上海實業控股有限公司
SHANGHAI INDUSTRIAL HOLDINGS LIMITED
(Stock Code : 363)

ANNUAL REPORT 2021

Endeavor to changes,
Strive for new heights
開拓進取 奮進有為

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Shen Xiao Chu *(Chairman)*
Mr. Zhou Jun *(Vice Chairman & Chief Executive Officer)*
Mr. Xu Bo *(Deputy CEO)*
Mr. Xu Zhan

Independent Non-Executive Directors

Prof. Woo Chia-Wei
Mr. Leung Pak To, Francis
Mr. Cheng Hoi Chuen, Vincent
Mr. Yuen Tin Fan, Francis

BOARD COMMITTEES

Executive Committee

Mr. Shen Xiao Chu *(Committee Chairman)*
Mr. Zhou Jun
Mr. Xu Bo

Audit Committee

Mr. Cheng Hoi Chuen, Vincent *(Committee Chairman)*
Prof. Woo Chia-Wei
Mr. Leung Pak To, Francis
Mr. Yuen Tin Fan, Francis

Remuneration Committee

Prof. Woo Chia-Wei *(Committee Chairman)*
Mr. Leung Pak To, Francis
Mr. Cheng Hoi Chuen, Vincent
Mr. Yuen Tin Fan, Francis
Mr. Li Han Sheng
Ms. Zhou Xu Bo

Nomination Committee

Prof. Woo Chia-Wei *(Committee Chairman)*
Mr. Leung Pak To, Francis
Mr. Cheng Hoi Chuen, Vincent
Mr. Yuen Tin Fan, Francis
Mr. Li Han Sheng
Ms. Zhou Xu Bo

COMPANY SECRETARY

Mr. Yee Foo Hei

QUALIFIED ACCOUNTANT

Mr. Lee Kim Fung, Edward

AUTHORISED REPRESENTATIVES

Mr. Zhou Jun
Mr. Yee Foo Hei

REGISTERED OFFICE

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39 Gloucester Road, Wanchai, Hong Kong
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COMPANY STOCK CODE

Stock Exchange	:	363
Bloomberg	:	363 HK
Reuters	:	0363.HK
ADR	:	SGHIY

COMPANY WEBSITE

www.sihl.com.hk

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

ADR DEPOSITORY BANK

The Bank of New York Mellon
BNY Mellon Shareowner Services
P.O. Box 358516,
Pittsburgh, PA 15252-8516, USA
Telephone : (1)201 680 6825
Toll free (USA) : (1) 888 BNY ADRS
Website www.bnymellon.com/shareowner
Email shrrelations@bnymellon.com

INFORMATION FOR SHAREHOLDERS

SHAREHOLDER ENQUIRIES

Company Contact Details

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Company Secretarial

Telephone	:	(852) 2876 2317
Facsimile	:	(852) 2863 0408

Investor Relations

Telephone	:	(852) 2821 3936
Facsimile	:	(852) 2529 5067
Email	:	ir@sihl.com.hk

Share Registrar

Tricor Secretaries Limited

Address	:	54th Floor, Hopewell Centre 183 Queen's Road East Hong Kong
Telephone	:	(852) 2980 1333
Facsimile	:	(852) 2861 1465

Our Website

Press releases and other information of the Group can be found at our website: www.sihl.com.hk.

DIVIDEND

Proposed 2021 final dividend of HK54 cents per Share (2020: HK52 cents per Share) will be paid to Shareholders on or about Friday, 24 June 2022 subject to Shareholders' approval.

Subject to approval by Shareholders of the final dividend and together with the interim dividend of HK48 cents per Share (2020: a cash dividend of HK22 cents per Share and the payment of a special dividend in the form of Distribution in Specie to the Qualified Shareholders on the basis of 1 SIUD Share for every 5 Shares held) paid during the year. Total dividends for the year amounted to HK102 cents per Share.

CLOSURE OF REGISTER OF MEMBERS

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 Monday, 23 May 2022 and Tuesday, 24 May 2022, 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 by 4:30 p.m. on Friday, 20 May 2022.

For the purpose of determining Shareholders' entitlement to the final dividend, the register of members of the Company will be closed on Thursday, 9 June 2022, 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 by 4:30 p.m. on Wednesday, 8 June 2022.

FINANCIAL CALENDAR

2021 interim results announced	31 August 2021
2021 final results (unaudited) announced	30 March 2022
Confirmation of 2021 final results (audited) announced	14 April 2022
Despatch of 2021 annual report	on or about 28 April 2022
2022 annual general meeting	31 May 2022
Ex-dividend date for 2021 final dividend	7 June 2022
Record date for 2021 final dividend	9 June 2022
Despatch of notice of 2021 final dividend	on or about 24 June 2022

CHAIRMAN'S STATEMENT

Shen Xiao Chu
Chairman

I am pleased to report to our Shareholders the Group's results for the year 2021.

The mainland economy recovered rapidly during 2021 as local industries resumed their work and production amid the waning pandemic. Nevertheless, the COVID 19 pandemic remained severe in many countries and regions around the world, and adversely affected their economic activities. Commodity and consumer prices rose significantly following accommodative monetary policies and supply chain disruptions. In response to that, major central banks across the world began to introduce tightening measures. The situation was further exacerbated by such factors as rising geopolitical risks and ongoing international trade disputes, resulting in a complex and volatile overall business environment. During the year, the Board of Directors and the management team of the Group made considerable efforts to overcome challenges externally in order to ensure steady operation and development of the Group's core businesses while capitalizing on new opportunities that arose from the recovery of the economy. This, coupled with a number of favorable factors, has enabled the Group to achieve remarkable business and profit growth for the year. These factors included compensations received due to the waiver of toll mileage at the entry sections of our toll roads, profits brought about by the booked revenue of properties delivered from a joint-venture property project with SI Development and additional profits recorded arising from the sale of a number of property projects, after deducting the provisions made for SI Development for the accounts receivable of SIIC Longchuang, its subsidiary.

For the year ended 31 December 2021, the Group's total revenue amounted to HK$38,748 million, representing an increase of 42.8%. Net profit increased year-on-year by 68.8% to HK$3,746 million.

The Board of Directors has recommended a final dividend of HK54 cents per Share (2020: HK52 cents per Share) for 2021, and together with an interim dividend of HK48 cents per Share (2020: a cash dividend of HK22 cents per Share and the payment of a special dividend in the form of Distribution in Specie to Qualifying Shareholders on the basis of 1 SIUD Share for every 5 Shares held) paid during the year. Total dividends for the year amounted to HK102 per Share.

The Group's three principal businesses maintained steady during the year. The infrastructure facilities business recorded a profit of HK$2,369 million, representing a significant increase of 105.0% over last year, which is mainly attributable to a notable year-on-year increase in the number of toll collection days and compensations received due to the waiver of toll mileage at the entry sections of the Group's toll roads. For water services business, the turnover and net profit for SIIC Environment for the year were RMB7,267 million and RMB706 million respectively, up by 16.2% and 11.1% year-on-year. During the year, General Water of China recorded revenue of HK$2,431 million, representing a decline of 3.4% over last year; net profit amounted to HK$228 million, representing a year-on-year decrease of 16.8%. Strict measures were taken to prevent and control the pandemic for our toll roads business during the year, while efforts were made to pursue quality management and to improve service quality and toll collection efficiency. The segment recorded steady business operation, providing a stable cash flow to the Group.

The real estate business recorded a profit of HK$895 million for the year, representing an increase of 16.3% over the previous year. SI Urban Development's revenue for 2021 was HK$11,015 million, representing an increase of 73.3% over the previous year; profit attributable to shareholders was HK$572 million, a year-on-year increase of 9.7%. SI Development's revenue for the year rose to RMB10,269 million. Investigations were being made and dealt with by SI Development on the outstanding accounts receivable of its approximately 69.7849%-owned subsidiary, SIIC Longchuang. As at the end of 2021, the total amount involved was approximately RMB2.615 billion, of which certain accounts receivable may not be recoverable. With such an adverse impact, profit attributable to shareholders was RMB532 million. SI Development has in such respect made prior year adjustments in its consolidated financial statements from 2016 onwards for certain restatements.

Also affected by the pandemic, the consumer products business recorded a net profit of HK$670 million, representing a year-on-year increase of 29.2%. The exports and ship-tobacco business of Nanyang Tobacco have resumed large-scale production and shipments since the third quarter of 2021, together with the resumption of operation of a small number of duty-free stores such as the Zhuhai port since the fourth quarter of 2020. During the year, Wing Fat Printing recorded satisfactory results benefitting from a balanced development strategy which has been driven by cooperative efforts made by each of its business segments.

Steady development for the infrastructure business as well as orderly expansion of the environmental protection and clean energy segments

The pandemic has been generally under control in the mainland since the second half of 2020, leading to the resumption of normal operation of the road networks. This, together with a significant year-on-year increase in the number of toll collection days and the natural increase in traffic flow, resulted in a significant increase in the overall traffic flow and toll revenue of the Group's three toll roads and the Hangzhou Bay Bridge in 2021. For the year under review, compensations totaling RMB3,553 million were received by the Group for the waiver of toll mileage at the entry sections of our toll roads. This amount will be accounted for as the Group's other income on a unit-of-usage basis over the remaining period of the respective toll road concession rights. Closely monitoring the development of the pandemic, the toll roads division adjusted key control devices in a timely manner and implemented ongoing prevention and control measures where necessary. In addition, strong attention was paid to road maintenance in order to enhance the overall condition of the roads as well as the environment of the neighbourhood in preparation for the then forthcoming events, including the celebration of the 100th Anniversary of the founding of the Communist Party of China, the 4th China International Import Expo and the 10th Flora Expo. The clean energy projects in which our project company has an equity interest have been running smoothly and providing good returns.

The Chinese Government at all levels has been actively engaged in the construction and tendering of new sewage and water supply projects during the year as China determines to promote the development of environmental industries and to accelerate the construction of a better future for China. SIIC Environment will capitalize on opportunities brought about by the "14th Five-year Plan" to optimize its strategic deployment in the Yangtze River Delta and Guangdong-Hong Kong-Macao Greater Bay Area. Leveraging on its unique strategic positioning and business model, the company will also strengthen its water services and solid waste business in an orderly manner and enhance project efficiency. As at the end of 2021, SIIC Environment has been engaged in almost 250 sewage and water supply projects with a total daily capacity reaching 12,810,000 tonnes. The total planned daily capacity

of solid waste treatment was 9,750 tonnes. Of which, the company is making considerable efforts in building the renewable energy development center project in Baoshan, Shanghai with the Baowu Group with a view to creating a world-class benchmark project of waste-to-energy incineration. The project is scheduled to commence operation in 2022 with a daily capacity that may reach 3,800 tonnes, and is expected to become a benchmark solid waste project in the Yangtze River Delta. With the introduction of a series of environmental protection legislations and state policies including the Yangtze River Protection law and the newly revised Solid Waste Law as well as the strategic target for "carbon peaking and carbon neutrality", ample opportunities and challenges have been provided for professional environmental protection companies. SIIC Environment will capitalize on such opportunities brought by government policies for promoting environmental and clean energy segments.

SUS Environment, currently 28.34% held by a 50-50 joint venture of the Group, is a comprehensive urban solid waste disposal service provider with a full industry chain which consists of investment, construction and operation. The company's projects are mainly located in different provinces throughout the country, including over 60 waste-to-energy public-private-partnership (PPP) projects with a daily capacity of over 100,000 tonnes, boasting a market share of 10% in China. SUS Environment has been one of the Top 10 Most Influential Enterprises in China's solid waste industry for five consecutive years. With 18 power generation projects connected to the grid during the year, the company has altogether 34 projects on grid now, with a market share for core equipment sale of over 40% in China.

Through Shanghai Galaxy and Galaxy Energy under it, the two companies have photovoltaic power-generation projects nationwide, either fully-owned or through controlling shareholdings, with a total asset scale of 740 MW. Approximately 1,114 million kWh of on-grid electricity was sold during the year, representing an increase of 23.95% over last year. In October 2021, the Central State Council proposed that by 2025, a solid foundation should be laid for achieving carbon peak and carbon neutrality. By 2023, significant results should be achieved in the comprehensive green transformation of economic and social development. With the support of the state, the photovoltaic energy business will continue to develop in a healthy manner and grow in an orderly manner.

Stable operation of real estate business with risk control and quality land reserves increasing steadily

The property market in the mainland was buoyant in the early part of 2021 but tapered off in the second half of the year. In view of pressures from the economy, SI Development monitored the market closely, reviewed its inventory for saleable projects and capitalized on market opportunities to launch property sales while increasing the turnover for non-residential projects. In addition, SI Development continued to replenish its quality land bank as opportunities arose. For example, the company formed a consortium with two independent investors and successfully bid for the land lot No. 91 at the North Bund of Shanghai with a total area of approximately 34,585 square metres by way of listing-for-sale with a total consideration of approximately RMB9,106 million. SI Development maintained a 50% interest in the project. The land parcel, to be developed into a new international cultural and recreational complex at the Bund, is expected to become a new landmark in the North Bund area. The company will further enhance the quality of its property management service, making it an important part of its overall business. Investigations were being made and dealt with by the company regarding the outstanding accounts receivable of SIIC Longchuang, an approximately 69.7849%-owned subsidiary of SI Development. As at the end of 2021, the total amount involved was approximately RMB2.615 billion, of which certain accounts receivable may not be recoverable. SI Development has in such respect made prior year adjustments in its consolidated financial statements from 2016 onwards for certain restatements.

In 2021, SI Urban Development expanded and strengthened its core real estate business, actively increasing its land reserves. In addition, in view of the potential market prospects of the great health care industry in the PRC, the company was committed to participating in urban development and healthcare projects and in the promotion of green upgrading. SI Urban Development announced in October the acquisition by its wholly-owned subsidiary and two investment platform companies under the parent company of a total of 70% equity interests in Shanghai Dongyi Property, a wholly-owned subsidiary of Shanghai Dongtan, which in turn is a wholly-owned subsidiary of our

parent company. Shanghai Dongyi Property proposed to construct the SIIC Dongyi Sanatorium on a piece of land it owns in the Demonstration Zone of Dongtan in Chongming, Shanghai. Scheduled for completion in August 2023 and to be officially opened around August 2024, the new venture will take full advantage of the natural environment of Chongming International Ecological Island and will work in cooperation with Huadong Sanatorium to build a high-end for-profit sanatorium mainly for medical check-ups, consisting of a wide variety of sanatorium functions and serving upper echelon citizens. The transaction provides SI Urban Development with an excellent opportunity to further its expansion plan in the great health industry.

Consumer products business overcoming difficulties and adhering to its development strategy, seeking steady progress

In response to the impact of the pandemic of the century on world trade and the tobacco industry, Nanyang Tobacco flexibly modified its development strategy during the year and continued to make steady progress. Under the corporate development policy which emphasizes "Ensuring healthy internal operation and external development; strengthening business growth; and pursuing excellence", everyone in the company worked hand in hand to overcome challenges, and made considerable efforts to consolidate the company's foundation, strengthen its production, and capitalize on its branding, to build platforms that would enhance its value and carry on the legacy of the century-old Nanyang Tobacco.

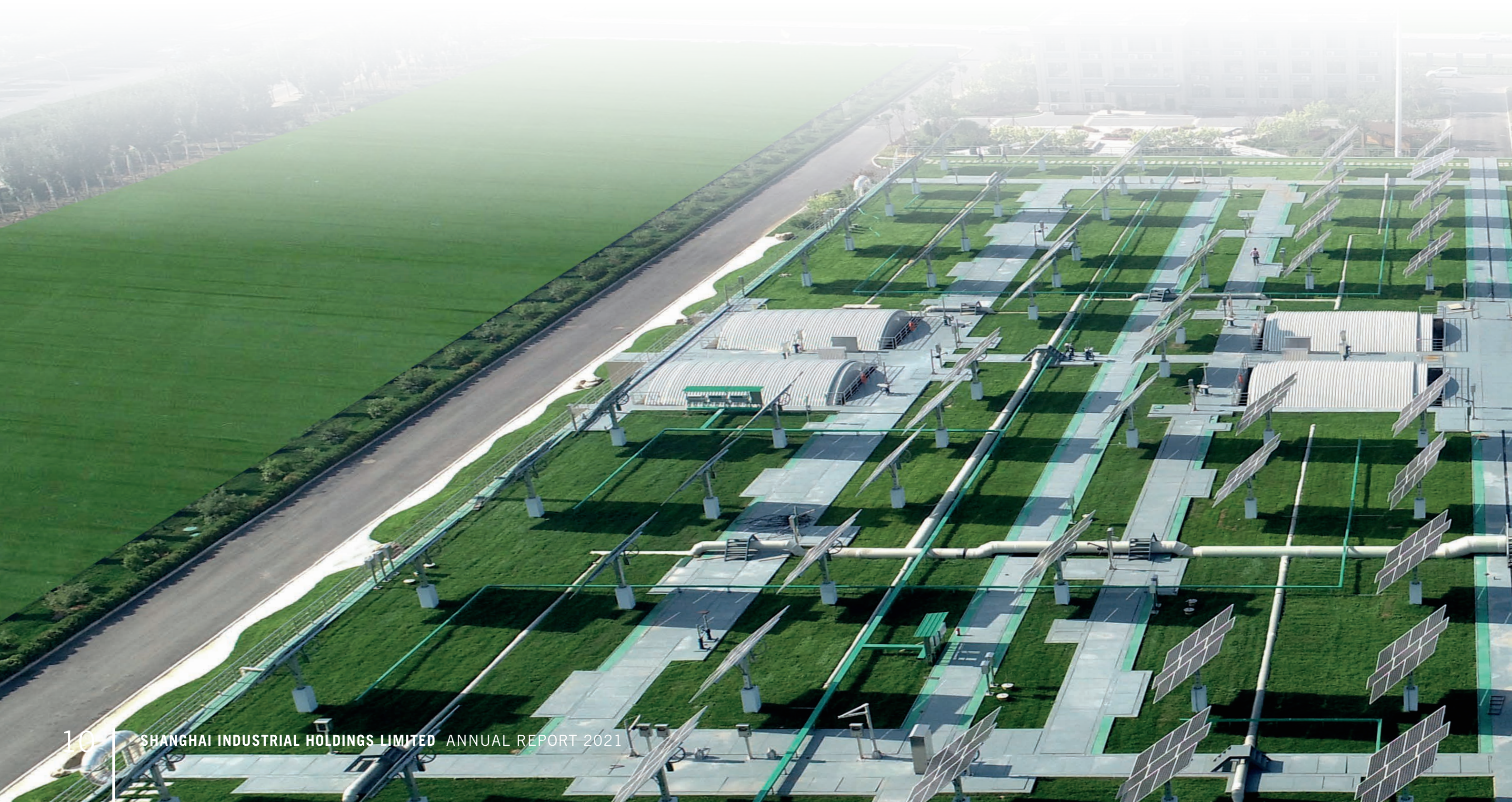
Despite the adverse operation environment brought about by the COVID-19 pandemic, Wing Fat Printing achieved continued growth during the year, achieving a 10-year high over the strong growth recorded the year before. The remarkable results were attributable to the enormous support from its customers, shareholders and business partners as well as by its strategic positioning, the determination and foresight of its management team and the hard work of its staff.

