocking and adjusting supply and demand.

To adjust the status of sales, Nanyang Tobacco put its emphasis on promising markets (e.g. Mainland China and the currently opened border duty-free) by optimizing its resource allocation, and precisely nurtured new promising products to boost development. In addition to helping channels in inventory de-stocking of large and slow-moving products, the company focused its resources on maintaining the scale of promotion and publicity for key new products and continued to expand the exposure and brand influence of its products.

In the area of cost reduction, the company monitored the international situation, strengthened precise supply chain management, enhanced source control and process control, and reduced costs and increased efficiency through continuous equipment and technology innovation. In addition, the company was flexible in its procurement strategy and optimized allocation of its resources on using capital as well as storage space to maintain a balance between material demand and price stability. During the year, it also promoted the localization of applying some materials for the Malaysia factory.

For overseas projects, the company pushed forward the project of establishing a new factory in Malaysia to enhance its core competitiveness and took a new step towards selling overseas cigarettes. It strengthened multi-dimensional cooperation with large cigarette companies and forged strong alliances to expand overseas markets.

In the face of the ever-changing global environment, Nanyang Tobacco continued to conduct in-depth research on technology transformation and applications to ensure that its equipment and technology are at the forefront of the industry. With the gradual relaxation of pandemic-control measures in Mainland China, the company is poised for a market recovery and continues to adhere to the development policy of “Ensuring healthy internal operation and external development; strengthening business growth and pursuing excellence” to restart the market, revitalize its brand and reshape itself, as well as to promote business transformation, pursue internationalization and strive to become a regional industry leader.

Printing

Wing Fat Printing recorded a turnover of HK$1,764 million for the year 2022, a decrease of 8.5% over the previous year. The decline was mainly attributable to the impact of a weak downstream market demand brought by the global economic turmoil and rapid cooling of some epidemic consumption in the post-pandemic period. The net profit for the year amounted to HK$124 million, representing a year-on-year decrease of 33.8% and a year-on-year decrease of 11.4% after excluding a once-off gain on disposal of minority interests for last year. The decline in profit was mainly due to a decrease in revenue and the impact of structural fluctuations in the business.

During the year, in the face of the complex and volatile market situations and continued repercussions of the pandemic and epidemic-prevention measures, Wing Fat Printing adhered to its stable operating strategy and established strategic directions, and followed through the trend, to leverage the phase advantages in strengthening its core business segments such as medicine packaging, and successfully safeguarded peak-season demands of its major customers. The company also fully explored and developed additional markets and by means of striking a structural balance of its businesses has better mitigated downturn business challenges it faced, with its overall business scale basically remaining stable. At the same time, the company proactively explored opportunities brought by new technological developments and new market applications for the sustainable development of environmental molded-fibre packaging products, promoted cost and efficiency improvement in all aspects and accelerated information technology deployment, actively promoted the development, introduction, incubation and conversion of efficient and intelligent equipment, and successfully entered into the commissioning phase of the Vietnam factory. As a result, its major tasks as planned for the year were better achieved.

In the highly uncertain and complex operating environment, Wing Fat Printing continued to strengthen the monitoring and prevention of key risk areas and persisted with risk prevention to safeguard high-quality development and effectively maintain the company's stable asset structure and operational quality.

** Net profit excluding net corporate expenses*

PROSPECTS

Looking forward to 2023, as epidemic prevention and control measures have been relaxed to a great extent in countries throughout the world, the economy is gradually returning to normal and there are signs of a substantial rebound. Nevertheless, in view of a number of factors, such as heightened geopolitical risk, ongoing unilateralism in international trade implemented by certain countries, and tightening policies on specific industries in the Mainland, the management of the Group is fully aware that there are still many uncertainties in the operational and business environment. Against this scenario, the Group will continue to pursue its reform and innovation programs, step up efforts in upgrading our core businesses, and enhance management efficiency and precision. We will also strive to consolidate our resources, strengthen risk controls, improve our profitability, and continue to look for opportunities to acquire quality projects to optimize our asset portfolio and enhance Shareholder value.

