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 2023 INTERIM RESULTS

(Unaudited)

BUSINESS REVIEW

The Board of Directors of Shanghai Industrial Holdings Limited (the "**Company**") announces the unaudited interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2023. For the six months ended 30 June 2023, the Group's total revenue amounted to HK$12,791 million, representing a year-on-year decrease of 16.0%. Net profit increased year-on-year by 24.6% to HK$1,376 million, which was mainly due to significant increases in overall revenue and traffic flow of the Group's toll road business and improved operating results of the real estate business.

During the first half of 2023, various industries on the Mainland recovered rapidly following the tapering off of the epidemic. Nevertheless, the international geopolitical situation remained tense. A few countries continued to practise unilateralism in international trade. Interest rates of major currencies of the western countries increased sharply, leading to volatility in exchange rates. Under the circumstances, the Board of Directors and the management of the Group made considerable efforts to overcome these challenges, capitalising on favourable opportunities which arose from the economic recovery. Coupled with constant innovations in business operations, the Group achieved satisfactory performance and profitability during the period under review. In addition, the Group has made a strong determination to transform and upgrade by increasing its focus on ESG (Environmental, Social and Governance) values. With strengthened internal controls and further synergies between financing activities and business operations, the Group has maintained stable operations and continued the development of its core businesses.

The Board of Directors has resolved to pay an interim dividend of HK42 cents per share for 2023 (2022: HK42 cents per share) to Shareholders whose names appear on the register of members of the Company on Tuesday, 26 September 2023. The above interim dividend will be paid to Shareholders on or around Thursday, 12 October 2023.

INFRASTRUCTURE AND ENVIRONMENTAL PROTECTION

During the period, the infrastructure and environmental protection business recorded a profit of HK$1,195 million, representing an increase of 21.4% over the corresponding period last year and accounting for approximately 80.0% of the Group's Net Business Profit*. The increase in profit was mainly due to the significant increase in overall traffic flow and toll revenues for the toll road business, which well exceeded forecasts, following the relaxation of pandemic controls in Mainland China. Closely aligned with national policies, the Group was fully committed to building key water projects during the period and accelerated the development and construction of solid waste benchmark projects in the Yangtze River Delta region.

Toll Roads/Bridge

Benefiting from the rapid receding of the pandemic, various industries began to recover and people were more willing to travel, resulting in strong demand for road usage during the first half of the year. The overall traffic flow and toll revenue of the Group's three toll roads and the Hangzhou Bay Bridge rebounded significantly over the corresponding period last year, exceeding our expectations. During the period, following the implementation of the "Class B Classification and Class B Controls" policy, in order to cope with traffic peaks during major festivals and holidays and potential traffic diversions due to the occurrence of congestion points arising from recovery of traffic flow, the project companies formulated plans to ensure smooth road passage, strengthened personnel training and facilities maintenance and continued to improve the toll-collection system software. Toll collection contests were also held to enhance road passage efficiency, ensuring road safety and orderly operations. In the second half of the year, the road service plan for the 6th China International Import Expo will be implemented. Consolidating past experience and actual situations of the road sections, we will conduct road-improvement work as scheduled, strengthen the service quality of toll counters and enhance the overall condition of roads, in an effort to secure high-quality and high-standard operation for the Import Expo. We will also make every effort to implement flood and typhoon controls to secure road safety.

In response to the requirements of the Shanghai Municipal Transportation Commission, preliminary work for the widening and alteration project of the Hu-Yu Expressway (Shanghai Section) proceeded smoothly. The Hangzhou Bay Bridge and the "two districts and one island" were generally running in a safe and orderly manner, with a safe and sound bridge structure. During the period, the Shanghai Green Environmental Protection Energy Co., Ltd., in which our project company holds a 30% equity interest, fully engaged in the completion acceptance work for the Fengxian offshore wind power project and the Donghai Phase II expansion project. A consortium was formed again to participate in bidding for the Hangzhou Bay offshore wind power project with a capacity of 800 MW, and was finally awarded development rights for the operations of four projects in March this year, including the Jingshan Phase II, Fengxian Phase IV, Donghai Bridge Phase III and Fengxian Phase II projects.

The key operating figures of the respective toll roads/bridge under the Group as at 30 June 2023 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$192 million	+105.8%	HK$291 million	+92.8%	20.03 million	+123.5%
Hu-Kun Expressway (Shanghai Section)	100%	HK$294 million	+99.1%	HK$453 million	+82.3%	35.89 million	+87.9%
Hu-Yu Expressway (Shanghai Section)	100%	HK$89 million	+86.6%	HK$260 million	+65.0%	18.70 million	+66.7%
Hangzhou Bay Bridge	23.0584%	HK$111 million	+50.2%	HK$1,171 million	+27.7%	9.71 million	+66.3%
Total		HK$686 million	+89.2%	HK$2,175 million	+47.5%	84.33 million	+86.9%

Water Services/Clean Energy

The Group will continue to strengthen development in the water service market and promote integrated ecological and green development in the Yangtze River Delta region. We will also closely follow national strategies, explore new opportunities in the environmental-protection sector and build additional high-standard and modern environmental-protection projects.

SIIC Environment

In the first half of 2023, total revenue of SIIC Environment Holdings Ltd. ("**SIIC Environment**") grew by 9.0% year-on-year to RMB4,019 million, and net profit attributable to shareholders rose by 3.1% to RMB377 million. During the period, the company's construction revenue was slightly higher than that of the corresponding period last year, and operating and maintenance income and financial income from service concession arrangements recorded a year-on-year increase of 12.1%, as the Shanghai Baoshan Renewable Energy Utilization Center project commenced operation in early 2023 and the average unit price and volume of sewage and water supply increased. Gross profit for the period increased by 15.5% year-on-year, driven mainly by new service concession arrangements. Overall gross profit margin for the first half of the year recorded an increase of approximately 2.0%, mainly benefitting from the higher gross profit contributed by the Baoshan project from the commencement of operation since the beginning of the year.