PROSPECTS

Looking forward to 2022, the management of the Group fully recognises that there are still many uncertainties in the business environment despite signs of an economic recovery in China due to a multitude of factors. These include the epidemic prevention-and-control measures being implemented by Hong Kong and other countries, increasing geopolitical risks, ongoing international trade disputes and tightening policies on specific industries in the mainland. The Group will continue to monitor the impacts of COVID-19 and will take effective and ongoing epidemic prevention-and-control measures to safeguard its interests. At the same time, we will continue to pursue our reforms and innovation programs, step up our efforts in the upgrading of our core businesses, and enhance our 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 in order to optimize our asset portfolio and enhance the value of our Shareholders.

For the infrastructure and environmental protection segments, SIIC Environment will seize opportunities brought about by national policies in the promotion of environmental protection and clean energy. The company will continue to seek thorough developments in the environmental protection sector, facilitate consistent integration of financing and business operation, explore new funding sources, expand the scale of their investments in an orderly manner and accelerate the deployment of its resources in the area of environmental protection technologies. Technological innovations will also be further strengthened and management models refined to drive sustainable and high-quality development of the company. The toll road business will continue to enhance operational efficiency and maintain steady business development while taking measures to prevent and control the epidemic. Through investments in new business arenas, the Group's investments in the environmental-protection and green-energy segments are expected to make new contributions to the Group.

With such market uncertainties such as tightening policies in the industry, the real estate business of the Company will closely monitor national policies and market trends, optimize our strategic plans, further explore market opportunities, revitalize existing assets, seek new sources of funds and financing channels, and accelerate 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.



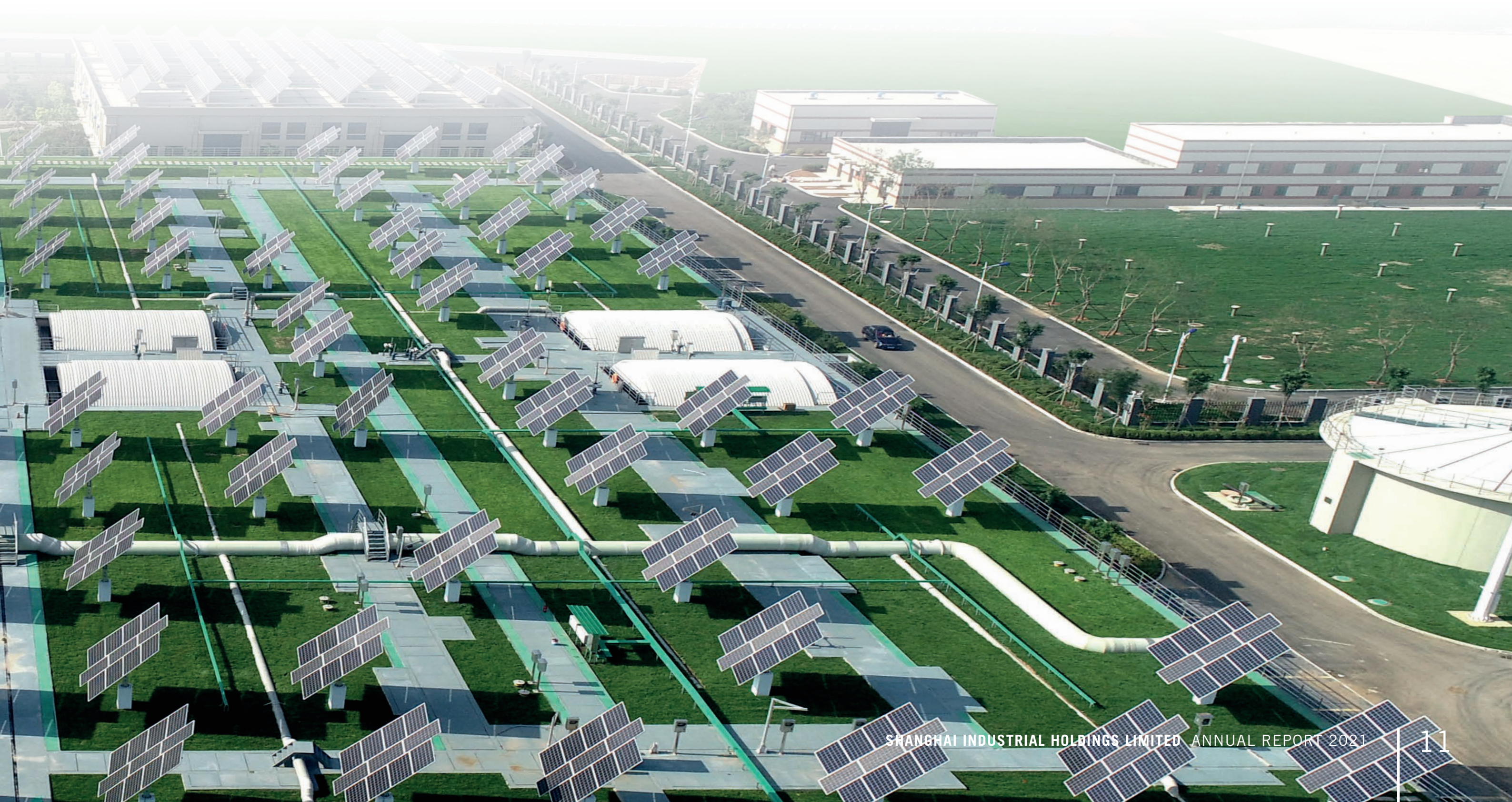
In the short-term, Nanyang Tobacco will continue to be affected by the global pandemic. In the coming year, it will continue to promote technical innovation, deepen the technical content and promote the company's high-quality development. The company will focus on developing new products, actively consolidate resources, establish new marketing ideas, adjust the structure of product channels, and actively plan for breakthroughs in the overall development of the company. Efforts will be made to enhance overall competitiveness by broadening the scope of the company's markets and global presence, and protect the interests of the company under controllable risks.

In 2022, Wing Fat Printing is expected to face further challenges under the lingering impact of the pandemic and the complexity of the global economic environment. Nevertheless, with its determination and commitment to achieve new breakthroughs, the company is expected to make steady progress and to accomplish its established business goals for the year.

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

Shen Xiao Chu
Chairman

Hong Kong, 14 April 2022



SIHL AT A GLANCE

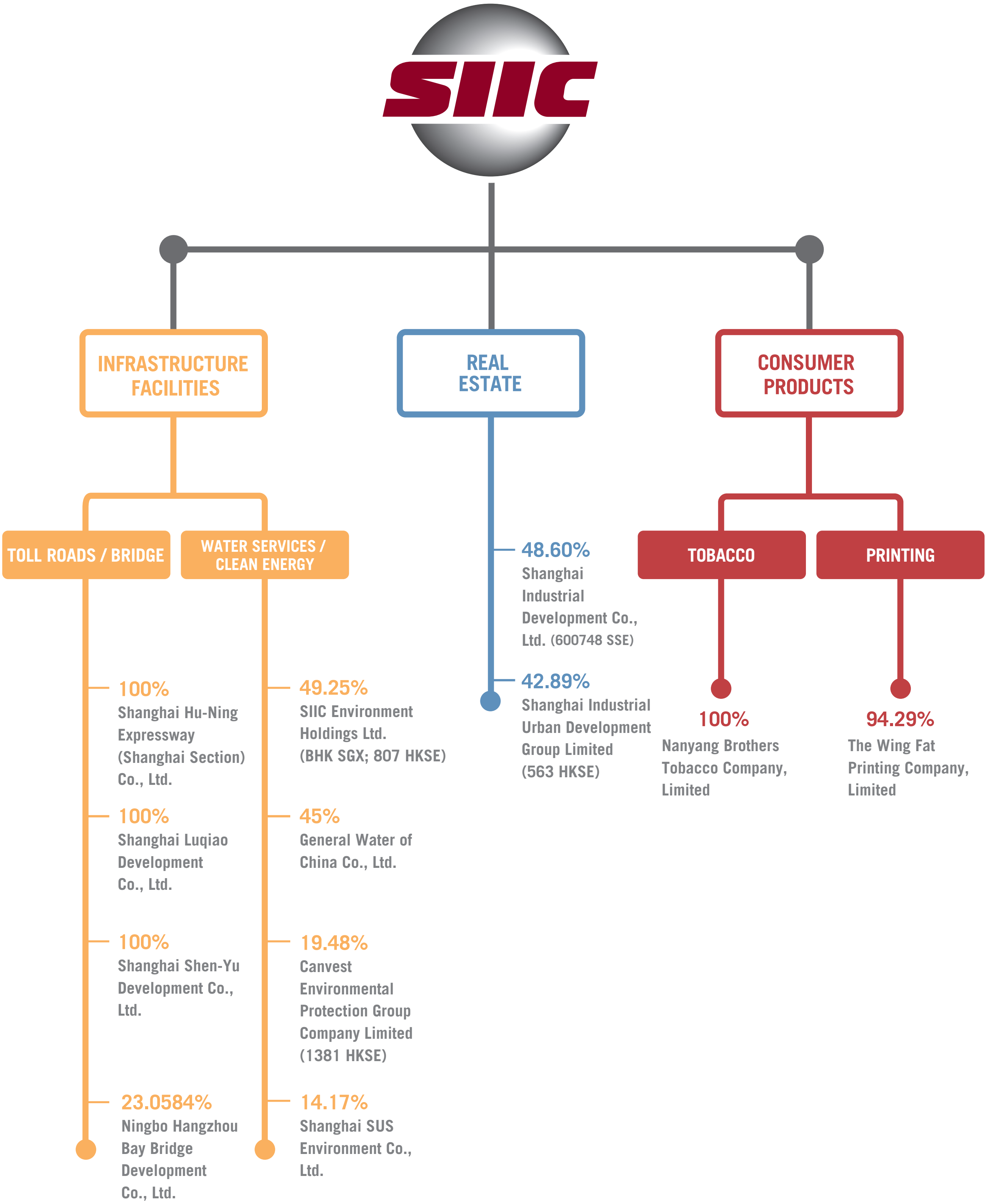
Shanghai Industrial Holdings Limited ("SIHL", HKSE Stock Code: 363) was incorporated in Hong Kong in January 1996, and on 30 May of the same year was listed on the Stock Exchange of Hong Kong. SIHL is a constituent stock of the MSCI China Index, Hang Seng Composite Index and Hang Seng High Dividend Yield Index, and an eligible stock of Shenzhen-Hong Kong Connect. At the end of 2021, the company's total assets reached HK$207.7 billion.

Shanghai Industrial Holdings Limited, is the largest overseas conglomerate enterprise of Shanghai Industrial Investments (Holdings) Company Limited ("SIIC"). As the flagship in the SIIC group of companies, SIHL has been successful in leveraging its Shanghai advantage since listing, in terms of securing the best investment opportunities in mainland China with full support from the parent company.

Over 20 years' development, SIHL has became a conglomerate company with three core businesses: infrastructure facilities (including toll roads/bridge, and environmental protection related business such as sewage treatment and solid waste treatment business), real estate and consumer products (including Nanyang Tobacco and Wing Fat Printing). SIHL will continue to raise its governance standard in order to create favourable returns and value for shareholders.

GROUP BUSINESS STRUCTURE

As at 14 April 2022

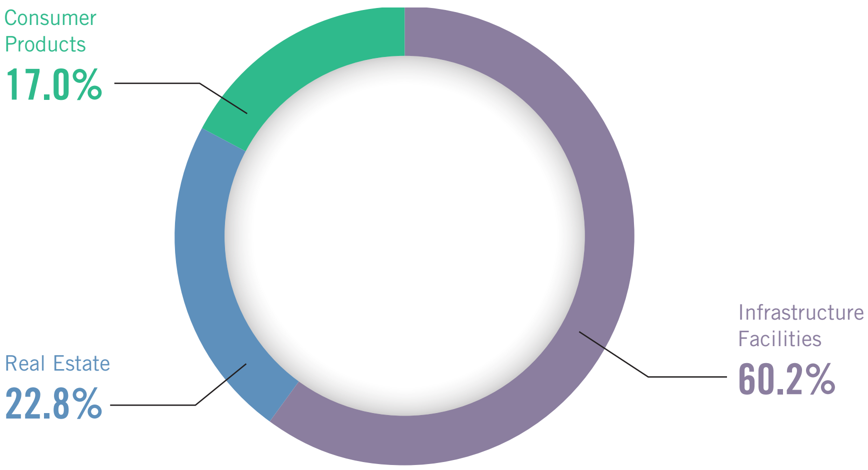


BUSINESS REVIEW, DISCUSSION AND ANALYSIS

For the year ended 31 December 2021, the Group's revenue amounted to HK$38,748 million, representing a year-on-year increase of 42.8%. Profit attributable to shareholders was HK$3,746 million, a significant increase of 68.8% over last year. The sharp increases were mainly due to the decline in profit recorded for the first half of 2020 arising from the adverse impact of the COVID-19 epidemic on the overall business of the Group, and the subsequent resumption to normal operations of most of the Group's core businesses. The improved results were also attributable to compensations received as a result of the waiver of toll mileage for the entry sections of toll roads as well as profit contributions from the booked revenue of a joint-venture property project with SI Development. Additional profits recorded during the year arising from the sale of a number of property projects of the Group also gave rise to the increase in profit, notwithstanding the provisions made by SI Development for the accounts receivable of its subsidiary, SIIC Longchuang.

Despite the repeated resurgence of the pandemic in 2021, the management team of the Company overcame different operational difficulties and modified its business strategies in a timely manner, enabling a gradual resumption to normal of its core businesses. With the active implementation of production safety and epidemic control measures, the Group's key projects progressed steadily during the year. In an effort to drive high-quality development of its enterprises, the Group implemented plans to better coordinate its resources, explored new business potential, and strongly advocated technological and industrial innovations. In addition, the Group emphasized the need to integrate financing and business operation to better optimize the allocation of capital to create a more diversified profit base and to maintain the sustainable development of the Group's overall business.

Profit contribution from the Group's core business



INFRASTRUCTURE FACILITIES

During the year, the infrastructure facilities business recorded a profit of HK$2,369 million, increasing significantly by 105.0% over the past year and accounting for 60.2% of the Group's Net Business Profit. The increase was mainly due to a significant increase in the number of toll collection days of the Group's toll roads in the year, and the compensations received during the year due to the waiver of toll mileage for the entry sections of toll roads.

Toll Roads/Bridge

The Group's three toll roads and the Hangzhou Bay Bridge recorded a significant increase in overall traffic flow and toll revenue for the year, mainly due to the significant increase in the number of toll collection days of the Group's toll roads during the year, when compared with the waiver of toll tariffs for vehicles nationwide from 17 February to 5 May 2020 due to the impact of the epidemic during the first half of 2020, as well as a natural increase of traffic flow. In addition, the toll mileage for the entry sections of our three toll roads in Shanghai has been waived since 6 May 2020, for which the Group received economic compensations totaling RMB3,553 million at the end of June 2021. This amount will be accounted for as the Group's other income on a unit-of-usage basis over the remaining period of the respective toll road concession rights.

The key operating figures of the respective toll roads/bridge under the Group for the year are as follows:

Toll roads/Bridge	Interest attributable to the Group	Net profit attributable to the Group	Change	Toll revenue	Change	Traffic flow (vehicle journey)	Change
Jing-Hu Expressway (Shanghai Section)	100%	HK$443 million	+66.9%	HK$619 million	+44.6%	39.44 million	+13.4%
Hu-Kun Expressway (Shanghai Section)	100%	HK$510 million	+151.8%	HK$921 million	+43.2%	70.37 million	+11.2%
Hu-Yu Expressway (Shanghai Section)	100%	HK$233 million	+130.6%	HK$615 million	+46.8%	42.16 million	+18.0%
Hangzhou Bay Bridge	23.0584%	HK$199 million	+113.0%	HK$2,391 million	+44.5%	17.09 million	-1.1%
Total		**HK$1,385 million**	**+109.1%**	**HK$4,546 million**	**+44.6%**	**169.06 million**	**+11.9%**

During the year, our toll roads in Shanghai were enhanced to secure the centenary of the founding of the Communist Party, the 10th China Floral Expo and the 4th China International Import Expo, which included measures to improve the environment of the toll stations and ancillary facilities, thorough inspection of road facilities and condition, a variety of measures to strengthen smooth road passage, and enhancing the collection speed and service quality of the toll counters with respective competitions to drive incentives. As a result, the mission was successfully completed with high quality and top standards. The Hangzhou Bay Bridge and the “two districts and one island” were operated in a safe and orderly manner with solid and effective measures, constant improvement of the road environment and further enhancement of maintenance efficiency. At the same time, the company focused on environmental optimization and significantly improved service quality. In addition to the regular prevention and control of the epidemic throughout the year, the Group also improved its emergency plans to effectively deal with natural disasters and major emergencies to ensure the safe operation of the roads. The clean energy projects in which our project company has an equity interest have been running smoothly and providing good returns.