For the infrastructure and environmental protection segments, SIIC Environment will closely follow national policies, pursue green development, speed up digitalization and low-carbon development, and continue to seek new opportunities in the environmental protection sector. While further strengthening its strategic layout in the Yangtze River Delta region, the company will expand into other key regions and basins and build more high standard and modern environmental protection projects to achieve steady and high-quality development, and maintain its leading position among the top-tier players in China's water and environmental protection industries. The toll roads business will continue to enhance operational efficiency and maintain steady business development. Through investments in new business arenas, the Group's investments in the environmental-protection and green-energy segments are expected to make new contributions.

For the real estate business, as the central Government has begun to relax epidemic controls and launch policies to support economic growth, the industry outlook is expected to remain positive. The Company will closely monitor national policies and market trends, streamline its strategic plans, further explore market opportunities, revitalize existing assets, seek new sources of funds and financing channels, and accelerate the collection of receivables so as to improve operating efficiency. At the same time, we will further strengthen overall risk controls and promote healthy, stable and high-quality development.

Against an ever-changing global environment, Nanyang Tobacco will continue to conduct in-depth research on technology transformation and application to ensure that its equipment and technology are at the forefront of the industry. With the gradual relaxation of pandemic control measures in Mainland China, the company will be well prepared for market recovery and continue to adhere to the development policy of "Ensuring healthy internal operation and external development; strengthening business growth and pursuing excellence" to re-activate the market, revitalize its brand and reshape itself, to promote business transformation, pursue internationalization and strive to become a regional industry leader.

In the uncertain and complex operating environment, Wing Fat Printing is determined to enhance awareness of risk factors and macro situations, and insist on risk prevention to safeguard high-quality development and to effectively maintain its stable asset structure. Moving forward, the company will continue to work hard and thoroughly explore development trends in the paper packaging industry, seize opportunities when they arise, and strive for another outstanding chapter in the journey towards the 110th anniversary of Wing Fat.

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 2023

FINAL DIVIDEND

The Board of Directors has recommended a final dividend of HK50 cents per share (2021: HK54 cents per share) for 2022, and together with an interim dividend of HK42 cents per share (2021: HK48 cents per share) paid during the year. Total dividends for the year amounted to HK92 cents per share (2021: HK102 cents per share).

Subject to approval by the Shareholders at the Annual General Meeting, the final dividend will be paid on or about Friday, 16 June 2023 to Shareholders whose names appear on the register of members of the Company on Monday, 5 June 2023.

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 Thursday, 25 May 2023 at 3:00 p.m. (the "**Annual General Meeting**"). Notice of the meeting will be despatched to the Shareholders in mid-April 2023 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 Wednesday, 17 May 2023 and Thursday, 18 May 2023, 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 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong by 4:30 p.m. on Tuesday, 16 May 2023.

Final Dividend

For the purpose of determining Shareholders' entitlement to the final dividend, the register of members of the Company will be closed on Monday, 5 June 2023, 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 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong by 4:30 p.m. on Friday, 2 June 2023.

REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed the Company's consolidated annual results for the year ended 31 December 2022.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in Part 2 of 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 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2022, SI Urban Development, a subsidiary of the Company, bought back a total of 13,646,000 of its own ordinary shares on the Stock Exchange for a total consideration of HK$7,503,060, of which, 12,646,000 shares were cancelled on 30 December 2022, and the remaining 1,000,000 shares were cancelled on 27 February 2023.