During the period, the volume of sewage treated by SIIC Environment grew by 2.7% year-on-year to 1,239,585,000 tonnes, while the volume of water supply rose by 2.7% to 155,761,000 tonnes. In terms of treatment tariffs, the average sewage treatment tariff was RMB1.80/tonne, representing an increase of 4.5% year-on-year. The average water supply tariff increased by1.1% year-on-year to RMB2.50/tonne.

In terms of new projects, SIIC Environment was awarded three sewage treatment projects in Macau for the first time during the period, namely the Macau Taipa sewage treatment plant project, the sewage treatment project at the Macau International Airport and the temporary sewage treatment project at Avenida Marginal do Lam Mau in Macau, with a planned daily capacity of 69,000 tonnes, 685 tonnes and 20,000 tonnes respectively. In the second quarter, SIIC Environment secured a new sewage treatment plant phase I project in the Beihai Economic Development Zone with a planned daily capacity of 45,000 tonnes, and an upgrade and expansion project - the sewage treatment project in Hegang City (western district expansion phase II), with a planned daily capacity of 30,000 tonnes. In addition, two projects commenced commercial operation, which are the urban sewage treatment plant project in Mudanjiang City and the sewage treatment plant phase II project in Mudanjiang City, with a planned daily capacity of 100,000 tonnes each.

SIIC Environment actively responded to national policies, and capitalized on development opportunities arising from the green industry. The company continued to deepen its strategic development in the Yangtze River Economic Belt and the Guangdong-Hong Kong-Macao Greater Bay Area, and fostered the stable development of its various businesses. The Xicen water-purification plant in Qingpu, Shanghai under construction adopts an all-underground design and implements the surface quasi-Class III water effluent standard, striving to set a national benchmark for similar sewage treatment plants. The plant is expected to greatly improve the local water environment upon completion. In addition, in the first half of the year, SIIC Environment took over the operation and management of the Macau Taipa sewage treatment plant project and the sewage treatment project at the Macau International Airport, and effectively enhanced the local water environment.

For solid waste treatment, SIIC Environment’s key solid-waste project, the Shanghai Baoshan Renewable Energy Utilization Center, had two sets of waste biogas generating units connected to the power-generating grid in the second quarter. As a benchmark solid waste project in the Yangtze River Delta, the Baoshan project has a daily capacity of 3,800 tonnes, and is expected to play a leading role in the industry when it becomes fully operational. This new plant will be able to effectively solve the waste-disposal issues in the area it serves, playing a key role in raising harmless waste treatment and resources utilization rates in Shanghai. Looking ahead, the company will continue to pay close attention to high-quality new projects and business M&A opportunities, and expand its market share in the environmental-protection industry. The company will also drive its steady and high-quality development with technological innovation, strengthen the practice of ESG development concepts, improve environmental governance, and actively participate in the construction of a beautiful China.

General Water of China

Since the beginning of this year, General Water of China Co., Ltd. (“**General Water of China**”) has remained committed to the general principle of seeking progress while maintaining stability, persisted in new development concepts and upheld the requirements of high-quality development. In addition, the company also strengthened execution of its strategies, expanded market exploration and strived to improve quality and efficiency. Scientific and technological innovations were also emphasized and the foundation of management consolidated. All these efforts were made to accomplish the annual work target. For the first half of the year, General Water of China recorded revenue of HK$1,065 million, representing a year-on-year decrease of 6.9%. Net profit amounted to HK$178 million, representing a year-on-year decrease of 2.3%.

During the period, General Water of China secured/signed seven new projects with a total investment amount of approximately RMB433 million and a contract sum of approximately RMB312 million for provision of entrusted operation-and-management service. The projects will have a total daily water treatment capacity of 267,700 tonnes and a pipe network of 49.3 kilometers. These new projects include: (1) the reclaimed water and waste water zero emission project of Xinjiang Xinye Energy Chemical; (2) the operating franchise project of six sewage treatment plants (stations) of Jinneng Holding Group; (3) the old system renewal and upgrading project of Guzhen Zhonghuan Sewage Treatment Co., Ltd; (4) the old water pipeline replacement and alteration project of Bengbu Zhonghuan Co., Ltd.; (5) the Xiamen Qianchang sewage treatment plant phase II project; (6) the emergency standby water source construction project in Xiangtan city; and (7) the laying of urban water distribution network in the urban areas and construction of a new water-supply booster pumping station in Xiangyang city. In March this year, General Water of China was named one of the Top 10 Most Influential Enterprises in China's Water Industry for the 20th consecutive year, and was ranked among the top three water treatment companies for the fifth consecutive year.

Canvest Environmental

In the first half of 2023, the revenue of Canvest Environmental Protection Group Company Limited ("**Canvest Environmental**") dropped by 27.5% year-on-year to HK$2,981 million, mainly due to a year-on-year decrease of 53.8% in construction revenue generated from project construction as most of the company's waste-to-energy projects have been put into operation. The net profit of the company for the period decreased by 18.2% year-on-year to HK$641 million. The decrease was mainly attributable to the significant increase in interest rates and the depreciation of RMB exchange rates during the period. Excluding such factors, the net profit for the period would have decreased by 1.6%. During the period, revenues from waste-to-energy operation and environmental hygiene services of Canvest Environmental, which have higher gross profit margins, partially compensated for the decrease in construction revenue.

As at 30 June 2023, Canvest Environmental had secured a total of 36 waste-to-energy projects spanning 12 provinces and 26 cities with a daily municipal-solid-waste processing capacity of 54,540 tonnes and a daily processing capacity of 42,690 tonnes from projects in operation. During the period, 8,082,573 tonnes of waste were innocuously treated and 3,079,463,000 kWh of green energy were generated. During the period, Canvest - Paul Y. Joint Venture, which was led by Canvest Environmental, was awarded the Hong Kong North Lantau Transfer Station and Outlying Islands Transfer Facilities Second Follow-on Contract with an awarded sum amounted to HK$2,818 million.