Our project companies also strengthened information technology, promoted digital transformation and continued to upgrade the toll collection system. During the year, based on the original video monitoring system, the project companies adopted the overall structure of “cloud, channel, device” with the idea of “Internet + traffic” and successfully updated the system, enabling video information upstreaming to the provincial cloud platform of Shanghai, with Hu-Ning Expressway (Shanghai Section) becoming the first road section in Shanghai’s road network to have completed all video upstreaming to the Ministry of Transport. The construction of the Hangzhou Bay Bridge smart bridge project has been basically completed with a fully functional cloud computing platform as well as comprehensive sensing, data sharing and interconnection of bridge status. In conjunction with the road network center of the Ministry of Communications and the Shanghai industry authorities, the Hu-Hang Expressway (Shanghai Section) conducted researches to study the application of expressway intelligence based on “intelligence” as the key content. The project proposal and feasibility report were successfully completed and will subsequently be listed as one of Shanghai’s work tasks for “Construction of a strong transportation country”. It will also become a key project of the industry in 2022.

Water Services/Clean Energy

Capitalizing on development opportunities brought by national policies which emphasize the need to promote environmental protection and clean energy sectors, the Group continued to strengthen its investments in the water services and solid waste businesses during the year, and actively sought and explored quality projects to achieve a new breakthrough in the scale of treated water services.

SUS Environment

SUS Environment, currently 28.34% held by a 50-50 joint venture of the Company, is a comprehensive urban solid waste disposal service provider with a full industry chain which consists of investment, construction and operation. Established in December 2008, the company's projects are mainly located in Zhejiang, Henan, Shandong, Guangdong, Jiangxi, Guangxi, Hebei and Hubei. Today, the company has over 60 waste-to-energy public-private-partnership (PPP) projects with a daily capacity of over 100,000 tonnes, boasting a market share of 10% in China. SUS Environment has been one of the Top 10 Most Influential Enterprises in China's solid waste industry for five consecutive years. With 18 power generation projects connected to the grid during the year, the company has altogether 34 projects on grid now, with a market share for core equipment sale of over 40% in China.

SIIC Environment

In 2021, SIIC Environment recorded revenue of RMB7,267 million, representing a year-on-year increase of 16.2%, mainly attributable to a rise in operating and maintenance income and financial income from service concession arrangements due to an increase in sewage treatment volume and average treatment tariff. Net profit for the year was RMB706 million, representing a year-on-year increase of 11.1%. Construction revenue rose by 18.8% year-on-year to RMB2,486 million, mainly due to an increased number of projects under construction in 2021. Gross profit for the year increased by 10.1% over last year.

With China vigorously promoting the development of environmental industry and accelerating the construction of a "beautiful China", governments at all levels actively commenced construction and tendering for new sewage and water supply projects during the year, thereby driving the development of the new projects of SIIC Environment. During the year, SIIC Environment was awarded 24 projects, of which 21 are sewage treatment, reclaimed water and water supply projects with a total planned daily capacity of 232,400 tonnes. The other three were sludge-treatment projects with a total planned daily capacity of 900 tonnes, and 10 sewage treatment projects with a total planned daily capacity of 425,000 tonnes were awarded upgrades, expansion, tariff increase and extension of operation-and-management (O&M) service periods. In addition, 17 projects commenced commercial operation, among which three were sewage-treatment and water-supply projects with a total planned daily capacity of 100,250 tonnes, and 14 were upgrade and expansion projects with a total planned daily capacity of 320,000 tonnes. As at the end of 2021, SIIC Environment had close to 250 sewage treatment and water supply projects, and the total daily capacity reached 12,810,000 tonnes.

During the year, the volume of sewage water treated by SIIC Environment grew 0.98% year-on-year to 2,433,000,000 tonnes, while the water supply volume rose 10.2% year-on-year to 308,000,000 tonnes. The average sewage treatment tariff increased by 12.5% year-on-year to RMB1.69 per tonne and average water supply fee was RMB2.52 per tonne, representing an increase of 0.6% over last year.

In the future, as China further strengthens its comprehensive environmental governance framework and implements a series of favorable policies, the environmental-protection industry will enter a new period of development. SIIC Environment will closely follow national strategic guidelines to seize new opportunities in the market. Through active mergers and acquisitions, it will expand its operations and market share, further optimize its strategic deployment in the Yangtze River Delta region, and actively seek new opportunities in the environmental-protection sector. Meanwhile, the company will continue to improve its management and operational efficiency to speed up entering a new stage of high-quality development.

General Water of China

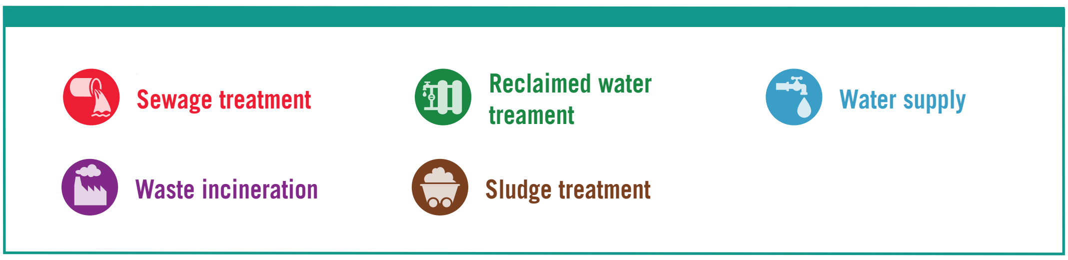
In 2021, General Water of China recorded stable results due to a strong commitment to improve its business with steady operation, pursue development growth, and enhance its asset scale. Unremitting efforts were made throughout the company to establish epidemic prevention-and-control measures and to ensure normal resumption of work and production. As at the end of 2021, the company operated a total of 34 water-supply plants and 27 sewage-treatment plants with a combined daily capacity of 5,502,000 tonnes, of which the daily capacity of water generation is 2,954,500 tonnes and the daily capacity of sewage treatment is 2,547,500 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$2,431 million, representing a year-on-year decrease of 3.4%. Net profit amounted to HK$228 million, representing a decrease of 16.8% over last year.

For the 18th 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, new water-treatment projects with a daily capacity of 500,000 tonnes and sludge-drying daily capacity of 50 tonnes were acquired, involving investments of about RMB945 million. Such projects include (1) Phase II of the water-supply plant project in Guzhen Economic Development Zone, (2) the water-supply expansion project and in-depth treatment project for enhancement of water quality for Xiangtan No. 1 water plant, (3) Bengbu City Heihushan water-supply plant sludge-drying project, and (4) Lai City sewage-treatment plant franchise project in Shandong.

In October 2021, the trial run of the two-way standby power system for the transmission lines of the Wuhua mountain reservoir power station and the spillway was a success. In future, when the reservoir area suffers from power interruptions, the station's power-generation unit can be restored through the backup diesel generator set, which enhances the safety and reliability of the power source for the floodgate activation at the spillway and effectively reduces the cost of electricity for the reservoir. In December, the Tiger Lake reservoir project successfully passed completion acceptance by the water-management unit of Zhejiang Province, and the company will continue to improve the management level of water-conservancy projects.

General Water of China will capitalize on new development opportunities brought by "carbon peaking and carbon neutrality", speed up connection with the capital market, increase its efforts in the development of new markets and speed up the implementation of specific projects. The company will also continue to promote quality, reduce costs and increase efficiency, adhere to the bottom line of safety and environmental protection, and continue to move forward steadily on the path of high-quality development.

Overview of the geographic distribution of the water development projects under the Group as at 31 December 2021 are as follows:



Note: Please refer to the 2021 Annual Report of SIIC Environment for an overview of SIIC Environment's water development projects as at 31 December 2021.

Anhui

Total no. of projects	Daily capacity (tonnes)	Total no. of projects	Daily capacity (tonnes)
2	60,000	3	500,000
		3	985,000
		1	160,000

Fujian

Total no. of projects	Daily capacity (tonnes)	Total no. of projects	Daily capacity (tonnes)
3	50,000	1	1,202,500

Guangdong

Total no. of projects	Daily capacity (tonnes)	Total no. of projects	Daily capacity (tonnes)
14	1,180,000	1	150,000
1	50,000		

Guangxi

Total no. of projects	Daily capacity (tonnes)
4	300,000

Heilongjiang

Total no. of projects	Daily capacity (tonnes)	Total no. of projects	Daily capacity (tonnes)
65	3,933,650	1	20,000
5	615,000	1	305,000
4	125,000		
6	1,330		

Henan

Total no. of projects	Daily capacity (tonnes)
7	240,000
2	40,000
6	1,500

Hubei

Total no. of projects	Daily capacity (tonnes)	Total no. of projects	Daily capacity (tonnes)
11	1,050,000	1	950,000
5	430,000		
1	325		

Hunan

Total no. of projects	Daily capacity (tonnes)	Total no. of projects	Daily capacity (tonnes)
8	290,000	1	200,000
4	520,000	1	495,000

Inner Mongolia

Total no. of projects	Daily capacity (tonnes)
2	43,500

Jiangsu

Total no. of projects	Daily capacity (tonnes)
12	383,000
2	6,000

Jiangxi

Total no. of projects	Daily capacity (tonnes)
15	231,500

Jilin

Total no. of projects	Daily capacity (tonnes)
6	92,500

Liaoning

Total no. of projects	Daily capacity (tonnes)
9	385,000

Ningxia Hui Autonomous Region

Total no. of projects	Daily capacity (tonnes)
4	250,000
1	50,000

Shandong

Total no. of projects	Daily capacity (tonnes)
11	610,000
4	420,000
1	38,500
3	1,800

Shanxi

Total no. of projects	Daily capacity (tonnes)
1	55,000

Shanghai

Total no. of projects	Daily capacity (tonnes)
8	440,000
2	4,850

Sichuan

Total no. of projects	Daily capacity (tonnes)
2	2,000

Zhejiang

Total no. of projects	Daily capacity (tonnes)	Total no. of projects	Daily capacity (tonnes)
19	883,000	4	475,000
2	40,000	2	219,500
1	1,100		

NEW BUSINESS ARENA

As at the end of December 2021, the photovoltaic assets capacity of Shanghai Galaxy and Galaxy Energy, 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 year from its 15 photovoltaic power stations was approximately 1,114 million kWh, representing an increase of 23.95% over last year.

In October 2021, the Central State Council proposed that by 2025 a solid foundation should be laid for achieving carbon peak and carbon neutrality. By 2023, significant results should be achieved in comprehensive green transformation for economic and social development. In addition, the country will actively develop renewable energy and continuously increase the proportion of non-fossil energy consumption. At the same time, it will promote the construction of a market-based mechanism, accelerate the construction and improvement of the trading market for national carbon emission right, gradually expand market coverage, enrich different trading types and trading methods, and improve the management of quota allocation. With the support of the state, the photovoltaic energy business will continue to develop healthily and expand in an orderly manner.

REAL ESTATE

In 2021, the real estate business recorded a profit of HK$895 million, representing a year-on-year increase of 16.3% and accounting for approximately 22.8% of the Group's Net Business Profit. The increase was mainly attributable to relatively higher profits generated from the sales revenue of the Shanghai Bay project (Phase 4) under development by SI Development in which the Company holds a 49% equity interest. The increase in profit was also due to additional profit recorded during the year arising from the sale of a number of property projects of the Group.

SI Development

SI Development responded swiftly to macro-economic pressures and complicated issues arising in the industry. Starting from the "14th Five-Year Plan", the company will stabilize operations, ensure stage progress, focus on quality and enhance risk controls. To implement its annual business plan, the company will take a broad-perspective approach, ensuring steady growth and the overall stability of its operations. For the year 2021, SI Development recorded revenue of RMB10,269 million. The revenue was mainly derived from booked revenue from properties delivered, including such projects as Shanghai Bay (Phase 4) in Qingpu, Shanghai, Territory Shanghai in Jing'an, Shanghai, SIIC Yungjing Bay in Huzhou, SIIC Tianlan Bay in Huzhou and Sea Palace in Quanzhou, covering an area of approximately 395,000 square meters. Net profit recorded during the year was RMB532 million. Rental income for the year was HK$419 million.

During the year, the property market in the mainland was buoyant in the early part of 2021 but tapered off in the second half of the year. In view of pressures from the economy, SI Development monitored the market closely, reviewed our inventory of saleable projects and capitalized on market opportunities to launch property sales while increasing the turnover for non-residential projects. The SIIC Era of Elites (Phases 2) project in Gucun, Baoshan was basically all sold out on the first day of the launch, while many other projects were also generally sold out. Contract sales of real estate projects for the year reached RMB6,252 million, covering an area of approximately 240,000 square meters, including such projects as Era of Elites (Phases 1 and 2) in Baoshan, Shanghai, SIIC Tianlan Bay in Huzhou, SIIC Yungjing Bay in Huzhou, Sea Palace in Quanzhou, Territory Shanghai in Jing'an, Shanghai and Shanghai Bay (Phase 4) in Qingpu, Shanghai.

During the year, the company's construction projects, including eight land parcels under construction covering an area of approximately 1,500,000 square meters, progressed smoothly. The quality and progress of the company's projects and safety standards have all met its established targets. The company has also enhanced its green upgrading efforts through the integration and application of new technologies, laying a solid foundation for the future promotion of green and healthy living. The occupancy rate and rental levels for the domestic office and commercial leasing markets have been dropping, effecting increasingly fierce competition. In view of this, the company has developed strategies and tenant-recruitment programs to retain existing tenants and reorganize its customer structure and business mix. Targeting large customers with whole-floor demand, the company managed to attract quality customers and strengthen its negotiation ability, maintaining an average occupancy rate of 90%. In the area of property management, approximately 26,580,000 square meters of properties were managed by SI Development. During the year, its subsidiary was ranked 51st in the 2021 China Property Services Enterprise in Comprehensive Strengths and 4th in the Top 100 Shanghai Property Services Enterprises in Comprehensive Strengths.

In May 2021, a tender consortium formed by SI Development and two independent investors won the bid for the acquisition of the land use rights of lot No. 91 situated at the North Bund, Hongkou District, Shanghai through listing-for-sale at a consideration of RMB9,106 million. With a total site area of approximately 34,585 square meters, the land parcel represents part of SI Development's strategy to build further inroads into the North Bund, Hongkou district. Holding a 50% interest in the consortium, SI Development has established a joint-venture company with the other two parties to develop the land parcel into the tallest building in Puxi, Shanghai with a height of 480 meters. Currently, design proposals for the development are being invited from international corporations. Through this large-scale joint development, the company is committed to turning Shanghai's core business district into a dynamic business hub with "one center and two districts, integrating old and new".

Earlier this year, SI Development received a regulatory work memo issued by the SSE regarding the outstanding accounts receivable payable to SIIC Longchuang, a 69.7849%-owned subsidiary of SI Development. According to investigations, as at the end of 2021, the total amount involved was approximately RMB2.615 billion, of which certain accounts receivable may not be recoverable. While investigations are still ongoing, SI Development has implemented policies to improve the corporate governance, personnel management and internal control of SIIC Longchuang. SI Development has in such respect made prior year adjustments in its consolidated financial statements from 2016 onwards for certain restatements. Save for the above, all major businesses of SI Development are operating normally and there is no risk relevant to the current accounts of the major businesses of SI Development.

In 2022, SI Development will continue to emphasize the importance of integrity and the need to innovate, transform and upgrade, as well as to strengthen control. In view of a volatile economy and strict regulatory controls of the real estate industry, SI Development will continue to follow national development strategies, continue its commitment to serving the city of Shanghai and the Yangtze River Delta region, and take further initiatives to interact and connect with internal and external resources. The company will also closely monitor its portfolio, pursue both quality and incremental quantity and will better control sales and project quality in a scientific way. It will also increase efforts to create better synergy on the operation of real estates and property service, and to improve internal controls and corporate governance in order to advance the stable development of the company.

SI Urban Development

In 2021, SI Urban Development expanded and strengthened its core real estate business, actively increased its land reserves, and committed to participate in urban development and great health care projects to promote comprehensive green upgrading. Revenue for the year amounted to HK$11,015 million, representing an increase of 73.3% over last year. Profit attributable to shareholders for the year amounted to HK$572 million, representing a year-on-year increase of 9.7%. Properties delivered mainly included Shangtou Baoxu in Shanghai, Contemporary Splendour Villa in Shanghai, Shanghai Jing City, Urban Cradle in Shanghai and West Diaoyutai•Emperor Seal in Beijing, with a gross floor area of approximately 270,000 square meters. Rental income for the year was approximately HK$830 million. Contract sales amounted to RMB8,930 million, representing a gross floor area of approximately 260,000 square meters, which mainly included Originally in Xi'an, West Diaoyutai•Emperor Seal in Beijing, Urban Cradle and Contemporary Splendour Villa in Shanghai.