Save as disclosed above, during the year ended 31 December 2022, 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 2022 will be despatched to the Shareholders in mid-April 2023 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 three Executive Directors, namely Mr. Shen Xiao Chu, Mr. Zhou Jun and Mr. Xu Bo; three Independent Non-Executive Directors, namely, Prof. Woo Chia-Wei, Mr. Leung Pak To, Francis and Mr. Yuen Tin Fan, Francis.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	**2022**	2021
		HK$'000	HK$'000
Revenue	*3*	**31,348,592**	38,747,951
Cost of sales		**(22,317,753)**	(23,878,335)
Gross profit		**9,030,839**	14,869,616
Net investment income		**358,957**	372,905
Other income, gains and losses		**761,407**	(1,768,684)
Selling and distribution costs		**(1,029,972)**	(1,183,111)
Administrative and other expenses		**(1,933,297)**	(1,905,940)
Finance costs		**(1,866,806)**	(1,681,765)
Share of results of joint ventures		**299,318**	243,759
Share of results of associates		**132,573**	442,051
Net (loss) gain on liquidation/disposal of subsidiaries/interest in an associate		**(241,941)**	1,357,183
Profit before taxation		**5,511,078**	10,746,014
Income tax expense	*4*	**(2,181,308)**	(6,633,048)
Profit for the year	*5*	**3,329,770**	4,112,966
Profit for the year attributable to			
- Owners of the Company		**2,313,924**	3,745,505
- Non-controlling interests		**1,015,846**	367,461
		3,329,770	4,112,966
		HK$	HK$
Earnings per share	*7*		
- Basic		**2.128**	3.429
- Diluted		**2.128**	3.429

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	HK$'000	HK$'000
Profit for the year	**3,329,770**	4,112,966
Other comprehensive (expense) income		
Items that may be subsequently reclassified to profit or loss		
Exchange differences arising on translation of foreign operations		
- subsidiaries	**(4,478,917)**	1,776,886
- joint ventures	**(880,043)**	552,446
- associates	**(485,228)**	82,131
Reclassification adjustment for realisation of revaluation reserves upon disposal of the related properties	**(27,659)**	(5,205)
Reclassification adjustment upon disposal of an associate classified as held-for-sale	**-**	(9,429)
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	**(22,294)**	(288,506)
Other comprehensive (expense) income for the year	**(5,894,141)**	2,108,323
Total comprehensive (expense) income for the year	**(2,564,371)**	6,221,289
Total comprehensive (expense) income for the year attributable to		
- Owners of the Company	**(896,709)**	4,956,286
- Non-controlling interests	**(1,667,662)**	1,265,003
	(2,564,371)	6,221,289

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2022

	Note	2022	2021
		HK$'000	HK$'000
Non-Current Assets			
Investment properties		**29,798,401**	28,985,301
Property, plant and equipment		**5,488,970**	5,764,711
Right-of-use assets		**640,693**	698,853
Toll road operating rights		**5,554,329**	6,599,286
Goodwill		**547,196**	590,588
Other intangible assets		**8,078,995**	8,603,724
Interests in joint ventures		**11,564,005**	6,078,908
Interests in associates		**7,479,568**	8,257,908
Investments		**387,502**	456,697
Receivables under service concession arrangements		**25,974,842**	25,925,594
Deposits paid on acquisition of non-current assets		**4,677,435**	7,960,018
Deferred tax assets		**155,184**	136,391
		100,347,120	100,057,979
Current Assets			
Inventories		**40,666,892**	53,441,173
Trade and other receivables	*8*	**11,471,641**	12,280,029
Contract assets		**87,882**	116,869
Investments		**275,739**	414,889
Receivables under service concession arrangements		**840,367**	848,548
Prepaid taxation		**932,579**	1,014,476
Pledged bank deposits		**228,583**	709,526
Short-term bank deposits		**1,786,601**	668,643
Cash and cash equivalents		**28,870,193**	38,149,742
		85,160,477	107,643,895
Assets classified as held for sale		**8,426,155**	8,661
		93,586,632	107,652,556