SUS Environment

Shanghai SUS Environment Co., Ltd. ("**SUS Environment**") recorded revenue of RMB3,984 million for the period, representing a year-on-year increase of 10.06% and a net profit of RMB633 million, a year-on-year increase of 0.47%. During the period, the company's waste incineration projects had a total daily capacity of 36,300 tonnes. The total amount of household waste entering the plants for the first half of the year was 6,095,000 tonnes, representing a year-on-year increase of

15.0%. The amount of on-grid electricity sold was 2,460,000,000 kWh, representing a year-on-year increase of 12.0%. During the period, the company accelerated the construction progress of its waste-to-energy projects securing a total of 21 projects. The performance quality in project construction was remarkable. In terms of market development, 5 BOT projects were signed during the period with a total daily capacity of 3,150 tonnes, and bids for 10 projects in the equipment-sales sector were successively won with a total contract sum of approximately RMB730 million. Going forward, the company plans to focus on promoting collaborative operations and overseas business, such as heat supply and sludge-treatment for projects already in operation.

COMPREHENSIVE HEALTHCARE OPERATIONS

Comprehensive healthcare operations business recorded a profit of HK$69.16 million for the period, accounting for approximately 4.6% of the Group's Net Business Profit*. S.I. Yangtze River Delta Ecological Development Co., Ltd., an indirectly held 50-50 joint venture of the Company, completed the acquisition of 40% equity interest in Shanghai Pharmaceutical (Group) Co., Ltd. ("**Shanghai Pharmaceutical Group**") in November 2022. Currently, Shanghai Pharmaceutical Group 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. Shanghai Pharmaceutical Group recorded operating revenues of RMB129,129 million for the period. As the impact of the pandemic gradually subsided, the company's business operations continued in an orderly manner with steady and improving progress. Net profit amounted to RMB490 million.

NEW BUSINESS ARENA

As at the end of the first half of 2023, the photovoltaic asset capacity of Shanghai Galaxy Investment Co., Ltd. and SIIC Aerospace Galaxy Energy (Shanghai) Co., Ltd., its subsidiary, reached 740 MW. The photovoltaic team continued to strengthen its work related to macro policies, industry dynamics, capital market research and project acquisition. The total amount of on-grid electricity sold during the first half of the year from its 15 photovoltaic power stations was approximately 556,000,000 kWh. As affected by the severe sandy and dusty weather and decrease in solar radiation, the amount of on-grid electricity sold decreased by 5.9% over the same period last year.

In May, the National Development and Reform Commission and the National Energy Administration jointly issued a circular on accelerating the construction of charging infrastructure to better support the promotion of new-energy vehicles in rural areas, which included the provision of photovoltaic charging infrastructure. In June, the General Office of the Ministry of Natural Resources issued a circular on the promotion of securing three-dimensional rights in sea areas, which encourages the establishment of three-dimensional rights in sea areas for offshore photovoltaic and other facilities. With the support of these policies, it is expected that the photovoltaic power-generation industry will achieve steady growth.

REAL ESTATE

In the first half of 2023, the Group's real estate business recorded a profit contribution of HK$102 million, representing a year-on-year increase of 155.6% and accounting for approximately 6.8% of the Group's Net Business Profit*. The increase was mainly due to the gradual recovery of the real estate market in Mainland China and year-on-year growth of operating results. In the second half of the year, the Group will closely monitor changes in industry policies and adjust operating strategies accordingly, promote the progress of existing project constructions, speed up the return of funds, strengthen internal management, and prevent operating risks.

SI Development

During the period, Shanghai Industrial Development Co., Ltd. ("**SI Development**") was committed to the goals of "integrating financing with operations, pursuing innovative development". Based on its strategic presence in the Yangtze River Delta region with Shanghai as the core, the company pooled resources, strengthened internal management and sought external development. It also strived to promote marketing of projects ready for sale, accurately solicit customers, accelerate inventory turnover, and maintain stable operation of its core business. For the first half of the year, SI Development recorded a revenue of RMB3,449 million, representing a year-on-year increase of 149.6%. Net profit amounted to RMB397 million, a turnaround from year-on-year loss to profit. Contract sales of real estate projects for the period amounted to RMB441 million, including such projects as Shanghai Bay (Phase 5) in Qingpu, Shanghai with a gross floor area of 8,538 square meters. Of which, properties of the villa project of the Shanghai Bay (Phase 5) in Qingpu, Shanghai were totally sold out. Properties delivered in the first half of the year mainly included such projects as Sea Palace (Phase 3) in Quanzhou and Era of Elites in Baoshan, Shanghai, with a gross floor area of 156,259 square meters. During the period, 5 projects were under construction with an area of approximately 412,300 square meters, and two projects were completed, covering an area of approximately 320,200 square meters.

SI Development initiated full exit from the project in relation to the land lot No. 89, North Bund. The transaction was completed in mid-January 2023, and realised a return of capital to SI Development, enabling it to strengthen its cash flow and stay focused on its key projects, thus ensuring smooth business operation of the company. The construction of the project located at land lot No. 91 on the North Bund in Hongkou District, Shanghai was officially inaugurated in March. The land lot was acquired by SI Development through a consortium, with a planned total gross floor area of 454,000 square meters and a planned building height of 480 meters. In addition, the company is currently pushing forward with the development and construction plan for the land lot No. 90 on the North Bund in Hongkou District, Shanghai. Efforts will be made to coordinate the overall development and construction of other projects in the region. The development pace of the project will be accelerated and the standard of project management will be enhanced to further improve the company's comprehensive management capability for project development. In July, SI Development won the bid for the land parcels numbered 03-02 and 04-02, 15 Renewal Unit, Wusong Chuangxincheng, Baoshan District, Shanghai. The development of the land parcels will be expedited, taking into account characteristics of respective land lots and meeting the demand for city-industry integration in the region.

SI Development emphasized optimizing operation for its real estate business and enhanced asset-management efficiency. Capitalizing on a mild recovery of the retail and office markets, and taking a market-demand orientation approach, the company also focused its efforts to retain existing tenants. As a result, the leasing business in the first half of the year remained stable with an upward trend. Benefiting from the release of cultural and tourism consumption demands, the revenue from Crowne Plaza Huzhou Hotel increased significantly. Diaoyutai Hotel Qingdao and MGM Hotel

Qingdao held respective opening ceremonies in June this year, with sales exceeding RMB20.00 million in five days of pre-sales. During the period, the property management business achieved diversified development and its service capability was further enhanced, with 310 projects under its management covering a contract area of approximately 28,180,000 square meters. The bids for 18 key projects were successfully renewed this year. The company will try to develop business contacts in more new areas to further expand its business.