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

In August, SI Urban Development announced that Chelsea Securities, an 80%-owned subsidiary of SI Urban Development, will increase its capital by issuing 133,333 and 33,333 new shares to a new investor (a subsidiary of the parent company of the Company) and an existing shareholder, respectively for a total subscription amount of HK$118 million, and the number of its ordinary shares will increase from 100,000 to 266,666. As SI Urban Development did not participate in the capital increase, its shareholding will be diluted to 30%. Established in Hong Kong in 1988, Chelsea Securities is an authorized stock broker in Hong Kong and a registered holder of trading rights with the Stock Exchange, a participant of the Stock Exchange and CCASS. Its income mainly consists of fund-management fees, brokerage, securities-placement agent fees and underwriting income. The capital increase will strengthen the financial position of Chelsea Securities. The company is also expected to benefit from the extensive experience in funds investment and management of the new investor, while SI Urban Development will continue to enjoy economic benefit through its retained shareholding.

In view of the potential market prospects of the great health care industry in the PRC, SI Urban Development announced in October the acquisition by its wholly-owned subsidiary and two investment-platform companies under our parent company of a total of 70% equity interests in Shanghai Dongyi Property, a wholly-owned subsidiary of SIIC Dongtan, which in turn is a wholly-owned subsidiary of our parent company. SI Urban Development will hold a 40% equity interest for a consideration of approximately RMB48.30 million. Subsequently, the four shareholders will make an aggregate capital contribution of RMB180 million, on a pro-rata basis in accordance with their respective equity interests, and the capital contribution payable by SI Urban Development is RMB72 million. The registered capital of Shanghai Dongyi Property will be increased from RMB120 million to RMB300 million. Shanghai Dongyi Property proposed to construct the SIIC Dongyi Sanatorium on a piece of land it owns in the Demonstration Zone of Dongtan of Chongming in Shanghai. Scheduled for completion in August 2023 and to be officially opened around August 2024, the new venture will take full advantage of the natural environment of Chongming International Ecological Island and cooperate with Huadong Sanatorium to build a high-level, for-profit sanatorium mainly for medical check-ups, combining various sanatorium functions and serving people in the higher echelons. The transaction provides SI Urban Development with an excellent opportunity to further its expansion plan into the great health care industry.

In the same month, SI Urban Development announced that Shanghai Urban Development, its 59%-owned subsidiary, offered to sell all of the 60% equity interest it held in Shanghai Huanyu through public tender. The successful bidder is wholly-owned by another shareholder of Shanghai Urban Development and the transfer price is RMB3,576 million. Upon completion of the transaction, SI Urban Development will completely exit from the Huanyu project. Shanghai Huanyu is the property developer of the Binjiang U Center project, which involves a long construction period and requires a substantial amount of investment. The project is experiencing a longer-than-expected investment recovery period, so realizing its investment in the project can lay a solid foundation for the long-term development, active investment and expansion of new projects by SI Urban Development.

In the same month, SI Urban Development, through its subsidiary, won the bids in the auctions of the land-use rights for two parcels of land in Shanghai, PRC. One of the land parcels is located in Qingpu District, Shanghai with a site area of 30,051 square meters. It has well-developed public facilities and may be developed into approximately 45,000 square meters of residential development. The consideration for the parcel is RMB1,178 million. The other land parcel is located in Lingang New Area, the China (Shanghai) Pilot Free Trade Zone, in close proximity to Metro Line No. 16 in Shanghai and a potential stop on the Shanghai Lianggang Express Line currently under planning, with a site area of approximately 41,961 square meters. The consideration for the parcel is RMB1,652 million. It can be developed into approximately 105,000 square meters of residential development. The above projects will significantly bolster the land bank of SI Urban Development and will provide a source of revenue in the future.

Set out below is a summary of the major property development projects of the Group as at 31 December 2021:

Major Development Properties

	City	Projects of SI Development	Type of property	Interest attributable to SI Development	Approximate site area (square meters)	Planned total GFA (square meters)	Pre-sold during the year (square meters)	Total GFA sold (square meters)	Expected date of completion
1	Kaifu District, Changsha	Fengsheng Building	Residential and commercial	90%	5,468	70,566	–	32,542	Completed
2	Chenghua District, Chengdu	Hi-Shanghai	Residential and commercial	100%	61,506	254,885	1,561	200,212	Completed
3	Beibei District, Chongqing	Hi-Shanghai	Residential and commercial	100%	30,845	74,935	1,007	59,893	Completed
4	Yuhang District, Hangzhou	Hi-Shanghai (Phase I)	Residential and commercial	85%	74,864	230,484	776	150,296	Completed
5	Yuhang District, Hangzhou	Hi-Shanghai (Phase II)	Residential and commercial	85%	59,640	198,203	3,315	134,361	Completed
6	Wuxing District, Huzhou	Hurun Commercial Plaza	Commercial	100%	13,661	27,322	–	–	Under Planning
7	Wuxing District, Huzhou	SIIC Tianlan Bay	Residential and commercial	100%	115,647	193,292	24,397	128,440	Completed
8	Wuxing District, Huzhou	SIIC Yungjing Bay	Residential	100%	68,471	207,906	91,212	147,184	Completed
9	Shilaoren National Tourist Resort, Qingdao	International Beer City	Composite	100%	227,675	806,339	–	327,831	2014 to 2022, in phases
10	Fengze District, Quanzhou	Sea Palace	Residential and commercial	100%	170,133	1,064,099	32,653	258,256	2017 to 2025, in phases
11	Baoshan District, Shanghai	Era of Elites (Phase I)	Residential	100%	26,600	73,798	25,630	40,579	2022
12	Baoshan District, Shanghai	Era of Elites (Phase II)	Residential	100%	32,130	86,692	48,181	48,181	2022
13	Hongkou District, Shanghai	North Bund Lot No. 89 Project	Commercial and office	90%	23,037	230,568	–	–	2022
14	Jiading District, Shanghai	Sea Garden	Residential and commercial	100%	58,949	163,351	1,774	84,107	Completed
15	Jiading District, Shanghai	Essence of Shanghai	Residential and commercial	100%	32,991	75,559	625	40,419	Completed
16	Jingan District, Shanghai	Territory Shanghai	Residential	100%	32,512	114,737	3,867	84,895	Completed
17	Qingpu District, Shanghai	Belle Rive	Villa	51%	315,073	59,577	–	25,985	Phase II north land lot will commence new construction in the latter half of 2021, and is expected to be completed in 2024
18	Qingpu District, Shanghai	Shanghai Bay	Residential	51%	808,572	631,199	4994	268,141	2011 to 2023, in phases
19	Qingpu District, Shanghai	He Villa/Sea County	Residential	51%	162,708	121,683	99	85,194	Completed
20	Wuzhong District, Suzhou	Sudi Lot 2017-WG-10	Residential	100%	40,817	126,881	–	–	2022
Sub-total					**2,361,299**	**4,812,076**			

	City	Projects of SI Urban Development	Type of property	Interest attributable to SI Urban Development	Approximate site area (square meters)	Planned total GFA (square meters)	Pre-sold during the year (square meters)	Total GFA sold (square meters)	Expected date of completion
1	Chaoyang District, Beijing	Youngman Point	Residential and commercial	100%	112,700	348,664	–	258,814	Completed
2	Haidian District, Beijing	West Diaoyutai • Emperor Seal	Residential	97.5%	42,541	250,930	11,374	212,640	Completed
3	Jiulongpo District, Chongqing	Top City	Residential, commercial and office	100%	120,014	786,233	–	376,424	Completed
4	Huaqiao Town, Kunshan	Yoooou.net	Commercial and office	30.7%	34,223	129,498	–	63,021	Completed
5	Baoshan District, Shanghai	Shangtou Baoxu	Residential	71.3%	118,880	306,167	5,330	115,447	Completed
6	Minhang District, Shanghai	Urban Cradle	Residential and commercial	53.1%	943,000	1,226,298	15,361	839,405	Completed
7	Minhang District, Shanghai	Shanghai Jing City (including "晶秀坊")	Residential and commercial	59%	301,908	772,885	34,592	595,001	Completed
8	Minhang District, Shanghai	TODTOWN	Residential, commercial, hotel, office and apartment office	20.7%	117,825	605,000	18,348	74,553	2020 to 2024, in phases
9	Minhang District, Shanghai	Contemporary Art Villa • Jade Villa	Residential	100%	116,308	80,777	6,988	76,839	2018 to 2022, in phases
10	Minhang District, Shanghai	Contemporary Splendour Villa • Courtyard Villa	Residential	100%	120,512	191,636	16,322	66,584	Completed
11	Minhang District, Shanghai	Shangtou Xinhong	Residential and commercial	90%	89,432	289,271	–	–	2021 to 2023, in phases
12	Minhang District, Shanghai	Chenghang Project	Commercial and office	80%	20,572	60,195	–	–	Completed
13	Minhang District, Shanghai	Shenzhicheng project	Rental leasing	29.5%	47,435	128,075	–	–	2022
14	Minhang District, Shanghai	Chenglong project	Rental leasing	59%	47,383	118,458	–	–	2023
15	Songjiang District, Shanghai	Shanghai Youth City	Commercial and office	100%	57,944	212,130	–	139,840	Completed
16	Xuhui District, Shanghai	Jingxiang Project	Rental leasing	59%	17,161	48,050	–	–	2022
17	Xuhui District, Shanghai	Guilin Road Aerospace project	Scientific research and design and residential leasing	21.2%	91,160	590,165	–	–	2025 to 2026, in phases
18	Heping District, Shenyang	Shenyang U Centre	Commercial, office and serviced apartment	100%	22,651	228,768	–	71,660	Completed
19	Futian District, Shenzhen	China Phoenix Tower	Residential, commercial and office	91%	11,038	106,190	–	78,343	Completed

	City	Projects of SI Urban Development (continued)	Type of property	Interest attributable to SI Urban Development	Approximate site area (square meters)	Planned total GFA (square meters)	Pre-sold during the year (square meters)	Total GFA sold (square meters)	Expected date of completion
20	Hedong District, Tianjian	Hedong Polytechnic University Project • 仰山華庭	Residential and commercial	100%	42,146	122,200	–	–	2024
21	Nankai District, Tianjian	Laochengxiang	Residential, commercial and office	100%	244,252	752,883	–	582,737	Completed
22	Yangtze New District, Wuhan	Yangluo Project • 香開長龍	Residential and commercial	28.9%	257,600	452,000	8,617	8,617	2024 to 2027, in phases
23	Binghu District, Wuxi	Urban Development International Center	Commercial, hotel, office and serviced apartment	59%	24,041	193,368	–	41,900	Completed
24	Chanba Ecotope, Xi'an	Originally	Residential, commercial and hotel	71.5%	2,101,967	3,899,867	127,829	2,630,125	2008 to 2025, in phases
25	Chanba Ecotope, Xi'an	Qiyuan Road Project	Residential	100%	51,208	102,418	–	–	2023 to 2024, in phases
26	Zhifu District, Yantai	Yantai Project	Residential and commercial	100%	77,681	159,100	–	–	2022 to 2024, in phases
Sub-total					**5,231,582**	**12,161,226**			

	City	Projects of the Company	Type of property	Interest attributable to the Company	Approximate site area (square meters)	Planned total GFA (square meters)	Pre-sold during the year (square meters)	Total GFA sold (square meters)	Expected date of completion
1	Qingpu District, Shanghai	Belle Rive	Villa	49%	315,073	59,577	–	25,985	Phase II north land lot will commence new construction in the latter half of 2021, and is expected to be completed in 2024
2	Qingpu District, Shanghai	Shanghai Bay	Residential	49%	808,572	631,199	4,994	268,141	2011 to 2023, in phases
3	Qingpu District, Shanghai	He Villa/Sea County	Residential	49%	162,708	121,683	99	85,194	Completed
Sub-total					**1,286,353** [1]	**812,459** [1]			
Total					**8,879,234** [1]	**17,785,761** [1]			

Major Future Development Projects

	City	Projects of SI Development	Project type	Interest attributable to SI Development	Approximate site area (square meters)	Planned total GFA (square meters)	Expected date of completion
1	Hongkou District, Shanghai	North Bund Lot No. 90	Commercial and office	100%	12,725	110,932	2024
2	Hongkou District, Shanghai	North Bund Lot No. 91	Commercial and office	50%	34,585	453,958	Under Planning
3	Qingpu District, Shanghai	Zhujiajiao Lot D2	Residential and Commercial	51%	349,168	177,954	Under Planning
Sub-total					**396,478** [1]	**742,844** [1]	

	City	Projects of SI Urban Development	Project type	Interest attributable to SI Urban Development	Approximate site area (square meters)	Planned total GFA (square meters)	Expected date of completion
1	Pilot Free Trade Zone, Shanghai	Lingang Project • 雲湖景苑	Residential	47.2%	41,961	104,903	2024
2	Qingpu District, Shanghai	Qingpu Project • 雲和雅苑	Residential	59%	30,052	45,077	2023
Sub-total					**72,013**	**149,980**	

	City	Projects of the Company	Project type	Interest attributable to the Company	Approximate site area (square meters)	Planned total GFA (square meters)	Expected date of completion
1	Qingpu District, Shanghai	Zhujiajiao Lot D2	Residential and commercial	49%	349,168	177,954	Under planning
2	Qingpu District, Shanghai	Shanghai Lot F	Villa	10%	350,533	175,267	Under planning
3	Qingpu District, Shanghai	Shanghai Lot G	Villa	10%	401,274	200,637	Under planning
Sub-total					**1,100,975** [1]	**553,858** [1]	
Total					**1,569,466** [1]	**1,446,682** [1]	

Note:
1. There are duplicate figures in the GPA of Belle Rive, Shanghai Bay and He Villa/Sea County in Shanghai and Zhujiajiao Lot D2 in Shanghai.

Major Investment Properties

	City	Projects of SI Development	Project type	Interest attributable to SI Development	Total GPA for investment properties (square meters)
1	Wenjiang District, Chengdu	Orchard Forest	Commercial	100%	769
2	Qingdao Economic Development Zone	Dali Plaza	Commercial	76%	21,495
3	Laoshan District, Qingdao	Shanghai Industrial Investment Centre	Office	100%	25,055
4	Fengze District, Quanzhou	Sea Palace (Phase I, Linghai Yuan)	Commercial	100%	1,451
5	Changning District, Shanghai	Super Ocean Finance Center	Office	100%	2,321
6	Changning District, Shanghai	United 88	Office Commercial Parking lot	100% 100% 100%	50,560 38,923 28,457
7	Hongkou District, Shanghai	Gao Yang Commercial Centre	Office	100%	22,187
8	Hongkou District, Shanghai	Gao Yang Hotel	Office	100%	3,313
9	Huangpu District, Shanghai	Golden Bell Plaza	Office Office Parking lot	100% 90% 90%	9,801 42,371 4,870
10	Huangpu District, Shanghai	Huangpu Estate	Commercial	100%	20,918
11	Huangpu District, Shanghai	No. 108 Haichao Road	Commercial	100%	474
12	Jiading District, Shanghai	Essence of Shanghai	Commercial	100%	14,489
13	Jingan District, Shanghai	Territory Shanghai	Commercial	100%	1,559
14	Pudong New District, Shanghai	No. 1111 Shangchuan Road	Industrial	100%	40,208
15	Pudong New District, Shanghai	Huashen Building	Office	100%	344
16	Xuhui District, Shanghai	Shanghai Industrial Investment Building	Office Office Parking lot	100% 74% 74%	10,089 14,096 8,692
17	Xuhui District, Shanghai	Yonglong Building	Office	100%	798
18	Yangpu District, Shanghai	Hi-Shanghai	Commercial Parking Lot	100% 100%	22,027 22,000
19	Zhabei District, Shanghai	No. 235 Zhongshan Road North (portion)	Office	100%	1,434
20	Xiqing District, Tianjin	Rhine Tocon	Commercial	100%	5,961
Sub-total					**414,662**

	City	Projects of SI Urban Development	Project type	Interest attributable to SI Urban Development	Total GPA for investment properties (square meters)
1	Chaoyang District, Beijing	Youngman Point	Commercial[2]	100%	19,768[1]
2	Jiulongpo District, Chongqing	Top City	Commercial[2], office and parking lot	100%	317,405[1]
3	Changning District, Shanghai	ShanghaiMart	Exhibition hall, stores and mart, office and parking lot	51%	284,651
4	Songjiang District, Shanghai	Shanghai Youth City	Commercial[2]	100%	16,349[1]
5	Xuhui District, Shanghai	Urban Development International Tower	Office	59%	45,239
6	Xuhui District, Shanghai	YOYO Tower	Commercial[2]	59%	13,839
7	Futian District, Shenzhen	China Phoenix Tower	Office	91%	1,048[1]
8	Heping District, Shenyang	Shenyang U Centre	Commercial[2] and office	100%	60,711
9	Chanba Ecotope, Xi'an	Originally	Commercial[2]	71.5%	31,674[1]
10	Shanghai, Tianjin and Kunshan	Others	Commercial[2], office and parking lot	–	93,196
Sub-total					**883,880**
Total					**1,298,542**

Notes:
1. Such total GFAs are duplicate figures, which have been included in the Major Development Properties table.
2. Mainly includes shopping malls.

CONSUMER PRODUCTS

The Group's consumer-products business made a profit for the year of HK$670 million, representing an increase of 29.2% over the previous year and accounting for approximately 17.0% of the Group's Net Business Profit. In 2021, Nanyang Tobacco made every effort to expand its business, creating "new business, new products, new markets and new channels" to ensure the long-term, comprehensive and healthy development of the company's business. During the year, the company actively pursued its internationalization and market-oriented operation capabilities, created a new model of overseas manufacturing for Nanyang Tobacco, and strengthened cooperation with strong partners overseas, with the goal of becoming a regional industry-leading tobacco product operator. Simultaneously, it continued to promote technological innovation and deepened the technical content for long-term sustainable development. For Wing Fat Printing, its tobacco and wine packaging business made solid profits, the medicine-packaging business steadily became a new source of profits, and the moulded-fibre business made good progress for its diversified development, presenting an encouraging business environment for the company.