	Note	2022	2021
		HK$'000	HK$'000
Current Liabilities			
Trade and other payables	*9*	**19,495,221**	22,185,904
Lease liabilities		**85,724**	100,582
Contract liabilities		**15,568,956**	20,618,731
Deferred income		**446,198**	446,581
Taxation payable		**3,589,367**	6,641,699
Bank and other borrowings		**17,902,765**	23,637,611
		57,088,231	73,631,108
Liabilities associated with assets classified as held for sale		**8,307,647**	113
		65,395,878	73,631,221
Net Current Assets		**28,190,754**	34,021,335
Total Assets less Current Liabilities		**128,537,874**	134,079,314
Capital and Reserves			
Share capital		**13,649,839**	13,649,839
Reserves		**31,874,182**	33,789,615
Equity attributable to owners of the Company		**45,524,021**	47,439,454
Non-controlling interests		**31,269,890**	33,918,247
Total Equity		**76,793,911**	81,357,701
Non-Current Liabilities			
Provision for major overhauls		**80,484**	89,298
Deferred income		**2,785,847**	3,368,970
Bank and other borrowings		**40,828,228**	40,619,524
Deferred tax liabilities		**7,924,365**	8,495,150
Lease liabilities		**125,039**	148,671
		51,743,963	52,721,613
Total Equity and Non-Current Liabilities		**128,537,874**	134,079,314

Notes:

(1) GENERAL

The financial information relating to the years ended 31 December 2022 and 2021 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 2021 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 2022 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 2022 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 audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 30 March 2023. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion 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 of such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (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 each 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 amendments to HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year. the Group has applied 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 Group's annual periods beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020

Except as described below, the application of 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 HKFRS 3 "Reference to the Conceptual Framework"

The Group has applied the amendments to business combinations for which the acquisition date was on or after 1 January 2022. The amendments update a reference in HKFRS 3 "Business Combinations" so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "**Conceptual Framework**") instead of Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting 2010 issued in October 2010), add a requirement that, for transactions and events within the scope of HKAS 37 Provisions, Contingent Liabilities and Contingent Assets or HK(IFRIC)-Int 21 Levies, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination and add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

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

(b) Impacts on application of Amendments to HKAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"

The Group has applied the amendments for the first time in the current year. The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with HKAS 2 "Inventories".

In accordance with the transitional provisions, the Group has applied the new accounting policy retrospectively to property, plant and equipment made available for use on or after the beginning of 1 January 2022. The application of the amendments in the current year has had no impact on the Group's financial positions and performance.

(c) Impacts on application of Amendments to HKFRSs "Annual Improvements to HKFRSs 2018-2020"

The Group has applied the amendments for the first time in the current year. The annual improvements make amendments to the following standards:

HKFRS 9 "Financial Instruments"

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged as at the date of initial application, 1 January 2022.

The application of the amendments in the current year has had no impact on the Group's consolidated financial statements.

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 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendment to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1	Non-current Liabilities with Covenants[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2024.

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

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

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

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

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

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

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

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

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

Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies"

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

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

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

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to HKAS 8 "Definition of Accounting Estimates"

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty - that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

(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 2022

	Infrastructure facilities	**Real estate**	**Consumer products**	**Elimination and unallocated**	**Consolidated**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
REVENUE					
Segment revenue - external sales	**11,076,906**	**17,195,993**	**3,075,693**	**-**	**31,348,592**
Segment operating profit (loss)	**3,440,780**	**3,416,931**	**400,119**	**(69,896)**	**7,187,934**
Finance costs	**(831,485)**	**(1,003,597)**	**(3,059)**	**(28,665)**	**(1,866,806)**
Share of results of joint ventures	**293,311**	**(15,847)**	**-**	**21,854**	**299,318**
Share of results of associates	**430,119**	**(297,546)**	**-**	**-**	**132,573**
Gain (loss) on disposal/liquidation of subsidiaries	**2,890**	**(244,831)**	**-**	**-**	**(241,941)**
Segment profit (loss) before taxation	**3,335,615**	**1,855,110**	**397,060**	**(76,707)**	**5,511,078**
Income tax expense	**(654,847)**	**(1,315,901)**	**(65,417)**	**(145,143)**	**(2,181,308)**
Segment profit (loss) after taxation	**2,680,768**	**539,209**	**331,643**	**(221,850)**	**3,329,770**
Less: segment profit attributable to non-controlling interests	**(754,682)**	**(239,704)**	**(21,460)**	**-**	**(1,015,846)**
Segment profit (loss) after taxation attributable to owners of the Company	**1,926,086**	**299,505**	**310,183**	**(221,850)**	**2,313,924**