SI Urban Development

Shanghai Industrial Urban Development Group Limited ("**SI Urban Development**") recorded revenue of HK$1,798 million for the first half of 2023, representing a decrease of 73.6% over the same period last year. Loss attributable to shareholders for the period amounted to HK$303 million, a turnaround from year-on-year profit to loss. The above decreases were mainly attributable to the depreciation of Renminbi against Hong Kong dollar during the period, which resulted in exchange losses on bank and other borrowings denominated in foreign currencies, as well as the impact of the real estate cycle with fewer properties completed and delivered to customers in the first half of the year, resulting in decreased revenue and profit. Contract sales for the period amounted to RMB5,010 million, representing a year-on-year increase of 9.7%, with a gross floor area of approximately 169,000 square meters, which mainly included Originally in Xi'an, University Project in Tianjin and Ocean One and Cloud Vision in Shanghai. Property sales booked during the period amounted to HK$1,272 million, with a gross floor area of approximately 20,000 square meters, which mainly included Jade Villa in Shanghai, West Diaoyutai • Emperor Sea in Beijing, Shanghai Jing City in Shanghai and Originally in Xi'an. Rental income for the first half of the year was approximately HK$376 million. A total of 12 projects were under construction during the period, covering an area of 2,630,000 square meters.

CONSUMER PRODUCTS

The consumer products business made a profit contribution of HK$128 million to the Group, representing a decrease of 45.7% over the corresponding period last year and accounting for approximately 8.6% of the Group's Net Business Profit*. The global economy is on a downward trend this year. In the first half of the year, the Group's tobacco business mainly focused on inventory de-stocking in overseas markets, boosting sales through various channels for different products. The company also continued to strengthen its production-and-sales base in Malaysia, developing the international market in collaboration with large cigarette companies. As end-consumer demand was weak in the latter period of the pandemic, the paper packaging industry as a whole was on a downward trend, and competition was increasingly severe. The results of The Wing Fat Printing Company, Limited ("**Wing Fat Printing**") also declined significantly year-on-year. Driven by its "1+1+1" strategy, Wing Fat Printing sought breakthroughs in the market and strived to address the downside challenges of end-market demand. Through product innovation and capacity optimization, the moulded-fibre business accelerated the exploration of the blue ocean market in the application area to expand its core customer base. The printing and packaging business tapped into the demand of existing customers for incremental business. The medicine-packing business maintained a constant proportion in the company's business portfolio with stable growth.

Tobacco

In the first half of 2023, while China gradually re-opened its borders, Nanyang Brothers Tobacco Company, Limited ("**Nanyang Tobacco**") was still facing such challenges as product expiry and the decline of brand status due to huge stockpiling in overseas markets, in addition to weakening consumer sentiment in the Mainland market. To overcome the subsequent impact of the COVID-19 pandemic, Nanyang Tobacco adhered to the strategic policy of "Inventory de-stocking and price stabilization first" and led market distributors to reduce inventory and adjust the status of sales. For the first half of the year, turnover and profit after tax amounted to HK$648 million and HK$103 million respectively, representing a year-on-year decrease of 24.7% and 46.4% respectively while the extent of decline narrowed compared to that of the first quarter.

A significant downward trend was seen in sales in the Hong Kong market in March due to the raising of tobacco tax by the Hong Kong government in late February. The company has since then launched a series of marketing activities to maintain the activity and competitiveness of its products. Since the second quarter, the duty-paid market in the Mainland has experienced consumption downgrade in many regions. Nevertheless, the company has overcome difficulties and kept up its service in the end-market, and was able to maintain the market status and sales progress of its various brands. The recovery of the China, Hong Kong and Macau duty-free markets showed a low and then high trend, and the inventory issue was basically resolved in the second quarter and overall orders increased. The overseas markets are expected to require more time to recover as the cumulative inventory remained high due to intermittent market activities in recent years and export generally stagnated in the first quarter of the year. The company has communicated closely with distributors on sales and was making great efforts to restore the market.

During the period, Nanyang Tobacco continued to push ahead the production project in Malaysia, and seek complementary advantages through collaboration with large cigarette companies to develop the international market. Currently, the company is conducting research on the market of blended cigarettes, while the first production of blended products in Malaysia was executed in May this year and achieved sales in June, with South America as the target sales market.

Printing

Wing Fat Printing recorded a turnover of HK$724 million during the period, representing a decrease of 17.2% over the same period last year, mainly due to a significant downturn in the moulded-fibre business and the tobacco- and wine-packaging business. Net profit for the period amounted to HK$29.10 million, representing a decrease of 27.1% over the same period last year. The decrease was mainly due to fluctuations in total revenue and business structure.

Amid the overall economic downturn and downward trends in the paper packaging industry and performance of its key enterprises, all of the company's business segments, except for medicine packaging, experienced significant declines during the period, which, coupled with the fact that the overseas factory business arising from the transfer of its production chain for major core customers needed time for setting up. The idling of production capacity of certain factories in Mainland China also caused heavy cost. All these posed big challenges to the company's overall profitability. The S-customer series of moulded-fibre packaging business developed in recent years has become a bright spot amidst the gloomy outlook.

Facing such a challenging time, Wing Fat Printing will continue to stabilize its business and adhere to established strategies. It will thoroughly address value-creation orientation based on the current market situation. The company's internal operation process will be reviewed to ensure its core competitiveness, and to achieve breakthroughs in the market. The company will also continue to expand the application of environment-friendly packaging products to its business based on technological innovation, strive to open up incremental demands in the blue ocean frontier market with technological innovations under the concept of environmental protection, and realize established annual targets with unremitting efforts.