Tobacco

2021 was a year of extraordinary innovation for Nanyang Tobacco. In response to the impact of the pandemic on world trade and the tobacco industry, the company flexibly adjusted its development strategy and focused on seeking progress with stability. Under the corporate development policy of "Ensuring healthy internal operation and external development; strengthening business growth; and pursuing excellence", everyone in the company worked hand in hand to overcome difficulties, and made every effort to consolidate the foundation, strengthen production, and capitalize on its branding to build platforms that will enhance its value and continue the legacy of the century-old Nanyang Tobacco. The turnover and profit after tax of Nanyang Tobacco for the year were HK$2,379 million and HK$499 million respectively, representing an increase of 27.4% and 38.2%, respectively over the previous year. This is mainly attributable to the fact that the exports and ship-tobacco business have resumed large-scale production and shipments since the third quarter of 2021, together with the resumption of operation of a small number of duty-free stores such as the Zhuhai port since the fourth quarter of 2020. During the year, Nanyang Tobacco made great efforts to establish on-going prevention-and-control measures for the epidemic to ensure orderly production and operation.

Nanyang Tobacco successfully secured the exclusive distribution rights for the duty-free market in the United Arab Emirates in 2021, after procuring the exclusive distribution rights last year for a number of brands from a major cigarette manufacturer in mainland China for the duty-free market in Indonesia. The two markets have great potential for development and the company will gradually expand the duty-free market in Asia to broaden its scope of operation and increase profitability. With the promotion of local production of cut tobacco under the strategic cooperation framework between Nanyang Tobacco and a major cigarette manufacturer in mainland China, Nanyang Tobacco has been able to develop a full industry chain cooperation model from a simple OEM model to tobacco procurement, process technology and market cooperation. In addition, Nanyang Tobacco will also speed up its entry into overseas duty-paid markets, and explore overseas production and sales platforms. The company pushed forward the construction of its production base in Malaysia during the year, made considerable efforts to establish overseas industry advantages, and paved its way for a development path beginning with the duty-paid markets in Southeast Asia, leveraging on the advantage of ASEAN tax benefits.

In 2021, Nanyang Tobacco focused on brands, distribution channels and resources to broaden its markets and seize new opportunities. Profits were maximized through the establishment of traditional brand product groups, strengthening product group operations and optimizing product structure. Since the beginning of the year, the company has been deeply involved in the sales strategy of distribution channels, grasping the rhythm of supply and sales to maintain the dynamic balance of production and sales, focused on key channels, and actively prepared for the resumption of customs clearance in advance. Taking the initiative in brand cultivation, the company launched a classic series of innovative cigarettes and a nostalgic series of new products against the trend, catering to market demand and receiving good market feedback. Promoting the integration and unification of regional markets, Nanyang Tobacco also coordinated and linked all segments of the supply chain and gave full play to platform operation and terminal channel capabilities, creating additional opportunities for the growth of traditional brands and laying a foundation for volume and price increases in 2022.

Continuing to promote technical innovation, integrate technology for its production for the company's high-quality development, Nanyang Tobacco completed the construction of a production platform for composite filter rods during the year and made significant progress in the technical research of shaped nozzle for heterotypic tobacco, enabling the production of different specifications of filter rods to be converted flexibly and quickly. The company also completed the development project of heterotypic cans to consolidate its leading position in the canned tobacco market with the world's first oval-shaped heterotypic cans. The production optimization project of flexible workshops, which improved the quality of products and achieved significant results in the research of the whole process of exquisite production, from the source of materials to the wrapping techniques, were also completed with significant improvements in the stability and reliability of the process of turning cut tobacco into wrapping.

Printing

Wing Fat Printing recorded a turnover of HK$1,927 million for the year 2021, an increase of 15.4% over the previous year. The net profit amounted to HK$187 million, representing a year-on-year increase of 11.0%. The growing trend of the company's revenue remained satisfactory for the year, which was mainly due to planning and preparation at an early stage. The timely expansion of the medicine-packaging business helped reduce the impact of structural fluctuations in the company's business. The diversification of customers in the moulded-fibre business achieved substantial breakthroughs, easing the impact of fluctuations from a single customer. During the year, the packaging business also seized the opportunity brought about by the high prosperity of the downstream wine industry in recent years. All these factors have resulted in the best performance of the company when compared with that of the past several years. With the help of multi-drivers, Wing Fat's results for the year reached a 10-year high. Affected by complex and multiple factors such as changes in business structure and wide fluctuations in raw material prices during the year, the company's overall profit margin was greatly mitigated. Finally, under the multi-faceted efforts of stabilizing scale, saving expenses and improving efficiency, the company secured steady growth of operating net profit for the year against the adverse trend, exceeding the annual target.

In the face of the pandemic that continued to ravage the world and the challenges of a series of economic reactions caused by it, the operations of packaging manufacturing enterprises, at the end of the B-to-B business chain, faced huge challenges. The good results achieved by Wing Fat against all odds come from the trust and support of customers, shareholders and partners, from the company's right strategic choices and execution, and from the unremitting efforts and hard work at all levels of the company. Assuming the pandemic will continue to linger for a while, the business challenges of the company in the future will definitely be more severe. Under the guidance of the established strategy, Wing Fat will capitalize on the unprecedented opportunities of the times and accurately analyze and overcome the challenges of unprecedented changes. It will, as always, adhere to its strategy and make steady and solid efforts to achieve various business goals in 2022.

KEY FIGURES

	2021	2020	Change %
Results			
Revenue (HK$'000)	38,747,951	27,137,601	42.8
Profit attributable to owners of the Company (HK$'000)	3,745,505	2,218,877	68.8
Earnings per share – basic (HK$)	3.429	2.014	70.3
Dividend per share (HK cents)	102	89	
– Interim – cash (paid)	48	22	
– shares in specie (paid) note	–	15	
– Final (proposed)	54	52	
Dividend payout ratio			
– Cash and Shares in specie (note (a))	29.8%	44.2%	
– Cash	29.8%	36.8%	
Interest cover (note (b))	8.4 times	5.6 times	

	2021	2020	Change %
Financial Position			
Total assets (HK$'000)	207,710,535	194,882,370	6.6
Equity attributable to owners of the Company (HK$'000)	47,439,454	43,678,766	8.6
Net assets per share (HK$)	43.63	40.18	8.6
Net debt ratio (note (c))	52.17%	63.35%	
Gearing ratio (note (d))	44.14%	40.98%	
Number of shares in issue (shares)	1,087,211,600	1,087,211,600	

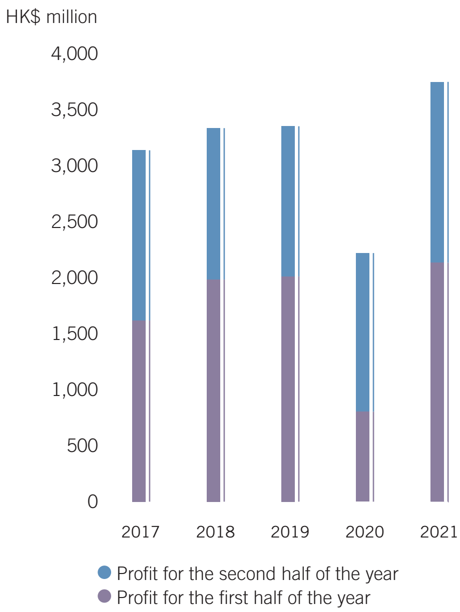
Note (a): (cash dividend per share + fair value of distributed share in specie per share)/earnings per share
Note (b): (profit before taxation, interest expenses, depreciation and amortization)/interest expenses
Note (c): (interest-bearing loans – cash)/equity attributable to owners of the Company
Note (d): interest-bearing loans/(equity attributable to owners of the Company + non-controlling interests + interest-bearing loans)

Note: The Company has paid an interim dividend for 2020 in cash of HK22 cents per share and an interim special dividend in the form of distribution in specie on the basis of 1 SIUD Share for every 5 shares of the Company held. Based on the closing price of SIUD on 22 October 2020 (the date of despatch of the SIUD Shares), the interim special dividend was HK$0.15 per share.

I ANALYSIS OF FINANCIAL RESULTS

1 Profit attributable to owners of the Company

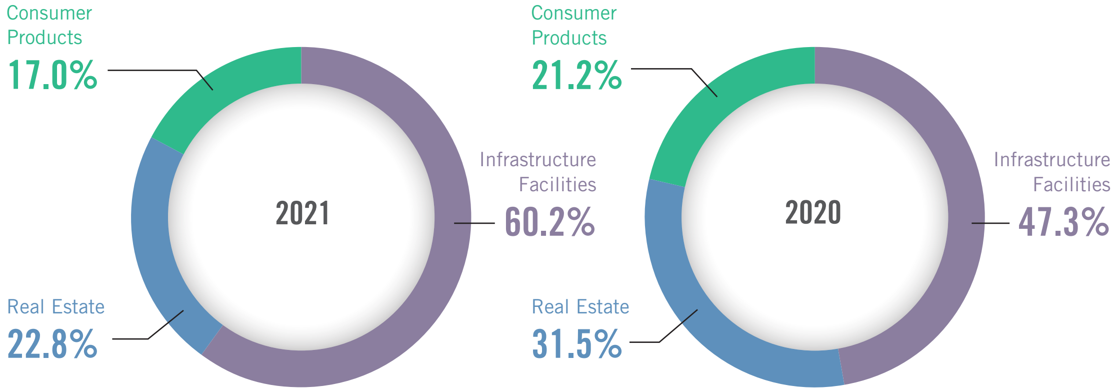
For the year ended 31 December 2021, the Group recorded a profit attributable to owners of the Company of HK$3,745.51 million, an increase of HK$1,526.63 million or approximately 68.8% as compared to 2020.



2 Profit Contribution from Each Business

The profit contributed by each business in the Group for the year 2021 and the comparative figures last year was summarized as follows:

	2021 HK$'000	2020 HK$'000	Change %
Infrastructure Facilities	2,369,195	1,155,820	105.0
Real Estate	895,314	770,114	16.3
Consumer Products	669,579	518,338	29.2
	3,934,088	2,444,272	61.0



Net profit from the infrastructure facilities business for the year amounted to approximately HK$2,369.20 million, accounting for 60.2% of Net Business Profit, and representing a year-on-year increase of 105.0%.

Due to the outbreak of the COVID-19 epidemic in early 2020, the Ministry of Transport of the People's Republic of China introduced toll exemption measure for toll roads and bridges during the pandemic period, which together with the waivers of toll mileage for the entry sections, led to a significant decrease in toll revenue, and in turn resulted in a substantial decrease in profit contributions from toll roads and bridge business. In addition, the implementation of waiver policy of toll mileage for the entry sections last year has resulted in the impairment of the operating rights of the Hu-Kun Expressway, which has led to a lower base of profit in last year. While the toll revenue resumed normal for the year, profit contributions from toll roads and bridge business returned to pre-pandemic level, and compensation was received for the decrease of toll mileage for the entry sections.

The profit of water services and waste-to-energy business increased by 33.9% year-on-year. Of which, the profit contribution from SIIC Environment for the year increased by 20.3%, mainly driven by its operating income growth. The increase in the profit contribution from Canvest Environmental and waste-to-energy business recorded additional profit contribution from SUS Environment that was acquired at the end of 2020.

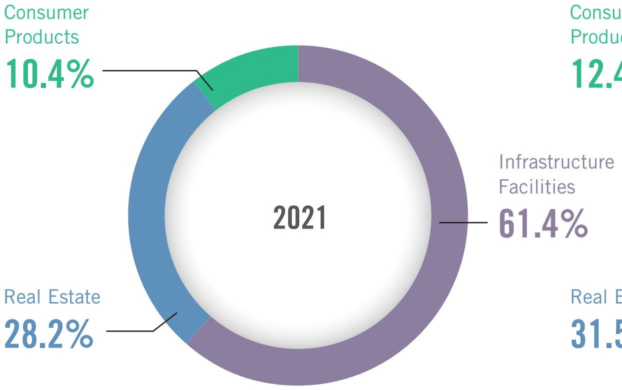
The real estate business recorded a profit of approximately HK$895.31 million, accounting for 22.8% of the Net Business Profit, and representing an increase of approximately HK$125.20 million over 2020. The increase was mainly due to the recognition of property sales revenue during the year for the Shanghai Bay project, in which the Company holds 49% interest directly. Despite the gain generated by SI Development from the disposal of the investment property located at No. 815 Dongdaming Road, Hongkou District, the net profit contribution from SI Development has declined as large amount of impairment was made by SI Development for the accounts receivable, prepayment, inventory and goodwill of SIIC LongChuang, a subsidiary of SI Development, as well as real estate projects, led to net profit contribution of SI Development decreased, partly offset the increase in the profit of the real estate business.

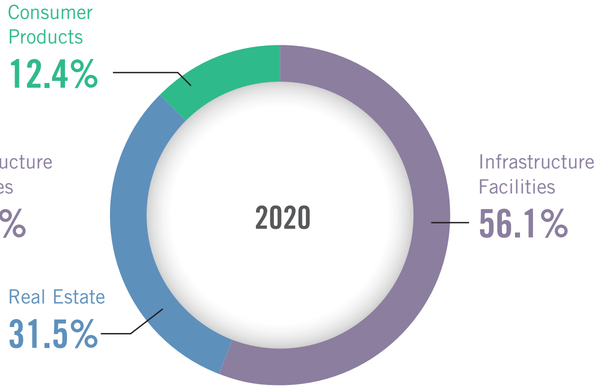
The consumer products business recorded a net profit of HK$669.58 million for the year, accounting for 17.0% of Net Business Profit, and representing a year-on-year increase of 29.2%. The cigarette sales of Nanyang Tobacco increased by 27.4% year-on-year, while the net profit increased by HK$138.01 million or 38.2%. The increase was mainly attributable to the lower bases of sales and profit last year resulted from the relevant epidemic prevention-and-control measures implemented last year. The sales of Wing Fat Printing was up by 15.0% year-on-year. Since the recovery of domestic alcohol consumption, Wing Fat Printing's wine packaging business, with relatively low gross profit margin, recorded a significantly growth in sales year-on-year. Despite the fact that the operating profit has declined as compared with last year, the net profit contribution from Wing Fat Printing increased by 8.4% due to net gain of HK$53.15 million from disposal of its 37.23% equity interest in Jinan Quanyong recorded in the year.

3 Revenue

The Group's revenue by principal activities for the year 2021 and the comparatives of last year was summarized as follows:

	2021 HK$'000	2020 HK$'000	Change %
Infrastructure Facilities	10,913,937	8,538,488	27.8
Real Estate	23,786,981	15,233,047	56.2
Consumer Products	4,047,033	3,366,066	20.2
	38,747,951	27,137,601	42.8





In 2021, the revenue amounted to approximately HK$38,747.95 million, representing a year-on-year increase of 42.8%. The increase was attributable to the low base of income of the infrastructure facilities business for the last year resulting from the toll exemption measure for 79 days during the pandemic period under the national policy, coupled with the waivers of toll mileage for the entry sections and the lesser construction activities in progress made by SIIC Environment; the year-on-year increase in booked revenue upon delivery of the properties by the real estate business; and the year-on-year increase in export cigarette sales and wine packaging sales of the consumer products business.

4 Profit before Taxation

(1) Gross profit margin

Compared to 2020, the overall gross profit margin increased by 2.2 percentage points, mainly due to increase in the proportion of delivery of properties with relatively high margin in the real estate business.

(2) Other income, gains and losse

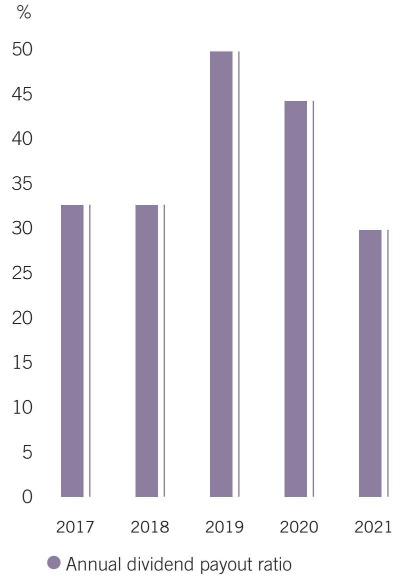
Other income, gains and losses for the year was mainly due to the large amount of impairment made by SI Development for the accounts receivable, prepayment, inventory and goodwill of SIIC LongChuang, a subsidiary of SI Development, as well as real estate projects. Last period was mainly due to decrease in fair value of the investment properties and the impairment loss of the toll road operating rights.

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

Gain for the year was mainly attributable to the disposal of equity interests in several subsidiaries and an approximately 37.23% equity interest in an associate, Jinan Quanyong. Gain for last period was mainly attributable to the disposal of 67% and 100% equity interests in subsidiaries Hunan Qianshuiwan, Ltd. and Sichuan Kemei respectively, and 23.97% equity interests in Wufangzhai, an associate of the Company.

5 Dividend

The Board of Directors of the Group has proposed to declare a final dividend of HK54 cents per share (2020: HK52 cents per share), together with an interim cash dividend of HK48 cents per share (2020: HK22 cents per share and distribution of SIUD shares at fair value of HK15 cents per share), the total dividend amounted to HK 102 cents per share (2020: HK89 cents per share). Annual dividend payout ratio is 29.8% (2020: 44.2%).