For the year ended 31 December 2021

	Infrastructure facilities	Real estate	Consumer products	Elimination and unallocated	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE					
Segment revenue - external sales	10,913,937	23,786,981	4,047,033	-	38,747,951
Segment operating profit (loss)	3,912,575	5,864,710	770,053	(162,552)	10,384,786
Finance costs	(804,673)	(854,737)	(3,387)	(18,968)	(1,681,765)
Share of results of joint ventures	251,229	(7,470)	-	-	243,759
Share of results of associates	522,101	(80,050)	-	-	442,051
Gain on disposal of subsidiaries/ interest in an associate	28,270	1,275,762	53,151	-	1,357,183
Segment profit (loss) before taxation	3,909,502	6,198,215	819,817	(181,520)	10,746,014
Income tax expense	(797,471)	(5,704,505)	(124,009)	(7,063)	(6,633,048)
Segment profit (loss) after taxation	3,112,031	493,710	695,808	(188,583)	4,112,966
Less: segment (profit) loss attributable to non-controlling interests	(742,836)	401,604	(26,229)	-	(367,461)
Segment profit (loss) after taxation attributable to owners of the Company	2,369,195	895,314	669,579	(188,583)	3,745,505

Segment assets and liabilities

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

At 31 December 2022

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

At 31 December 2021

	Infrastructure facilities	Real estate	Consumer products	Elimination and unallocated	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment assets	69,550,838	125,020,162	8,047,122	5,092,413	207,710,535
Segment liabilities	33,247,842	83,747,217	967,629	8,390,146	126,352,834

(4) INCOME TAX EXPENSE

	2022	2021
	HK$'000	HK$'000
Current tax		
- Hong Kong	**47,031**	119,789
- PRC Land appreciation tax ("**PRC LAT**")	**854,111**	2,977,339
- PRC Enterprise income tax ("**PRC EIT**") (including PRC withholding tax of HK$76,151,000 (2021: HK$33,575,000))	**1,355,410**	3,403,476
	2,256,552	6,500,604
Under(over)provision in prior years		
- Hong Kong	**1,706**	(4,006)
- PRC LAT	**(23,366)**	-
- PRC EIT	**(120,926)**	2,430
	(142,586)	(1,576)
Deferred taxation for the year	**67,342**	134,020
	2,181,308	6,633,048

notes:

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

(ii) Under the law of the PRC on EIT (the "**EIT Law**") and Implementation Regulation of the EIT Law, the Group's subsidiaries in the PRC are subject to PRC EIT at a rate of 25% for both years, except that (i) seven (2021: seven) PRC subsidiaries are qualified as High New Technology Enterprises and enjoy a preferential tax rate of 15% for the current year (the preferential tax rate is applicable for three years from the date of grant and subject to approval for renewal) and (ii) certain PRC subsidiaries, engaging in public infrastructure projects, are entitled to full exemption from PRC EIT for the first three years and a 50% reduction in PRC EIT for the next three years from the first year of generating operating income.