** Net profit excluding net corporate expenses*

PROSPECTS

Looking forward to the second half of 2023, the Group's business segments will continue to face considerable challenges due to uncertainties in the international geopolitical situation and global trade disputes despite the rapid recovery of economic activities. Against this scenario, the Group will continue to pursue its reforms and innovation programmes, with a strong commitment to transformation towards ESG (Environmental, Social and Governance) values. Efforts will be made to upgrade our core businesses and create further synergy between financing activities and business operations. We will also strengthen risk controls, improve our profitability, and continue to look for opportunities to acquire quality projects to further optimize our asset portfolio and enhance Shareholder value.

For the infrastructure and environmental protection segments, SIIC Environment will closely follow national policies, pursue green development and speed up digitalization and low-carbon development. Following the establishment of China's "carbon peaking and carbon neutrality" targets, the emphasis on environmental protection has reached a new level, and favourable policies have been frequently introduced, expanding room for further development of the industry. SIIC Environment will constantly seek new opportunities in the environmental protection sector, and facilitate the integration of its financing activities and business operations. It will further strengthen its strategic layout in the Yangtze River Delta region and other key regions and basins, build additional high-standard and modern environmental protection projects to achieve steady and sustainable high-quality development, and maintain its leading position among the top-tier players in China's water and environmental protection industries. The toll roads business will continue to enhance operational efficiency and maintain steady business development. Through investments in comprehensive healthcare operations and new business arenas, the Group's investments in the pharmaceuticals and healthcare, environmental-protection and green-energy segments are expected to make new contributions.

In the second half of the year, the Group's real estate business will closely monitor changes in industry policies, adjust its operating strategy in a timely manner, and strengthen sales and operations. It will continue to promote the progress of existing project constructions, speed up the return of funds, strengthen internal management and prevent operating risks. As the central Government gradually relaxes control and launches policies to support economic growth, the industry outlook is expected to remain positive.

Nanyang Tobacco will continue to adhere to the development policy of "Ensuring healthy internal operation and external development; strengthening business growth and pursuing excellence", and 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. In the second half of the year, it will closely monitor changes in the market, strengthen promotional and marketing activities, focus on developing new products, promote business transformation and pursue internationalization. The company also plans to launch innovative tobacco products in overseas markets to enhance its overall competitiveness by broadening its market coverage and global presence.

Wing Fat Printing will actively embrace changes brought to its business operations and adapt to the industry's development cycle, adhere to established strategies to secure market presence, and comprehensively optimize internal processes to empower the company to develop core competitiveness. Relying on technological innovation, it will continue to seek breakthroughs in the blue ocean market of environmentally-friendly packaging. Passing on the heritage, the company will strictly control systemic operational risks, make unremitting efforts to achieve the established annual performance targets and realise sustainable development.

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 August 2023

INTERIM DIVIDEND

The Board of Directors has resolved to pay an interim dividend of HK42 cents per share for 2023 to Shareholders whose names appear on the register of members of the Company on Tuesday, 26 September 2023. The above interim dividend will be paid to Shareholders on or around Thursday, 12 October 2023.

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 Tuesday, 26 September 2023. 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 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong by 4:30 p.m. on Monday, 25 September 2023.

REVIEW OF INTERIM RESULTS

The audit committee has reviewed the Company's unaudited consolidated interim results for the six months ended 30 June 2023.

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 of the Hong Kong Limited (the "**Stock Exchange**") throughout the six months ended 30 June 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2023, SI Urban Development, a subsidiary of the Company, bought back a total of 1,194,000 of its own ordinary shares on the Stock Exchange for a total consideration of HK$726,960, and together with the remaining 1,000,000 shares bought back in 2022, a total of 2,194,000 shares were cancelled on 27 February 2023.

Save as disclosed above, during the six months ended 30 June 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities.

PUBLICATION OF THE INTERIM REPORT

The 2023 interim report will be despatched to Shareholders in mid-September 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 comprises four executive Directors, namely, Mr. Shen Xiao Chu, Mr. Zhou Jun, Mr. Zhang Qian and Mr. Shu Dong; three independent non-executive Directors, namely, Prof. Woo Chia-Wei, Mr. Leung Pak To, Francis and Mr. Yuen Tin Fan, Francis.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Notes	**Six months ended 30.6.2023 HK$'000 (unaudited)**	Six months ended 30.6.2022 HK$'000 (unaudited)
Revenue	*3*	**12,791,180**	15,220,233
Cost of sales		**(8,521,164)**	(11,159,923)
Gross profit		**4,270,016**	4,060,310
Net investment income		**293,122**	159,004
Other income, gains and losses		**507,044**	302,779
Selling and distribution costs		**(445,496)**	(515,755)
Administrative and other expenses		**(1,230,656)**	(1,020,294)
Finance costs		**(1,172,635)**	(823,919)
Share of results of joint ventures		**225,501**	222,929
Share of results of associates		**228,653**	108,428
Gain on disposal of subsidaries		**254,982**	-
Profit before taxation		**2,930,531**	2,493,482
Income tax expense	*4*	**(1,086,623)**	(1,002,605)
Profit for the period	*5*	**1,843,908**	1,490,877
Profit for the period attributable to			
- Owners of the Company		**1,375,697**	1,103,688
- Non-controlling interests		**468,211**	387,189
		1,843,908	1,490,877
Earnings per share	*7*		
		HK$	HK$
- Basic		**1.265**	1.015
- Diluted		**1.265**	1.015

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Six months ended	
	30.6.2023	30.6.2022
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit for the period	**1,843,908**	1,490,877
Other comprehensive expense		
Items that may be subsequently reclassified to profit or loss		
Exchange differences arising on translation of foreign operations		
- subsidiaries	**(2,786,384)**	(3,141,731)
- joint ventures	**(498,807)**	(267,865)
- associates	**(218,097)**	(292,749)
Reclassification adjustment for realisation of revaluation reserve upon disposal of related properties held for sale	**-**	(22,176)
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	**(6,390)**	(16,704)
Other comprehensive expense for the period	**(3,509,678)**	(3,741,225)
Total comprehensive expense for the period	**(1,665,770)**	(2,250,348)
Total comprehensive expense for the period attributable to		
- Owners of the Company	**(406,620)**	(877,206)
- Non-controlling interests	**(1,259,150)**	(1,373,142)
	(1,665,770)	(2,250,348)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2023