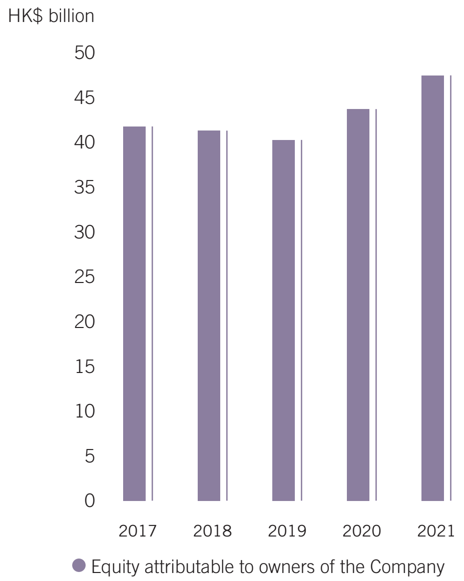


II FINANCIAL POSITION OF THE GROUP

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

Equity attributable to owners of the Company reached HK$47,439.45 million as at 31 December 2021, 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 2021, the total borrowings of the Group including bank borrowings and other borrowings amounted to approximately HK$64,276.28 million (31 December 2020: HK$56,973.81 million), of which 72.3% (31 December 2020: 70.3%) was unsecured credit facilities. The proportions of US dollars, Renminbi and HK dollars of total borrowings were 2%, 89% and 9% (31 December 2020: 3%, 85% and 12%) respectively.

(2) Pledge of assets

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

(a) investment properties with an aggregate carrying value of HK$11,876,715,000 (31 December 2020: HK$10,334,774,000);

(b) leasehold land and buildings with an aggregate carrying value of HK$11,609,000 (31 December 2020: HK$70,816,000);

(c) plant and machineries with an aggregate carrying value of HK$189,290,000 (31 December 2020: HK$192,379,000);

(d) receivables under service concession arrangements/intangible assets with an aggregate carrying value of HK$19,149,719,000 (31 December 2020: HK$16,744,560,000);

(e) properties under development held for sale with an aggregate carrying value of HK$17,448,191,000 (31 December 2020: HK$12,537,442,000);

(f) properties held for sale with an aggregate carrying value of HK$259,702,000 (31 December 2020: nil);

(g) trade receivables with an aggregate carrying value of HK$289,972,000 (31 December 2020: HK$196,344,000);

(h) bank deposits with an aggregate carrying value of HK$709,526,000 (31 December 2020: HK$806,864,000);

(i) equity interests of subsidiaries with aggregate carrying value of HK$184,049,000 (31 December 2020: 178,190,000); and

(j) land use rights included in right-of-use assets, with aggregate carrying value of HK$966,000 (31 December 2020: HK$1,074,000).

(3) Contingent liabilities

As at 31 December 2021, the guarantees given to banks by the Group in respect of banking facilities utilised by property buyers, associates and jointly controlled entities amounted to approximately HK$6,535.52 million, HK$1,337.11 million and HK$2,024.89 million (31 December 2020: HK$7,254.14 million, HK$1,411.37 million and nil) respectively.

3 Capital Commitments

As at 31 December 2021, the Group had capital commitments mainly contracted for business developments and investments in fixed assets of HK$14,587.51 million (31 December 2020: HK$15,606.16 million). The Group had sufficient internal resources and/or through loan markets for the finance of its capital expenditures.

4 Bank Balances and Short-term Investments

As at 31 December 2021, bank balances, pledge bank deposits and short-term investments held by the Group amounted to HK$39,527.91 million (31 December 2020: HK$29,303.60 million) and HK$414.89 million (31 December 2020: HK$632.75 million) respectively. The proportions of US dollars and other currencies, Renminbi and HK dollars of bank balances were 3%, 84% and 13% (31 December 2020: 4%, 85% and 11%) respectively. Short-term investments mainly consisted of investments such as bonds, Hong Kong and PRC listed shares.

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

III MANAGEMENT POLICIES FOR FINANCIAL RISK

1 Currency Risk

The Group mainly operates in China and the Hong Kong Special Administrative Region and the exposure in exchange rate risks mainly arise from fluctuations in the US dollar, Singapore dollar, HK dollar and Renminbi exchange rates. The management monitors foreign currency exposure and will also consider hedging significant foreign currency exposures and adopting suitable measures where necessary.

2 Interest Rate Risk

The Group's fair value and cash flow interest rate risks mainly relate to fixed and variable rates borrowings. In order to exercise prudent management against interest rates risks, the Group continues to review market trends against its business operations and financial position in order to arrange the most effective interest rate risk management tools.

3 Price Risk

The Group's price risks are mainly concentrated on equity instruments quoted in the HKSE and the Shanghai Stock Exchange. The management strictly monitors this exposure by maintaining a portfolio of investments with different levels of risks. In addition, a special team has been appointed by the management to monitor price risks and hedging against such risk exposures will be made should the need arises.

4 Credit Risk

The Group's principal financial assets are receivables under service concession arrangements, contract assets, pledged bank deposits, short-term bank deposits, bank balances and cash, securities and debt investments and trade and other receivables. The Group's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the consolidated statement of financial position are net of allowances for doubtful receivables and expected credit loss. An allowance for impairment and expected credit loss are made according to the Group's accounting policy or where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows.

With respect to the credit risk of the Group's treasury operations, all bank balances and cash, securities and debt investments of the Group must be placed and entered into with sound and reputable financial institutions. Strict requirements and restrictions in relation to the outstanding amount and credit ratings on securities and debt investments to be held are followed in order to minimize the Group's credit risk exposures.

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining sound corporate governance practice and enhancing its standards. To ensure its sustainable development and protect the interests of its Shareholders and stakeholders, the Group has established standardized internal-control and risk-management systems, and adheres to the principles of transparency and accountability to monitor operational, financial and compliance as well as other risk factors.

CORPORATE GOVERNANCE STRUCTURE

Different functional committees and administrative units have been established to ensure that the principles of good governance are observed and that corporate governance measures formulated by the Board are properly implemented.

In accordance with the requirements for the Corporate Governance Code, the Company consistently oversaw its risk management and internal control systems of the Company and its subsidiaries during the year to ensure the effectiveness and appropriateness of the systems, in addition to internal audits conducted for subsidiaries within the Group. The scope of such reviews covered financial, operational and compliance controls.

COMPLIANCE WITH CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in the Corporate Governance Code for the year ended 31 December 2021. Details of the principles and practices of governance of the Company and all major work and relevant changes during the year are set out in this report.

STRATEGIC OBJECTIVES AND BUSINESS MODEL

In accordance with its work plans, the Group has strategically positioned itself as a Hong Kong based company that counts on the support of mainland China. Through effective allocation of resources outside the mainland as well as integration of capital and business operations, the Group has successfully turned itself into an enterprise that has built its foundation on three core areas of business, including infrastructure and environmental protection, real estate and consumer products. Capitalizing on future development opportunities in China, the Group strives to become an integrated investment red chip window company that will constantly create value for its shareholders. Based on its own resources and the internal and external factors of development, the Company will expand its infrastructure and environmental protection business, and continue to pursue the steady development of its real estate business as well as to enhance the growth of its consumer products business in the future.

BOARD OF DIRECTORS

The Board of Directors represents the highest level of authority in the management structure of the Company. It is mainly responsible for formulating the Group's long term business development strategies and operational direction, monitoring the Group's business and financial performance, formulating and reviewing the Group's corporate governance policies and day-to-day operations, as well as leading and supervising the management to ensure thorough implementation of the Board's decisions and effective performance of their duties.

Composition of the Board

As of the date of this report, the Board of Directors of the Company consists eight members as below:

Name of Director	Executive position in the Board	Years of service in the Group
Executive Director		
Shen Xiao Chu	Chairman	4 years
Zhou Jun	Vice Chairman & Chief Executive Officer	16.5 years
Xu Bo	Deputy CEO	10 years
Xu Zhan	–	7.5 years
Independent Non-Executive Director		
Woo Chia-Wei	–	26 years
Leung Pak To, Francis	–	26 years
Cheng Hoi Chuen, Vincent	–	9.5 years
Yuen Tin Fan, Francis	–	5.75 years

The members of the Board of the Company comprise professionals from different areas who have served in relevant PRC government authorities, enterprises in mainland China and Hong Kong and financial institutions, all of whom have extensive experience in corporate and financial administration, project management, asset management and international business.

No member of the Board is materially related to one another in terms of financial, business and family aspects. Brief biographical details of the Directors are set out on pages 50 to 51 of this Annual Report. In all corporate communication channels as well as the websites of the Company and the Stock Exchange, the composition of the Board according to the categories and duties of the Directors are disclosed.

Mr. Shen Xiao Chu and Mr. Zhou Jun are the Chairman and Chief Executive Officer of the Company respectively. Interpretation of the Responsibilities between the Chairman and the Chief Executive Officer have been adopted for the distinction between the two positions.

Independent Non-Executive Directors

The Company has four Independent Non-Executive Directors. They have the same fiduciary duties as those of the Executive Directors. The number of Independent Non-Executive Directors accounts for more than one-third of the number of members of the Board while no less than one of the Independent Non-Executive Directors has the relevant financial expertise required. All Independent Non-Executive Directors are also members of the respective Audit Committee, Remuneration Committee and Nomination Committee. Confirmation from each Independent Non-Executive Director concerning his independence according to Rule 3.13 of the Listing Rules has been received and they are considered as independent. During the year, all meetings were held with the use of telephone/video conference due to the impact of the pandemic. The Company will make its best endeavour to arrange the Chairman holding meetings and having communications with the Independent Non-Executive Directors without the presence of other Directors.

Terms of the Directors

According to the Directors' service agreements entered into between the Company and the existing three Executive Directors respectively, any party may terminate the agreement by giving to the other party prior written notice. In addition, the Company also issued appointment letters for one Executive Director and four Independent Non-Executive Directors, specifying an appointment term of three years, subject to renewal upon expiry.

At the 2021 annual general meeting, Mr. Shen Xiao Chu, Mr. Xu Bo and Mr. Cheng Hoi Chuen, Vincent retired by rotation and were re-elected in accordance with the Company's articles of association.

At the upcoming 2022 annual general meeting, Mr. Xu Zhan, Prof. Woo Chia-Wei and Mr. Leung Pak To, Francis shall retire by rotation in accordance with the articles of association of the Company. All of them, being eligible, have offered themselves for re-election. All of their biographical details are set out in the circular to Shareholders dispatched together with this Annual Report, so as to enable Shareholders to make an informed decision on their election.

Responsibilities of Directors

The Directors of the Company are dedicated to their duties diligently, and have taken an active participation in the Company's affairs to make valuable contribution to the business development of the Company. The Company has established the Procedures for Directors to Seek Professional Advice, and the Directors (also refers to board committee members) may seek independent professional advice according to such agreed procedures at the expense of the Company, to assist them perform their duties.

Every year, the Company also arranged liabilities insurance for directors and senior officers of the Company and its subsidiaries, providing certain protection for any legal liabilities risks they may have involved in the discharge of their duties as well as to possible legal claims made against the respective companies as a result.

Proceedings at Directors' Meetings

The schedule for convening regular meetings of the Board (also refers to board committees) for the whole year will be set at the end of the preceding year. The Board will convene at least four regular meetings a year. Save for non-regular meetings, notices of meeting and relevant materials will be given 14 days and 3 days before the date of the regular meetings of the Board (also refers to board committees) respectively. The Company Secretary will confirm with the Directors if any matters are required to be included in the agenda for regular meetings when they are sent out.

Meeting minutes are kept with the Company Secretary, copies of which will be sent to each Director for perusal and records. All matters considered and resolved at the meetings, including any concerns raised by the Directors or dissenting views expressed will be recorded in the minutes. Board papers and related materials are open for review at any time by any Director.

During the year, for those matters to be considered by the Board in which a substantial Shareholder or a Director had a material conflict of interest, these matters have been dealt with at physical board meetings. If any resolution of the board meeting involves material interests of any Director or any of his associates, such Director will abstain from voting and will not be counted in the quorum present at the meeting.

In 2021, 22 board meetings were held by the Company (12 of which were in the form of written resolutions). Please refer to the Business Review, Discussion and Analysis of this Annual Report for material decisions made by the Board during the year. The attendance of individual Directors and committee members in 2021 is set out below:

	Meetings held in 2021					
	Meetings attended/ Meetings held					
	Board	Executive Committee	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting
Number of meetings held in the year	**22**	**10**	**3**	**1**	**1**	**1**
Executive Director						
Shen Xiao Chu	22/22	10/10	–	–	–	1/1
Zhou Jun	22/22	10/10	–	–	–	1/1
Xu Bo	21/22	10/10	–	–	–	1/1
Xu Zhan	22/22	–	–	–	–	1/1
Independent Non-Executive Director						
Woo Chia-Wei	21/22	–	3/3	1/1	1/1	1/1
Leung Pak To, Francis	21/22	–	3/3	1/1	1/1	1/1
Cheng Hoi Chuen, Vincent	21/22	–	3/3	1/1	1/1	1/1
Yuen Tin Fan, Francis	21/22	–	3/3	1/1	1/1	1/1
Committee Member						
Li Han Sheng	–	–	–	1/1	1/1	–
Zhou Xu Bo	–	–	–	0/0	1/1	–
Tang Ming[2]	–	–	–	1/1	0/0	–
Attendance	**97.2%**	**100%**	**100%**	**100%**	**100%**	**100%**

Notes:
1. The attendance is accounted for by reference to the number of board meetings held during the tenure of each respective Director.
2. Mr. Tang Ming resigned as member of Remuneration Committee and Nomination Committee on 25 March 2021.

Securities Transactions by Directors

The Company has established its own Code for Securities Transactions by Directors or Relevant Employees, which was set on terms no less exacting than the required standards set out in the Model Code. Having made enquiries with all Directors and the relevant employees of the Company, each of them has confirmed that they have fully complied with the requirements of the Model Code and the code of the Company during 2021.

Directors' Training

Based on the Directors' training records, the trainings received by each Director for the year ended 31 December 2021 is summarized as follows:

Name of Director	Continuing professional development category To participate in training covering business, industries, corporate governance, regulatory development and other related topics. To read newspapers, publications and updated information about economics, commerce, directors' duties, etc.
Executive Director	
Shen Xiao Chu	√
Zhou Jun	√
Xu Bo	√
Xu Zhan	√
Independent Non-Executive Director	
Woo Chia-Wei	√
Leung Pak To, Francis	√
Cheng Hoi Chuen, Vincent	√
Yuen Tin Fan, Francis	√

Functions of Corporate Governance

The Board of the Company is responsible for performing corporate governance duties to develop and review the Group's policies and practices on corporate governance and make recommendations to the Board; to review and monitor the training and continuing professional development of Directors and senior management; to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements; to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and to review the Group's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

During the year, the Company also provided corporate governance guidelines and information from time to time to the Board members and member companies according to the latest laws and regulations, and ensured compliance with the relevant provisions of corporate governance by them. Furthermore, the Company has prepared the 2020 Environmental, Social and Governance Report during the year and will prepare the 2021 Environmental, Social and Governance Report according to relevant requirements of the Listing Rules.

DELEGATION BY THE BOARD

Board Committees

Currently four committees have been established under the Board, namely the Executive Committee, Audit Committee, Remuneration Committee and Nomination Committee. All committees are responsible to the Board, and shall report to the Board on the decisions or recommendations they made. The terms of reference of the Company's Audit Committee, Remuneration Committee and Nomination Committee have been published on the Company's website and the website of the Stock Exchange.

Executive Committee

Being a decision-making administrative body under the Board, the Executive Committee is primarily responsible for taking charge of the Company's day-to-day operations, ensuring proper execution of the resolutions passed by the Board and at the general meetings, reviewing major business activities and investments, and reporting to the Board.

All members of the Executive Committee are Executive Directors. As of the date of this report, members of the committee included Mr. Shen Xiao Chu, Mr. Zhou Jun and Mr. Xu Bo. Mr. Shen Xiao Chu is the chairman of the committee.

Major Work Done by the Executive Committee

In 2021, the Executive Committee held ten meetings in the form of written resolutions. The matters considered mainly included establishment of overseas enterprise by a subsidiary, disposal and acquisition of corporate equity interests, deregistration of subsidiaries and capital increase to entities, etc.

Audit Committee

The Audit Committee is mainly responsible for reviewing accounting policies and practices adopted by the Group. The committee also reviews matters relating to financial reporting as well as risk management and internal control, selects, appoints and dismisses external auditor and monitors the Company's relationship with the auditor. It also reviews the independence and objectivity of the external auditor and the effectiveness of the audit process, the nature and scope of audit services and related audit fees payable to the external auditors, and reports to and makes recommendations to the Board for decision-making. The Company has a system for employees to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the financial reporting, risk management and internal control of the Company.

As of the date of this report, the members of the Audit Committee included Mr. Cheng Hoi Chuen, Vincent, Prof. Woo Chia-Wei, Mr. Leung Pak To, Francis and Mr. Yuen Tin Fan, Francis. Mr. Cheng Hoi Chuen, Vincent is the chairman of the committee. The Company Secretary acts as the committee secretary.

Major Work Done by the Audit Committee

In 2021, the Audit Committee held three meetings. The matters considered at the meetings included review of the Group's results, review of the Company's financial reporting, risk management and internal control systems, review of internal audit, non-audit services, resources for accounting and financial reporting functions as well as appointment of external auditor for the coming year. During the year, not less than one meeting (including video conference) was held in the absence of Executive Directors for the Audit Committee to meet with the auditor.

Remuneration Committee

The Remuneration Committee is mainly responsible for reviewing the remuneration policy and structure of the Company as a whole and ensuring effective implementation of such policies. The committee also makes recommendations to the Board on the establishment of formal and transparent procedures for setting the remuneration policies and structure with regard to the Directors and senior management. The committee will determine the remuneration of Directors and senior management in accordance with corporate strategies and goals set up by the Board, and none of the Directors will determine his own remuneration.