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

(5) PROFIT FOR THE YEAR

	2022 HK$'000	2021 HK$'000
Profit for the year has been arrived at after charging:		
Amortisation of toll road operating rights (included in cost of sales)	**533,375**	760,504
Amortisation of other intangible assets (included in cost of sales)	**403,029**	355,356
Depreciation of property, plant and equipment	**498,598**	505,414
Depreciation of right-of-use assets	**70,815**	97,557
Impairment loss on trade receivables (included in other income, gains and losses)	**28,972**	253,820
Impairment loss on other receivables (included in other income, gains and losses)	**11,831**	2,215,205
Impairment loss on properties held for sale (included in cost of sales)	**55,448**	-
Impairment loss on properties under development held for sale (included in cost of sales)	**13,806**	909,692
Impairment loss on contract assets (included in other income, gains and losses)	**-**	368,047
Impairment loss on goodwill (included in other income, gains and losses)	**-**	265,052
Net foreign exchange loss (included in other income, gains and losses)	**256,754**	-
Research expenditure	**91,858**	119,650
Share of PRC EIT of joint ventures (included in share of results of joint ventures)	**102,841**	79,410
Share of PRC EIT of associates (included in share of results of associates)	**56,697**	138,951
and after crediting:		
Government compensation of toll road operating rights (included in other income, gains and losses)	**290,445**	409,446
Interest income	**469,388**	423,333
Net foreign exchange gain (included in other income, gains and losses)	**-**	34,898
Net gain on disposal/written off of property, plant and equipment (included in other income, gains and losses)	**2,494**	311,534
Net increase in fair value of investment properties (included in other income, gains and losses)	**10,196**	877,970
Reversal of impairment loss on inventories, other than properties (included in cost of sales)	**5,183**	13,440
Reversal of impairment loss on property, plant and equipment (included in other income, gains and losses)	**26,400**	-
Reversal of impairment loss on properties held for sale (included in cost of sales)	**-**	30,781

(6) DIVIDENDS

	2022	2021
	HK$'000	HK$'000
Dividends recognised as distribution during the year:		
2022 interim dividend of HK42 cents		
(2021: 2021 interim dividend of HK48 cents) per share	**456,629**	521,862
2021 final dividend of HK54 cents		
(2021: 2020 final dividend of HK52 cents) per share	**587,094**	565,350
	1,043,723	1,087,212

The final dividend of HK50 cents per share in respect of the year ended 31 December 2022 (2021: HK54 cents), amounting to approximately HK$543.6 million (2021: HK$587.1 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:

	2022	2021
	HK$'000	HK$'000
Profit for the year attributable to owners of the Company	**2,313,924**	3,745,505
Interest to holders of perpetual bond	**-**	(17,193)
	2,313,924	3,728,312

	2022	2021
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**1,087,211,600**	1,087,211,600

The computation of diluted earnings per share does not assume the exercise of options issued by Canvest Environmental Protection Group Company Limited ("**Canvest Environmental**"), a listed associate of the Group, because the exercise price of the options was higher than the average market price for the corresponding period.

(8) TRADE AND OTHER RECEIVABLES

	2022	2021
	HK$'000	HK$'000
Trade receivables		
- Goods and services	**5,356,519**	4,197,054
- Lease receivables	**12,036**	15,512
	5,368,555	4,212,566
Less: allowance for credit loss	**(513,593)**	(484,621)
	4,854,962	3,727,945
Other receivables	**3,689,974**	3,717,653
Amounts due from related parties	**2,926,705**	1,361,641
Prepayments for acquisition of parcels of land	**-**	3,472,790
Total trade and other receivables	**11,471,641**	12,280,029

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.

	2022	2021
	HK$'000	HK$'000
Within 30 days	**1,304,312**	1,149,695
Within 31 – 60 days	**549,536**	455,140
Within 61 – 90 days	**438,491**	283,650
Within 91 – 180 days	**1,012,966**	521,820
Within 181 – 365 days	**726,332**	603,190
Over 365 days	**823,325**	714,450
	4,854,962	3,727,945

(9) TRADE AND OTHER PAYABLES

	2022	2021
	HK$'000	HK$'000
Trade payables	**6,541,743**	6,988,925
Bills payables	**38,707**	430,444
Other payables	**12,914,771**	14,766,535
Total trade and other payables	**19,495,221**	22,185,904