	Note	**30.6.2023**	31.12.2022
		HK$'000	HK$'000
		(unaudited)	(audited)
Non-Current Assets			
Investment properties		**29,456,930**	29,798,401
Property, plant and equipment		**6,252,011**	5,488,970
Right-of-use assets		**580,265**	640,693
Toll road operating rights		**4,969,281**	5,554,329
Goodwill		**524,846**	547,196
Other intangible assets		**8,482,123**	8,078,995
Interests in joint ventures		**11,227,668**	11,564,005
Interests in associates		**7,467,784**	7,479,568
Investments		**451,234**	387,502
Receivables under service concession arrangements		**25,029,499**	25,974,842
Deposits paid on acquisition of non-current assets		**4,375,541**	4,677,435
Deferred tax assets		**172,519**	155,184
		98,989,701	100,347,120
Current Assets			
Inventories		**36,532,628**	40,666,892
Trade and other receivables	*8*	**11,820,530**	11,471,641
Contract assets		**95,340**	87,882
Investments		**282,027**	275,739
Receivables under service concession arrangements		**858,196**	840,367
Prepaid taxation		**1,138,168**	932,579
Pledged bank deposits		**195,812**	228,583
Short-term bank deposits		**442,071**	1,786,601
Cash and cash equivalents		**27,984,657**	28,870,193
		79,349,429	85,160,477
Assets classified as held for sale		**-**	8,426,155
		79,349,429	93,586,632

	Note	**30.6.2023**	31.12.2022
		HK$'000	HK$'000
		(unaudited)	(audited)
Current Liabilities			
Trade and other payables	*9*	**17,041,806**	19,495,221
Lease liabilities		**63,305**	85,724
Contract liabilities		**15,593,542**	15,568,956
Deferred income		**458,406**	446,198
Taxation payable		**3,191,334**	3,589,367
Bank and other borrowings		**16,250,720**	17,902,765
		52,599,113	57,088,231
Liabilities associated with assets classified as held for sale		**-**	8,307,647
		52,599,113	65,395,878
Net Current Assets		**26,750,316**	28,190,754
Total Assets less Current Liabilities		**125,740,017**	128,537,874
Capital and Reserves			
Share capital		**13,649,839**	13,649,839
Reserves		**30,898,597**	31,874,182
Equity attributable to owners of the Company		**44,548,436**	45,524,021
Non-controlling interests		**29,631,192**	31,269,890
Total Equity		**74,179,628**	76,793,911
Non-Current Liabilities			
Provision for major overhauls		**76,493**	80,484
Deferred income		**2,441,745**	2,785,847
Bank and other borrowings		**41,253,539**	40,828,228
Deferred tax liabilities		**7,694,951**	7,924,365
Lease liabilities		**93,661**	125,039
		51,560,389	51,743,963
Total Equity and Non-Current Liabilities		**125,740,017**	128,537,874

Notes:

(1) REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements for the six months ended 30 June 2023 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 2022 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 2022 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 stated at fair values at the end of each reporting period, as appropriate.

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied the following new and 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 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The directors of the Company consider that the application of the new and 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.

(3) SEGMENT INFORMATION

The Group’s operating segments, based on information reported to the chief operating decision maker (i.e. the board of directors of the Company) for the purposes of resource allocation and performance assessment of the Group.

During the interim period ended 30 June 2023, management of the Group renamed infrastructure facilities segment to infrastructure and environmental protection segment to better reflect the nature of the business activities of the segment and established a new operating segment, comprehensive healthcare operations, in accordance with future development of the Group, as follows:

Infrastructure and environmental	-	investment in toll road projects and protection water-related business
Real estate	-	property development and investment and hotel operation
Consumer products	-	manufacture and sale of cigarettes, packaging materials and printed products
Comprehensive healthcare operations	-	manufacture and sales of pharmaceutical and healthcare products, provision of distribution and supply chain solutions services and operation and franchise of a network of retail pharmacies

Segment revenue and results

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

Six months ended 30 June 2023 (unaudited)

	Infrastructure and environmental protection	Real estate	Consumer products	Comprehensive healthcare operations	Elimination and unallocated	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE						
Segment revenue - external sales	5,550,188	5,925,737	1,315,255	-	-	12,791,180
Segment operating profit (loss)	2,060,292	1,193,452	165,045	-	(24,759)	3,394,030
Finance costs	(470,349)	(667,564)	(855)	-	(33,867)	(1,172,635)
Share of results of joint ventures	161,549	(5,206)	-	69,158	-	225,501
Share of results of associates	252,307	(23,654)	-	-	-	228,653
Gain on disposal of subsidiaries	-	254,982	-	-	-	254,982
Segment profit (loss) before taxation	2,003,799	752,010	164,190	69,158	(58,626)	2,930,531
Income tax expense	(407,860)	(591,474)	(28,385)	-	(58,904)	(1,086,623)
Segment profit (loss) after taxation	1,595,939	160,536	135,805	69,158	(117,530)	1,843,908
Less: segment profit attributable to non-controlling interests	(401,276)	(59,017)	(7,918)	-	-	(468,211)
Segment profit (loss) after taxation attributable to owners of the Company	1,194,663	101,519	127,887	69,158	(117,530)	1,375,697

Six months ended 30 June 2022 (unaudited)

	Infrastructure and environmental protection	Real estate	Consumer products	Elimination and unallocated	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE					
Segment revenue - external sales	5,010,583	8,546,026	1,663,624	-	15,220,233
Segment operating profit (loss)	1,548,117	1,156,951	299,212	(18,236)	2,986,044
Finance costs	(385,182)	(391,731)	(1,372)	(45,634)	(823,919)
Share of results of joint ventures	225,948	(3,019)	-	-	222,929
Share of results of associates	237,053	(128,625)	-	-	108,428
Segment profit (loss) before taxation	1,625,936	633,576	297,840	(63,870)	2,493,482
Income tax expense	(266,320)	(590,049)	(54,100)	(92,136)	(1,002,605)
Segment profit (loss) after taxation	1,359,616	43,527	243,740	(156,006)	1,490,877
Less: segment profit attributable to non-controlling interests	(375,360)	(3,806)	(8,023)	-	(387,189)
Segment profit (loss) after taxation attributable to owners of the Company	984,256	39,721	235,717	(156,006)	1,103,688