For the year ended 31 December 2021 and up to the date of this report, changes of the Remuneration Committee are as follows:

- On 25 March 2021, Mr. Tang Ming has resigned as a member of the Remuneration Committee due to job re-arrangement. On the same day, Ms. Zhou Xu Bo was appointed as a member of the Remuneration Committee.

Following the said changes and as of the date of this report, the members of the Remuneration Committee included four Independent Non-Executive Directors, namely Prof. Woo Chia-Wei, Mr. Leung Pak To, Francis, Mr. Cheng Hoi Chuen, Vincent and Mr. Yuen Tin Fan, Francis, as well as representatives from the management, namely Mr. Li Han Sheng and Ms. Zhou Xu Bo. Prof. Woo Chia-Wei is the chairman of the committee while the Company Secretary acts as the committee secretary.

Major Work Done by the Remuneration Committee

In 2021, the Remuneration Committee held one meeting. The matters considered included distribution and payment of discretionary bonuses to the Directors, proposed adjustments for the remuneration of Directors and senior management, etc.

During the year, according to the Company's performance appraisal mechanism, salaries of the employees were reviewed taking into account the Company's performance, individual performance of the staff and the trend of the industry average to ensure a reasonable and competitive compensation package for its employees.

Determination of Directors' Remuneration

The remuneration of the Directors was determined with reference to the operating results of the Company, industry benchmarks and dedication of time by the Directors and their job responsibilities. Apart from basic salaries, the Directors are entitled to a discretionary bonus subject to the operating results of the Group, prevailing market conditions as well as the performance of the respective Directors.

Nomination Committee

The Nomination Committee is mainly responsible for setting transparent procedures of appointing new directors and director succession plans and making recommendations to the Board for candidates of new directors or for filling casual vacancies of the Board. The Company has formulated its Nomination Policy, which aims to lay down the nomination procedures for new members of the Board to ensure that the Board consists of members who are balanced in skill, experience and diversity in perspectives and satisfy the business requirements of the Company.

In selecting new directors or filling casual vacancies, the Nomination Committee will consider the candidate's professional qualification and skill, integrity and reputation, achievement and experience in the industry in which the Company operates, as well as his time commitment. The committee will nominate candidates it considers appropriate with reference to the standards of the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, racial, professional experience, technical, knowledge and lengths of service, etc.

According to the nomination procedures of the Nomination Policy, a committee meeting will be convened and Board members will be invited to nominate candidates, while candidates recommended by senior management or controlling shareholder of the Company will also be considered. Suitable candidates will then be submitted to the Board for consideration and approval. Directors appointed by the Board will retire and are eligible for re-election at the forthcoming general meeting after their appointment. A circular containing information of the Directors to be re-elected will be sent to Shareholders for their reference in relation to their voting as required by Rule 13.51(2) of the Listing Rules.

For the year ended 31 December 2021 and up to the date of this report, changes of the Nomination Committee are as follows:

- On 25 March 2021, Mr. Tang Ming has resigned as a member of the Nomination Committee due to job re-arrangement. On the same day, Ms. Zhou Xu Bo was appointed as a member of the Nomination Committee.

Following the said changes and as of the date of this report, the members of the Nomination Committee included four Independent Non-Executive Directors, namely Prof. Woo Chia-Wei, Mr. Leung Pak To, Francis, Mr. Cheng Hoi Chuen, Vincent and Mr. Yuen Tin Fan, Francis, as well as representatives from the management, namely Mr. Li Han Sheng and Ms. Zhou Xu Bo. Prof. Woo Chia-Wei is the chairman of the committee while the Company Secretary acts as the committee secretary.

Major Work Done by the Nomination Committee

In 2021, the Nomination Committee held one meeting in the form of written resolutions. The matters considered included review of the structure, size and composition of the Board and the evaluation of independence of Independent Non-Executive Directors, etc. As the members of the Board come with different professional perspectives, and in terms of the background of our major Shareholder and operation model of the Company, the committee is of the view that the Board basically demonstrates a diversified composition and structure.

EXECUTIVE MANAGEMENT

Management Executives

The duties of the Executive Committee as authorized by the Board are delegated to the management executives under the committee and will be performed by the respective functional departments. As of the date of this report, members of the management executives included Mr. Zhou Jun, Mr. Xu Bo, Mr. Li Han Sheng, Mr. Xu Zhan, Mr. Yang Qiu Hua and Mr. Yang Jian Wei. The functional departments of the Company included administration, company secretarial, corporate communications, finance, human resources, internal audit, investment operations, legal and the Shanghai regional head office.

Investment Appraisal Committee

The Company has established an Investment Appraisal Committee to evaluate the viability of its investment projects from different perspectives based on their expertise. Professional views are given by various functional departments in accordance with the Company's overall business investment strategies. After studying carefully the key project elements, such as industry background, organizational structure, business development plans, return on investment, financial and legal risk issues, the committee will form independent professional opinion and submit its recommendations and reports to the management executives for consideration. Such appraisals will then be submitted to the Executive Committee for approval according to procedures governing corporate investment decision making processes. The Investment Appraisal Committee mainly comprises representatives from respective functional departments at the Hong Kong headquarters and the Shanghai regional office. Current members of the committee are the Head of the Investment Operations Department, the Company Secretary and Chief Legal and Compliance Officer, the Chief Financial Officer and representative(s) from the Shanghai regional office. During the year, the Investment Appraisal Committee conducted appraisals on 18 projects.

COMPANY SECRETARY

The Company Secretary is mainly responsible for sound information communication among the members of the Board and the compliance of the policies and procedures of the Board and all applicable rules and regulations. The Company Secretary maintains a close relationship with each Director and the management and provides assistance and advice to the members of the Board when necessary. During the year, the Company Secretary provided assistance and opinion to the Chairman, Chief Executive Officer, other members of the Board and the management in respect of issues including policy and procedures of the Board, applicable laws and regulations and corporate governance from time to time, and arranges professional development programmes for the Directors, where applicable. The selection, appointment and dismissal of the Company Secretary are approved by the Board. Brief biographical details of the Company Secretary are set out on page 52 of this Annual Report and the Company's website.

ACCOUNTABILITY AND AUDITING

Appointment of External Auditor

In considering the re-appointment of external auditor, the Audit Committee has taken into consideration its relationship with the Company and its independence in the provision of non-audit services. An independence report has been submitted to the committee by the external auditor. Pursuant to the above, the Audit Committee has recommended the Board to re-appoint Messrs. Deloitte Touche Tohmatsu as the external auditor for the Company for 2022, subject to approval by Shareholders at the annual general meeting to be held on 31 May 2022.

The audit fee of the external auditor for 2021 amounted to HK$19,683,000. The Company has also established the Policies on Provision of Non-audit Services by External Auditor, and non-audit services provided to the Group were reported to the Audit Committee each year. The fees for the non-audit services provided to the Group by the Company's external auditor (including its affiliates) for the year were as follows:

Fees for non-audit services	**2021** **HK$'000**	2020 HK$'000
Financial due diligence of acquisition project and auditor's report fee	**5,461**	4,276
Tax consultation fee	**206**	261
Others	**1,411**	974
Total	**7,078**	5,511

Preparation of Financial Statements

The financial statements and interim report of the Company were prepared in accordance with the disclosure requirements set forth in Appendix 16 to the Listing Rules and Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and in accordance with the Companies Ordinance. The Board is responsible for preparing and reviewing the Group's accounts to ensure that they give a true and fair view on the financial position as well as the profits and cash flows of the Company. The Company has consistently applied appropriate accounting policies during the year, and has made prudent and reasonable judgments and estimates and prepared its accounts on a going concern basis. The external auditor stated in the independent auditor's report its opinion and report to the Shareholders on the relevant financial statements, and such report is set out on pages 72 and 76 of this Annual Report.

In accordance with the Corporate Governance Code, arrangements have been made by the management to provide monthly management updates to the Directors setting out updated information on the performance, financial status and prospects of the Company, to assist the Directors in performing their duties under the Listing Rules.

Risk Management and Internal Control

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving its strategic objectives and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The Board will also, through the Audit Committee, oversee management in the design, implementation and monitoring of the risk management and internal control systems, and management has provided a confirmation to the Board on the effectiveness of these systems during the year. An Internal Audit Department has been established for monitoring the prudent and effective operation of the Group's risk management and internal control systems (including those of all its major member companies) and respective reports will be made to the Audit Committee and the Board on a quarterly basis. The internal audit system is currently conducted in a cycle of three years. Internal audits will be conducted for all direct subsidiaries within the Group for the purpose of risk assessment according to the significance of the respective projects.

In early 2022, SI Development, a listing subsidiary of the Company announced that it has received regulatory work memo issued by the Shanghai Stock Exchange in relation to the outstanding account receivables payable to SIIC Longchuang, a 69.7849%-owned subsidiary of SI Development. Based on the investigation, outstanding account receivables amounted to approximately RMB2.615 billion as at 31 December 2021, some of such amounts may not be recoverable. The investigation is still in progress. Policies to improve the company management, personnel management and internal control of SIIC Longchuang have also been implemented. Save for the above, all major businesses of SI Development are operating normally and there is no risk relevant to the current accounts of the major businesses of SI Development.

Save as the above, no material deviation in the compliance guidance on risk management and internal controls by the subsidiaries was reported, and all subsidiaries have complied with the relevant laws and industry regulations in respect of financial reporting and legal compliance. No material non-compliance of rules or material litigation risk was reported, nor was there any fraud or corruption issue. For the year ended 31 December 2021, the Company has collected information and carried out investigations in respect of risk management and internal control issues for its subsidiaries. Key risk elements affecting the Group and contingency measures adopted were reported to the Audit Committee. In addition, the Board and the Audit Committee considered that the resources allocated, staff qualifications and experience in respect of the accounting, internal auditing and financial reporting functions of the Company as well as training programs and budget were adequate and sufficient.

SHAREHOLDERS

As at 31 December 2021, SIIC, the controlling Shareholder, indirectly held 683,843,748 Shares (excluding the interest in the underlying shares and short positions) with a shareholding percentage at approximately 62.90% (excluding the underlying Shares). The percentage of public shareholding was approximately 37.10%.

Connections with Shareholders, Other Stakeholders and Investors

The Company has established the Shareholders' Communication Policy to ensure that Shareholders can exercise their powers in an informed manner, and to allow Shareholders and investors to improve communications with the Company. In addition, the Board attaches great importance to Shareholders' opinion. Each annual general meeting has been taken as an opportunity to communicate directly with Shareholders and the questions raised by them will be addressed. Shareholders, other stakeholders and investors are also welcome to voice their concerns and valuable opinions by way of e-mails, telephone and in writing (details of which are contained on page 3 under the Section of "Shareholder Enquiries" of this Annual Report). These will be directed to the Company Secretary and forwarded to the Board.

Proceedings at General Meeting

The Company has established proceedings at general meetings which are subject to review and amendments according to regulatory requirements from time to time. During the year, at the general meetings of the Company, the chairman of the meeting exercised the power conferred under the articles of association of the Company that all voting for each proposed resolution was conducted by way of poll, with detailed procedures for voting by poll being provided to Shareholders and all questions raised regarding voting being answered as well. Poll results were published by an announcement on the same day of such general meetings after they had been held, while the same were uploaded on the website of the Company and the Stock Exchange for perusal by Shareholders.

Rights of Shareholders

Shareholders who wish to convene an extraordinary general meeting and move a motion thereat shall abide by the provisions under the Companies Ordinance and the articles of association of the Company. Details of the relevant requirements and procedures are set out in the relevant sections of "Corporate Governance" in the Company's website.

Convening a General Meeting

Pursuant to section 566 of the Companies Ordinance, shareholders representing at least 5% of the total voting rights of all shareholders are entitled to convene a general meeting. The request which may consist of several documents in like form must state the general nature of the business to be dealt with at the general meeting and may include the text of the resolutions proposed. It must be authenticated by the person making such requisition which must be sent to the Company in printed or electronic form for the attention of the Company Secretary.

Moving a Motion at General Meeting

Pursuant to section 615(2) of the Companies Ordinance, (1) shareholders representing at least 2.5% of the total voting rights of all shareholders; or (2) at least 50 shareholders with voting rights at the general meeting concerned may send their duly signed request to the Company in printed or electronic form for the attention of the Company Secretary for matters to be dealt with at a general meeting of the Company.

Recommendations of Director Candidates

Pursuant to article 105 of the articles of association of the Company, if a shareholder intends to nominate a person other than the retiring directors for election as a director at a general meeting, he/she shall deposit a written notice of such nomination to the Company's registered office for the attention of the company secretary within a period of seven days commencing on the following day after the dispatch of the notice of such meeting.

Significance Controllers Register

In accordance with the Companies (Amendment) Ordinance 2018, the subsidiaries of the Company incorporated in Hong Kong have set up their respective significant controllers' register. This enhances the transparency of the beneficial ownership of such companies to a certain extent.

Dividend Policy

The Company formulated its Dividend Policy to set out principles for the Board's consideration before making any dividend distribution. According to the Dividend Policy, dividends can only be paid out of profits and the Company may elect to make the distribution in cash, in specie or in scripts. The payout ratio shall be determined at the discretion of the Board, but there is no guarantee for dividend distribution. The decision of dividend distribution (if any) will be made after taking into account the financial, legal, taxation and internal conditions of the Company as well as dividends receivable from subsidiaries and global market condition. Generally speaking, all shares will rank pari passu in terms of dividend entitlement. After considering the plan and proposal of the management, the Board may, at its discretion, propose or decide to distribute interim dividends. Final dividends shall be proposed to the Shareholders for approval.

INVESTOR RELATIONS

Due to the COVID-19 pandemic in 2021, the Company has taken initiatives to cope with the prevention-and-control measures implemented by the Hong Kong government and to change its normal way of operation with increased online activities. For example, instead of holding traditional offline press conferences, the Group conducted two online results briefings in March and August. During the year, the Company also actively participated in online investor seminars, one-on-one meetings and roadshows organized by investment banks, fostering communication with investors and the media and continuing to promote the Company's presence and image in the capital market.

Online activities the Company participated during the year included investor conferences and carbon-neutral roadshows for listed companies, through which our senior management exchanged in-depth views with participants and explained to them our breakthroughs in business development and transformation. During the year, a corporate branding video was produced and broadcasted on different portal websites and an enterprise account was opened on a third party's online brokerage website to further promote our development in the area of environmental protection. While trying to meet the reading preferences of our investors, the Company has also made considerable efforts to enhance interaction with investors, achieving good results and feedback.

During the year, the Company received a number of team and individual awards, including the Fifth China IR Excellence Best Information Disclosure Accolade and the Most Socially Responsible Listed Company in the Sixth Golden Hong Kong Stock Awards issued by professional organizations and voted by real-name investors in December. The Company also won the Certificate of Excellence granted by the Hong Kong Investor Relations Association (HKIRA) in September. The awards and accolades indicated the increasing recognitions of the Group's performance and achievements and further established and consolidated the Company's status in the market.

INFORMATION DISCLOSURE

The Company also established its own Inside Information Disclosure Policy and required reporting compliance by all of its subsidiaries with a view to maintain good corporate governance within the Group and to ensure due disclosure of corporate information as well as to enhance corporate transparency. At present, the Group releases business development information in a timely manner through different channels, including the publication of annual and interim reports and business results, sending of circulars to Shareholders, WeChat public account and disclosing latest developments through news conference and press releases. All the above information is published on the website of the Company.

CONSTITUTIONAL DOCUMENTS

During the year, there were no significant changes to the constitutional documents of the Company. The updated Company's articles of association was uploaded on the website of the Company and the Stock Exchange for perusal.

HUMAN RESOURCES

Staff (including Directors) salaries, allowances and bonuses totaled HK$1,887 million for the year (2020: HK$1,771 million). Details of Directors' remuneration paid for the year ended 31 December 2021 are set out in note 11 to the financial statements. The remuneration payable to the top five of management staff of the Company by band for the year ended 31 December 2021 was as follows:

Remuneration by band (HK$)	2021 Number of individuals
1,000,001 – 2,000,000	2
2,000,001 – 3,000,000	3
	5

Share Options

The Company adopted the SIHL Scheme at the extraordinary general meeting held on 25 May 2012. Up to 31 December 2021, no share options were granted or outstanding under the SIHL Scheme during the year.

SI Urban Development, a subsidiary of the Company, adopted the SI Urban Development Scheme at the annual general meeting held on 16 May 2014. Up to 31 December 2021, no share options were granted or outstanding under the SI Urban Development Scheme during the year.

SIIC Environment, a subsidiary of the Company, adopted the SIIC Environment Scheme at the extraordinary general meeting held on 27 April 2012. Up to 31 December 2021, no share options were granted or outstanding under the SIIC Environment Scheme.

Details of the SIHL Scheme, SI Urban Development Scheme and SIIC Environment Scheme are set out in note 36 to the financial statements.