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

	2022	2021
	HK$'000	HK$'000
Within 30 days	**3,811,887**	3,286,268
Within 31 – 60 days	**244,481**	232,677
Within 61 – 90 days	**119,369**	132,927
Within 91 – 180 days	**289,039**	401,685
Within 181 – 365 days	**320,681**	1,217,757
Over 365 days	**1,756,286**	1,717,611
	6,541,743	6,988,925

FINANCIAL REVIEW

I. Analysis of Financial Results

1. Revenue

In 2022, the revenue amounted to approximately HK$31,348.59 million, representing a year-on-year decrease of 19.1%. Of which, the static control implemented in the Shanghai area between March and May 2022 during the pandemic outbreak led to a significant decrease in traffic flow and a year-on-year decrease in toll revenue. However, as the Shanghai Baoshan Renewable Energy Utilization Center Project of SIIC Environment commenced operation this year, the overall construction progress was accelerated, leading to an increase in construction revenue and the volume of sewage water treatment as well as the average treatment price during the year, and resulting in a slight increase in infrastructure facilities revenue. Revenue from the real estate business was affected by the decrease in booked revenue upon delivery of properties year-on-year, and the sales of the consumer products business decreased due to the impact of the pandemic in Hong Kong and China.

2. Profit Contribution from Each Business

Net profit from the infrastructure facilities business for the year amounted to approximately HK$1,926.09 million, accounting for 76.0% of Net Business Profit, and representing a year-on-year decline of 18.7%. The decrease was mainly due to the static control implemented in the Shanghai area between March and May 2022 during the outbreak of the pandemic, which led to a decrease in traffic flow and thus decrease in toll revenue, and as a result the profit of toll roads and bridges decreased year-on-year.

The profit of water services and waste incineration business increased by 5.3% year-on-year. Of which, the profit contribution from SIIC Environment for the year increased by 6.5%, mainly due to higher revenue and higher profit year-on-year. With Shanghai Baoshan Renewable Energy Utilization Center Project commenced operation this year and the overall construction progress accelerating, the construction revenue and the volume of sewage water treatment as well as the average treatment price increased during the year.

The real estate business recorded a profit of approximately HK$299.51 million, accounting for 11.8% of the Net Business Profit, and representing a significant decrease of approximately HK$595.81 million over 2021. The significant decrease was mainly due to the recognition of property sales revenue from the Qingpu project, the share of profit from the Shanghai Bay project in which SIHL holds a 49% equity interest directly, and SIHL's share of profit from the disposal of the land parcel of the Gao Yang Hotel and the Shaoxing project last year. Besides, real estate companies responded to the anti-pandemic policies of the state and the Shanghai government and provided several rent-free periods to customers during the pandemic outbreak, resulting in a year-on-year decrease in rental income. In addition, the decrease in recognition of property sales revenue by SI Development, resulting in a significant decrease in profit during the year.

The consumer products business recorded a net profit of approximately HK$310.18 million for the year, accounting for 12.2% of Net Business Profit, and representing a year-on-year decrease of 53.7%. The cigarette sales of Nanyang Tobacco decreased by 39.8% year-on-year, which was mainly due to the impact of epidemic prevention and control measures during the year. The profit of Wing Fat Printing decreased year-on-year, mainly due to the disposal gain of Jinan Quanyong Printing Co., Ltd. ("**Jinan Quanyong**") recorded by Wing Fat Printing last year.

3. Profit before Taxation

(1) Gross profit margin

Compared to 2021, the overall gross profit margin decreased by 9.6 percentage points, mainly due to a decrease in the gross profit margin of toll roads, which was attributable to the static control implemented in the Shanghai area between March and May during the outbreak of the pandemic in Shanghai this year, leading to a significant decrease in traffic flow and a year-on-year decrease in toll revenue. In addition, there was an increase in the proportion of delivery of properties with relatively low margin in the real estate business as compared to last year.