Segment assets and liabilities

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

At 30 June 2023 (unaudited)

	Infrastructure and environmental protection	**Real estate**	**Consumer products**	**Comprehensive healthcare operations**	**Elimination and unallocated**	**Consolidated**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Segment assets	**66,258,027**	**99,539,644**	**7,125,736**	**91,012**	**5,324,711**	**178,339,130**
Segment liabilities	**32,705,806**	**63,286,456**	**735,616**	**-**	**7,431,624**	**104,159,502**

At 31 December 2022 (audited)

	Infrastructure and environmental protection	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

(4) INCOME TAX EXPENSE

	Six months ended	
	30.6.2023	30.6.2022
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Current tax		
- Hong Kong	**20,127**	38,583
- PRC Land Appreciation Tax ("**LAT**")	**326,088**	387,930
- PRC Enterprise income tax ("**EIT**") (including PRC withholding tax of HK$49,266,000 (six months ended 30 June 2022: HK$9,136,000))	**660,735**	466,165
	1,006,950	892,678
Under(over)provision in prior periods		
- Hong Kong	**1,949**	(608)
- PRC EIT	**2,020**	(20,281)
	3,969	(20,889)
Deferred taxation for the current period	**75,704**	130,816
	1,086,623	1,002,605

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

Under the law of 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 periods, except that (i) certain PRC subsidiaries are qualified as High New Technology Enterprises and enjoy a preferential tax rate of 15% for both periods (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.

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	
	30.6.2023	30.6.2022
	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)	**221,216**	190,636
Amortisation of toll road operating rights (included in cost of sales)	**355,770**	192,411
Depreciation of property, plant and equipment	**247,367**	266,736
Depreciation of right-of-use assets	**32,465**	39,352
Dividend income from investments (included in net investment income)	**(1,076)**	(5,500)
Government compensation of toll road operating rights (included in other income, gains and losses)	**(198,074)**	(105,037)
Impairment loss on trade receivables (included in other income, gains and losses)	**28,581**	5,744
(Increase) decrease in fair value of financial assets at fair value through profit or loss (included in net investment income)	**(6,965)**	55,076
Interest expenses for lease liabilities	**6,096**	7,063
Interest income (included in net investment income)	**(283,395)**	(193,386)
Net foreign exchange loss (included in other income, gains and losses)	**88,156**	145,034
Net loss (gain) on disposal of property, plant and equipment (included in other income, gains and losses)	**289**	(365)
Net increase in fair value of investment properties (included in other income, gains and losses)	**(33,242)**	(15,704)
Share of PRC EIT of associates (included in share of results of associates)	**62,077**	47,990
Share of PRC EIT of joint ventures (included in share of results of joint ventures)	**83,113**	49,665

(6) DIVIDENDS

	Six months ended	
	30.6.2023	30.6.2022
	HK$'000	HK$'000
	(unaudited)	(unaudited)
2022 final dividend paid of HK50 cents (six months ended 30 June 2022: 2021 final dividend paid of HK54 cents) per share	**543,606**	587,094

Subsequent to the end of the current interim period, the directors of the Company have determined that a 2023 interim cash dividend of HK42 cents (2022 interim: HK42 cents) per share will be paid to the shareholders of the Company whose names appear on the Company's register of members on 26 September 2023.

(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	
	30.6.2023	30.6.2022
	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	**1,375,697**	1,103,688
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, 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.

	30.6.2023 **HK$'000** **(unaudited)**	31.12.2022 HK$'000 (audited)
Within 30 days	**1,446,613**	1,304,312
Within 31 – 60 days	**472,079**	549,536
Within 61 – 90 days	**430,425**	438,491
Within 91 – 180 days	**663,698**	1,012,966
Within 181 – 365 days	**1,144,828**	726,332
Over 365 days	**1,025,521**	823,325
	5,183,164	4,854,962

(9) TRADE AND OTHER PAYABLES

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

	30.6.2023 **HK$'000** **(unaudited)**	31.12.2022 HK$'000 (audited)
Within 30 days	**1,295,383**	3,811,887
Within 31 – 60 days	**120,635**	244,481
Within 61 – 90 days	**1,014,378**	119,369
Within 91 – 180 days	**211,927**	289,039
Within 181 – 365 days	**1,021,901**	320,681
Over 365 days	**1,898,009**	1,756,286
	5,562,233	6,541,743

FINANCIAL REVIEW

I. Analysis of Financial Results

1. Revenue

For the six months ended 30 June 2023, revenue of approximately HK$12,791.18 million was recorded, down 16% year-on-year. The decrease was mainly due to the year-on-year decrease in booked revenue upon delivery of properties of the real estate business, and the consumer products business was impacted by the general downward trend of the global economy and a declining consumer sentiment in the Mainland market this year. Tobacco sales also faced problems such as expiry of products and decline of the sales status of its brands caused by a huge inventory in overseas markets. In addition, the sales of tobacco and wine packaging and moulded-fibre business also decreased significantly comparing to the same period last year. Nevertheless, the decrease in revenue was partly offset by the increase in revenue of the infrastructure and environmental protection business due to the commencement of operation of the Shanghai Baoshan Renewable Energy Utilization Center Project of SIIC Environment in the beginning of 2023, the higher sewage treatment and water supply volume, and higher average sewage and water supply price, as well as the year-on-year increase in the revenue of toll roads as they resumed normal operation during the period.

2. Profit Contribution from Each Business

Net profit from the infrastructure and environmental protection business for the period amounted to approximately HK$1,194.66 million, accounting for 80% of Net Business Profit, and representing a year-on-year increase of 21.4%.

The increase was mainly due to toll road business was affected by the pandemic in Shanghai and surrounding provinces and cities in the same period last year with travelling being restricted and a significant decrease in traffic flow, whereas the willingness of travel and traffic flow recovered after the pandemic has passed the peak rapidly in the period with corresponding increase in toll revenue and net profit.

The profit of water services and clean energy business decreased by 18.1% year-on-year. The decrease was mainly due to the year-on-year increase in finance costs and the impact on the decline of RMB exchange rate by 6.3% year-on-year.

The real estate business recorded a profit of approximately HK$101.52 million, accounting for 6.8% of the Net Business Profit, an increase of approximately HK$61.80 million over the same period in 2022. The increase was mainly due to the gain on disposal of the project company related to the land lot No.89, North Bund by SI Development during the period, as well as the rent relief provided by real estate companies to tenants at the request of local government during the pandemic last year. However, the increase in profit of the real estate business was partly offset by the turnaround to loss recorded by SI Urban Development due to a significant decrease in its sales revenue as a result of fewer properties delivered during the period.

The consumer products business recorded a net profit of HK$127.89 million for the period, accounting for 8.6% of Net Business Profit, and representing a year-on-year decrease of 45.7%. The cigarette sales of Nanyang Tobacco decreased by 24.7% year-on-year, mainly due to the general downward trend of the global economy and a declining consumer sentiment in the Mainland market this year. Tobacco sales also faced problems such as expiry of products and decline of the sales status of its brands caused by a huge inventory in overseas markets. As a result, both sales and profit decreased. Wing Fat Printing recorded a year-on-year decrease in sales by 17.2% and a corresponding decline in net profit due to lower revenue as a result of the impact of the pandemic and sluggish downstream demand, as well as the idling of factory capacity due to the transfer of the industrial chain of major downstream customers of the moulded-fibre business.

Comprehensive healthcare operations business recorded net profit of HK$69.16 million for the period, and accounting for 4.6% of Net Business Profit. The net profit of the comprehensive healthcare operations segment is a new profit contribution arising from the 40% equity interest in Shanghai Pharmaceutical Group, the acquisition of which was completed by S.I. Yangtze River Delta, a joint venture of the Company, in October last year.

3. Profit before Taxation

(1) Gross profit margin

Compared to the first half of 2022, the overall gross profit margin for the period increased by 6.7 percentage points. The increase was mainly due to the increase in the proportion of delivery of properties with relatively higher margin in the real estate business as compared to the same period last year. In addition, the gross profit margin of toll roads was lower in the same period last year due to the significant year-on-year decrease in toll road traffic and toll revenue as a result of prevention and control measures implemented during April and May last year due to the outbreak of the pandemic in Shanghai. During the period, the toll road gross profit margin increased year-on-year as traffic flow and revenue resumed normal.

(2) Other income, gains and losses

Other income, gains and losses increased, which was mainly due to the compensation income arising from the Fengsheng Project in Hunan.

(3) Gain on disposal of subsidiaries

For the period, gain on disposal represents mainly the disposal of the project company related to the land lot No.89, North Bund. There was no gain on disposal in the same period last year.

4. Dividend

The Board of Directors of the Group has resolved to declare an interim dividend of HK42 cents per share, which is the same as 2022 interim dividend of HK42 cents per share. The interim dividend payout ratio is 33.2% (2022 interim: 41.4%).

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 2023. There is no change compared with 1,087,211,600 shares as at the end of 2022.

Equity attributable to owners of the Company reached HK$44,548.44 million as at 30 June 2023, 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 2023, the total borrowings of the Group including bank borrowings and other borrowings amounted to approximately HK$57,533.29 million (31 December 2022: HK$58,766.88 million), of which 79.2% (31 December 2022: 75.9%) was unsecured credit facilities. The proportions of US dollars and other currencies, Renminbi and HK dollars of total borrowings were 4%, 81% and 15% (31 December 2022: 3%, 87% and 10%) respectively.

(2) Pledge of assets

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

(a) investment properties with an aggregate carrying value of HK$11,084,696,000 (31 December 2022: HK$11,498,680,000);

(b) leasehold land and buildings with an aggregate carrying value of HK$7,733,000 (31 December 2022: HK$8,959,000);

(c) plant and machineries with an aggregate carrying value of HK$108,759,000 (31 December 2022: HK$150,424,000);

(d) receivables under service concession arrangements/intangible assets with an aggregate carrying value of HK$15,636,445,000 (31 December 2022: HK$16,748,624,000);

(e) properties under development held for sale with an aggregate carrying value of HK$18,288,367,000 (31 December 2022: HK$6,814,317,000);

(f) properties held for sale with an aggregate carrying value of HK$494,933,000 (31 December 2022: HK$265,745,000);

(g) trade receivables with an aggregate carrying value of HK$149,944,000 (31 December 2022: HK$170,359,000);

(h) bank deposits with an aggregate carrying value of HK$195,812,000 (31 December 2022: HK$228,583,000) ;

(i) equity interests of subsidiaries with aggregate carrying value of HK$280,838,000 (31 December 2022: HK$169,511,000); and

(j) land use rights with aggregate carrying value of HK$662,000 (31 December 2022: HK$759,000).

(3) Contingent liabilities

As at 30 June 2023, the guarantees given to banks by the Group in respect of banking facilities utilised by property buyers, associates and joint ventures amounted to approximately HK$4,317.91 million, HK$626.31 million and HK$1,896.87 million (31 December 2022: HK$4,736.23 million, HK$713.70 million and HK$1,908.99 million) respectively.

3. Capital Commitments

As at 30 June 2023, the Group had capital commitments mainly contracted for business development and investments in fixed assets of HK$7,470.95 million (31 December 2022: HK$14,686.11 million). The Group had sufficient internal resources and / or through loan markets for the finance of its capital expenditures.

4. Bank Balances and Short-term Investments

As at 30 June 2023, bank balances, pledged bank deposits and short-term investments held by the Group amounted to HK$28,622.54 million (31 December 2022: HK$30,885.38 million) and HK$282.03 million (31 December 2022: HK$275.74 million) respectively. The proportions of US dollars and other currencies, Renminbi and HK dollars of bank balances were 2%, 85% and 13% (31 December 2022: 3%, 84% and 13%) respectively. Short-term investments mainly consisted of investments such as Hong Kong and PRC listed shares.

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