(2) Other income, gains and losses

Other income, gains and losses for the year were mainly attributable to the compensation received by the toll road companies for the decrease of toll mileage for the entry sections. Last year, they were mainly attributable to the large amount of impairment made by SI Development for the trade and other receivables, inventories and goodwill, etc. of SIIC Longchuang, a subsidiary of SI Development, as well as for real estate projects.

(3) *Net (loss) gain on liquidation/disposal of subsidiaries/interest in an associate*

Net loss for the year was mainly attributable to the loss on liquidation of a property project. Gain for last year was mainly attributable to the disposal of equity interests in several subsidiaries and approximately 37.23% equity interests in an associate, Jinan Quanyong.

4. Dividend

The Board of Directors of the Group has proposed to declare a final dividend of HK50 cents per share (2021: HK54 cents per share), together with an interim dividend of HK42 cents per share (2021: HK48 cents per share), the total dividend amounted to HK92 cents per share (2021: HK102 cents per share). Annual dividend payout ratio is 43.2% (2021: 29.8%).

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 2022, there is no change compared with 1,087,211,600 shares as at the end of 2021.

Equity attributable to owners of the Company reached HK$45,524.02 million as at 31 December 2022, and was attributable to the net profit for the year after deducting the dividend actually paid during the year.

2. Indebtedness

(1) Borrowings

As at 31 December 2022, the total borrowings of the Group including bank borrowings and other borrowings amounted to approximately HK$58,766.88 million (31 December 2021: HK$64,276.28 million), of which 75.9% (31 December 2021: 72.3%) was unsecured credit facilities. The proportions of US dollars, Renminbi and HK dollars of total borrowings were 3%, 87% and 10% (31 December 2021: 2%, 89% and 9%) 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$11,498,680,000 (31 December 2021: HK$11,876,715,000);
(b) leasehold land and buildings with an aggregate carrying value of HK$8,959,000 (31 December 2021: HK$11,609,000);
(c) plant and machineries with an aggregate carrying value of HK$150,424,000 (31 December 2021: HK$189,290,000);
(d) receivables under service concession arrangements/intangible assets with an aggregate carrying value of HK$16,748,624,000 (31 December 2021: HK$19,149,719,000);
(e) properties under development held for sale with an aggregate carrying value of HK$6,814,317,000 (31 December 2021: HK$17,448,191,000);
(f) properties held for sale with an aggregate carrying value of HK$265,745,000 (31 December 2021: HK$259,702,000);
(g) trade receivables with an aggregate carrying value of HK$170,359,000 (31 December 2021: HK$289,972,000);
(h) bank deposits with an aggregate carrying value of HK$228,583,000 (31 December 2021: HK$709,526,000);
(i) equity interests of subsidiaries with aggregate carrying value of HK$169,511,000 (31 December 2021: HK$184,049,000); and
(j) land use rights with aggregate carrying value of HK$759,000 (31 December 2021: HK$966,000).

(3) Contingent liabilities

As at 31 December 2022, the guarantees given to banks by the Group in respect of banking facilities utilised by property buyers, associates and joint ventures amounted to approximately HK$4,736.23 million, HK$713.70 million and HK$1,908.99 million (31 December 2021: HK$6,535.52 million, HK$1,337.11 million and HK$2,024.89 million) respectively.

3. Capital Commitments

As at 31 December 2022, the Group had capital commitments mainly contracted for business developments and investments in fixed assets of HK$14,686.11 million (31 December 2021: HK$14,587.51 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 2022, bank balances, pledged bank deposits and short-term investments held by the Group amounted to HK$30,885.38 million (31 December 2021: HK$39,527.91 million) and HK$275.74 million (31 December 2021: HK$414.89 million) respectively. The proportions of US dollars and other currencies, Renminbi and HK dollars of bank balances were 3%, 84% and 13% (31 December 2021: 3%, 84% and 13%) respectively. Short-term investments mainly consisted of investments such as Hong Kong and PRC listed shares.

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