By Order of the Board
Yee Foo Hei
Company Secretary

14 April 2022

DIRECTORS' AND SENIOR MANAGEMENT PROFILES

DIRECTORS

Executive Directors

Mr. SHEN Xiao Chu *Executive Director, Chairman*
(Appointed on 28 February 2018 ~ Present)

Mr. Shen, aged 60, is currently the chairman of Shanghai Industrial Investment (Holdings) Company Limited. He graduated from Shanghai Second Medical University and Shanghai Jiao Tong University respectively and holds a bachelor's degree in medicine, a bachelor's degree in law and an executive master of business administration, and is designated a deputy professor. Mr. Shen was a deputy officer of the Principal Office of Shanghai Second Medical University, deputy director of Shanghai Huangpu District Hygiene Bureau, hospital dean of Huangpu District Central Hospital, deputy mayor of Huangpu District, Shanghai, deputy mayor of Changning District, Shanghai, deputy officer of Shanghai Municipal Development and Reform Commission, officer of Shanghai Municipal Commission of Health and Family Planning, officer of Shanghai Municipal Development and Reform Commission and deputy secretary general of the Shanghai Municipal Government. He has extensive experience in the leadership role in government authorities as well as in economics, people's livelihood, medical and urban construction and management. Mr. Shen is a member of the Shanghai Committee of the Chinese People's Political Consultative Conference.

Mr. ZHOU Jun *Executive Director, Vice Chairman, Chief Executive Officer*
(Appointed on 15 April 2009 ~ Present)

Mr. Zhou, aged 53, is an executive director and the president of Shanghai Industrial Investment (Holdings) Company Limited ("SIIC"). He is also the non-executive chairman of SIIC Environment Holdings Ltd. and a director of certain other subsidiaries of the Group. Mr. Zhou is a non-executive director and the chairman of Shanghai Pharmaceuticals Holdings Co., Ltd., the chairman of SIIC Shanghai Capital Management Co., Ltd. and the chairman of Shanghai Culture Industry Development Fund Limited. He graduated from Nanjing University, Fudan University and Shanghai Advance Institute of Finance of Shanghai Jiao Tong University and W. P. Carey School of Business of Arizona State University, USA with a bachelor's, a master's degree in economics (international finance) and doctoral degree in business and management, and is designated an economist. Mr. Zhou currently is the chairman of Shanghai Galaxy Investment Co., Ltd. ("Shanghai Galaxy"). He worked for Guotai Securities Co., Ltd. (now Guotai Junan Securities Co.) before joining SIIC in April 1996. The management positions he had held within the SIIC group of companies were Deputy CEO of the Company, deputy general manager of SIIC Real Estate Holdings (Shanghai) Co., Ltd., deputy general manager of Shanghai United Industrial Co., Ltd., director and general manager of Shanghai Galaxy and general manager of the strategic investment department of SIIC. Mr. Zhou is currently a member of the executive committee of the Chinese People's Political Consultative Conference in Shanghai, the president of Shanghai Youth Entrepreneurs Association, the president of Shanghai Pharmaceutical Profession Association, the president of Shanghai Association of Environmental Protection Industry and a director of Shanghai Immune Therapy Institute. Mr. Zhou is an Outstanding Entrepreneur of Shanghai in 2021. He has many years' professional experience in securities, mergers and acquisitions, financial investment, real estate, project planning and corporate management.

Mr. XU Bo *Executive Director, Deputy CEO*
(Appointed on 28 December 2012 ~ Present)

Mr. Xu, aged 60, is a vice president and chief financial controller of Shanghai Industrial Investment (Holdings) Company Limited ("SIIC"). He is also the chairman of Nanyang Brothers Tobacco Company, Limited and a director of certain other subsidiaries of the Group. He was the general manager of the finance and planning department of SIIC, an executive deputy officer of the accounting department of Shanghai Lixin University of Commerce, a deputy general manager and chief financial officer of Shanghai Hualian Co., Ltd., an executive director, deputy general manager and chief financial officer of Shanghai Bailian Group Co., Ltd., a vice president of Bailian Group Co., Ltd. and a non-executive director of Lianhua Supermarket Holdings Co., Ltd. He has many years' experience in finance and corporate management.

Mr. XU Zhan *Executive Director*
(Appointed on 17 November 2016 ~ Present)

Mr. Xu, aged 51, is a chief officer and the chief representative of Shanghai Representative Office of Shanghai Industrial Investment (Holdings) Company Limited ("SIIC"). He is also a director of certain other subsidiaries of the Group. Mr. Xu graduated from Shanghai Jiao Tong University and BI Norwegian School of Management with a bachelor's degree in engineering and a master's degree in management studies, and is a fellow member of The Association of Chartered Certified Accountants. He was a director and general manager of Shanghai Galaxy Investment Co., Ltd., the chairman of SIIC Aerospace Galaxy Energy (Shanghai) Co., Ltd. and assistant general manager of the finance and planning department of SIIC. Mr. Xu has many years' experience in finance and investment financing.

Independent Non-Executive Directors

Prof. WOO Chia-Wei *Independent Non-Executive Director*
(Appointed on 15 March 1996 ~ Present)

Prof. Woo, aged 84, is Senior Advisor of Shui On Holdings Limited and President Emeritus of the Hong Kong University of Science and Technology. In addition, Prof. Woo is currently an independent non-executive director of First Shanghai Investments Limited, a Hong Kong listed company.

Mr. LEUNG Pak To, Francis *Independent Non-Executive Director*
(Appointed on 15 March 1996 ~ Present)

Mr. Leung, aged 67, has over 30 years of experience in corporate finance involving in capital raisings, mergers and acquisitions, corporate restructuring and reorganisation, investments and other general corporate finance advisory activities in Hong Kong and China. In 1980, he graduated with a master's degree in business administration from University of Toronto, Canada.

Mr. CHENG Hoi Chuen, Vincent *Independent Non-Executive Director*
(Appointed on 13 November 2012 ~ Present)

Mr. Cheng, aged 73, is an independent non-executive director of Great Eagle Holdings Limited, Hui Xian Asset Management Limited (manager of the publicly listed Hui Xian Real Estate Investment Trust), Wing Tai Properties Limited, CK Hutchison Holdings Limited and AirStar Bank. He is the former chairman of The Hongkong and Shanghai Banking Corporation Limited, HSBC Bank (China) Company Limited and HSBC Bank (Taiwan) Limited and was the adviser to the former group chief executive of HSBC Holdings plc. Mr. Cheng was conferred the doctoral degree of social science, honoris causa, by The Chinese University Hong Kong and the doctoral degree of business administration, honoris causa, by The Open University. Mr. Cheng also holds a bachelor of social science degree in economics from The Chinese University of Hong Kong and a master of philosophy degree in economics from The University of Auckland, New Zealand.

Mr. YUEN Tin Fan, Francis *Independent Non-Executive Director*
(Appointed on 15 July 2016 ~ Present)

Mr. Yuen, aged 69, is currently the independent non-executive deputy chairman of Pacific Century Regional Developments Limited and an independent non-executive director of Yixin Group Limited. Mr. Yuen was formerly the chief executive of The Stock Exchange of Hong Kong Limited (1988-1991), deputy chairman and executive director of the Pacific Century Group, deputy chairman and executive director of PCCW Limited, executive chairman of Pacific Century Insurance Holdings Limited and an independent non-executive director of Agricultural Bank of China Limited. Mr. Yuen holds a Bachelor of Arts degree in economics from the University of Chicago. He is the chairman of the board of trustees of the Hong Kong Centre for Economic Research, chairman of the advisory board of Ortus Capital Management Limited, and a member of the board of University of Chicago and Fudan University in Shanghai.

SENIOR MANAGEMENT

Mr. LI Han Sheng
Mr. Li, aged 58, was appointed a Deputy CEO of the Company in April 2012. He is also a general manager of human resources department of Shanghai Industrial Investment (Holdings) Company Limited ("SIIC"). He graduated from East China University of Science and Technology, Shanghai Technology University and Murdoch University with a bachelor's degree of science in engineering, a master's degree in computer science and a master's degree in business administration, and is designated a senior engineer. He was an officer of the information centre of Shanghai Wugang Holdings Ltd. engaged in enterprise management and information technology. He joined SIIC in September 1999, and was a director, the assistant general manager of operations management and cooperation department, deputy general manager of the administration department and secretary to chairman of SIIC. He was also the head of the information technology department of the Company. He has many years' experience in corporate management and information technology.

Mr. YANG Qiu Hua
Mr. Yang, aged 49, was appointed a Deputy CEO of the Company in January 2021 and a vice president of Shanghai Industrial Investment (Holdings) Company Limited. He is also a director and the general manager of Nanyang Brothers Tobacco Company, Limited, the chairman of The Wing Fat Printing Company, Limited and a director of certain other subsidiaries of the Group. He graduated from East China University of Science and Technology with a master's degree and holds the designation of senior engineer and economist. Mr. Yang was a vice president of SIIC Investment (Shanghai) Co., Ltd., the vice chairman and general manager of SIIC Investment Company Limited, the chairman of The Tien Chu (Hong Kong) Company Limited and Shanghai International Asset Management (Hong Kong) Company Limited as well as the managing director of Shanghai Sunway Biotech Co., Ltd. He has many years' experience in enterprise management.

Mr. YANG Jian Wei
Mr. Yang, aged 50, was appointed a Deputy CEO of the Company in January 2021. He is an executive director and the chief executive officer of SIIC Environment Holdings Ltd., the chairman of SIIC Management (Shanghai) Ltd. ("SIIC Management"), a director of Shanghai Industrial Development Co., Ltd., Nanyang Brothers Tobacco Company, Limited and certain other subsidiaries of the Group. He graduated from Huazhong University of Science and Technology and Shanghai Jiao Tong University with a bachelor's degree in engineering, a master's degree in management engineering and a doctoral degree in management. Mr. Yang worked for China National Nonferrous Materials Co., Ltd. and Hong Yuan Securities Co., Ltd. Mr. Yang joined Shanghai Industrial Investment (Holdings) Company Limited ("SIIC") in June 2004, and was an assistant general manager of Shanghai Galaxy Investment Co., Ltd., assistant general manager of the board of directors' office, secretary to chairman of SIIC, Assistant CEO of the Company and the general manager of SIIC Management. He has many years' experience of financial investment, security research, investment banking, project planning and business operation.

PROFESSIONAL STAFF

Mr. YEE Foo Hei, Jackson
Mr. Yee, aged 58, joined the Company in September 2010. He is the Company Secretary and the Chief Legal and Compliance Officer of the Company. He graduated from City Polytechnic of Hong Kong (now City University of Hong Kong) and University of Wolverhampton, UK with a professional diploma in company secretaryship and administration and a LLB degree respectively. Mr. Yee is a fellow member of The Hong Kong Chartered Governance Institute, The Chartered Governance Institute and The Association of Chartered Certified Accountants. Mr. Yee has more than 30 years' practical company secretarial experience in international accountancy firm, multi-national conglomerate and large-scale PRC stated-owned enterprise.

SENIOR MANAGEMENT OF MEMBER COMPANIES

Mr. ZENG Ming

Mr. Zeng, aged 51, is the chairman of Shanghai Industrial Development Co., Ltd. Mr. Zeng graduated from Shanghai Urban Construction Vocational Institute with a bachelor of Engineering and holds the designation of a senior engineer. He was a deputy head of Shanghai Highway Administration Office, a deputy officer of Shanghai Huchong Yuejiang Passageway Preparatory Office, a deputy general manager of Shanghai Huchong Yuejiang Passageway Investment Co., Ltd., head of finance division and the construction and operation management division of the Shanghai Municipal Engineering Administration Bureau, head of the construction market supervision division of Shanghai Municipal Urban-Rural Development and Transportation Commission, chief of Shanghai Municipal Building Industry Management Office and deputy general manager of China Construction Eighth Engineering Division Corp. Ltd. and the chairman of the board of Shanghai Industrial Urban Development Group Limited and has many years' experience in corporation management.

Mr. XU Xiao Bing

Mr. Xu, aged 55, is a director and the president of Shanghai Industrial Development Co., Ltd., an executive director of SIIC Environment Holdings Ltd. ("SIIC Environment") and a director of certain other subsidiaries of the Group. Mr. Xu graduated from Peking University with a master's degree in business administration. He was an investment and financial analyst of Beijing Jingfang Investment Management & Consultant Co., Ltd. under the Beijing Capital Group, a Deputy CEO of the Company and the chief representative of Shanghai Representative Office of the Company, the deputy head of the investment planning department, the head of the enterprise management department, the deputy general manager and general manager of SIIC Management (Shanghai) Limited and the chief executive officer of SIIC Environment. He has many years' experience in corporate management and investment planning.

Mr. HUANG Hai Ping

Mr. Huang, aged 56, is a vice president of Shanghai Industrial Investment (Holdings) Company Limited. He is also the chairman of the board of Shanghai Urban Development Group Limited. He graduated from the Shanghai Education Institute majoring in political education (undergraduate) and obtained a bachelor degree of laws from the Shanghai Normal University. He holds the title of political engineer. Mr. Huang previously acted as deputy officer of the Huangpu District Xiaodongmen Sub-district Office, officer of the Huangpu District Bansongyuan Road Sub-district Office, director of the Huangpu District Housing and Land Administrative Bureau, leader of the Joint Preparation Group of the Huangpu District Development and Reform Commission, director of the Huangpu District Housing Security and Housing Administrative Bureau, deputy director of the Putuo District Government of Shanghai and vice chairman of the CPC Shanghai Putuo District Committee. He has many years' experience in urban construction and management.

Mr. TANG Jun

Mr. Tang, aged 54, is an executive director and the president of Shanghai Industrial Urban Development Group Limited. He graduated from University of South Australia with a master's degree in business administration and holds the designation of a senior auditor, and is an associate of The Chinese Institute of Certified Public Accountants. Mr. Tang was an Executive Director of the Company, the general manager of the internal audit department and deputy general manager of the finance and planning department of Shanghai Industrial Investment (Holdings) Company Limited, a director and the president of Shanghai Industrial Development Co., Ltd. and the Deputy Director of the Foreign Funds Utilization Audit Department, Shanghai Municipal Audit Office, and has many years' practical experience in the fields of auditing and finance.

Mr. DAI Wei Wei

Mr. Dai, aged 52, is a director and the general manager of SIIC Management (Shanghai) Limited, a director of Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd., Shanghai Shen-Yu Development Co., Ltd. and Shanghai Luqiao Development Co., Ltd. Mr. Dai graduated from Shanghai Tongji University and Fudan University and obtained a bachelor's degree in engineering and a master's degree in business administration respectively, and holds the designation of a senior engineer. He worked in Shanghai Mass Transit Railway Corporation, Shanghai Municipal Engineering Administration and Shanghai Jiajin Highway Development Co., Ltd. He has many years' experience in construction and management of infrastructure.

Ms. CHANG Jin Yu

Ms. Chang, aged 50, is the general manager of Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd. and Shanghai Shen-Yu Development Co., Ltd. and a director of Shanghai Luqiao Development Co., Ltd. ("Luqiao Development"). Ms. Chang graduated from School of Mechanical Engineering of Shanghai Jiao Tong University, Shanghai University of Finance and Economics and Arizona State University, USA with a bachelor's degree in engineering, a master's degree in finance and a master's degree in business administration respectively, and obtained a qualified certificate of chief financial officer from Shanghai National Accounting Institute. She was a deputy general manager of SIIC Management (Shanghai) Ltd., an executive deputy general manager of Luqiao Development, deputy general manager of Shanghai Galaxy Investment Co., Ltd., the chairman of SIIC Aerospace Galaxy Energy (Shanghai) Co., Ltd. and Shanghai Shengtai Investment and Management Co., Ltd. She has many years' experience in mergers and acquisitions, financial investment, project planning and enterprise management.

Mr. GU Yao Zhong

Mr. Gu, aged 53, is a director and the general manager of Shanghai Luqiao Development Co., Ltd. Mr. Gu graduated from Shanghai University (formerly Shanghai Vocational College of Science and Technology), and obtained a bachelor's degree in engineering and holds the designation of a mid-level engineer. He was a manager of the engineering department of Shanghai Pujiang Bridge and Tunnel Operation and Management Co., Ltd. and assistant general manager and deputy general manager of Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd. He has many years' experience in operation management and maintenance of bridge, tunnel and highway.

Mr. XU Tao

Mr. Xu, aged 61, is a director and the president of The Wing Fat Printing Company, Limited ("Wing Fat Printing") and chairman of other certain subsidiaries of Wing Fat Printing. He graduated from Shanghai Lixin College of Accounting with a college degree. Mr. Xu was the general manager of Hebei Yongxin Paper Co., Ltd., Zhejiang Rongfang Paper Co., Ltd., Wingfat Printing (Sichuan) Co., Ltd., Wingfat (Henan) Molding Technology Development Co., Ltd. and Wingfat (Jiangsu) Molding & Packaging Technology Co., Ltd. He has extensive experience in printing, packaging, moulded fibre and paper industry.

DIRECTORS' REPORT

The Directors have pleasure in presenting their report and the audited consolidated financial statements of the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the businesses of infrastructure facilities, real estate and consumer products.

PRINCIPAL SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Details of the principal subsidiaries, joint ventures and associates of the Company as at 31 December 2021 are set out in notes 48, 49 and 50 to the consolidated financial statements respectively.

BUSINESS REVIEW

A fair review of the Group's business including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, is set out in the section of "Business Review, Discussion and Analysis" set out on pages 14 to 30 of this Annual Report.

Disclosures relating to the compliance with relevant laws and regulations which have a significant impact on the Group, as well as its relationships with its major stakeholders are included in the "Corporate Governance Report" on pages 38 to 49 of this Annual Report.

Such discussion forms part of this Directors' Report.

DIVIDENDS

The results of the Group for the year ended 31 December 2021 and the Group's financial position at 31 December 2021 are set out in the Group's consolidated financial statements on pages 77 to 203 of this Annual Report.

An interim dividend of HK48 cents per Share was paid to the Shareholders during the year (2020: interim cash dividend of HK22 cents per Share and interim special dividend in the form of distribution in specie to the Qualified Shareholders on the basis of 1 SIUD share for every 5 Shares held). The Directors recommend the payment of a final dividend of HK54 cents per Share to the Shareholders whose names appear on the register of members of the Company on 9 June 2022.

FINANCIAL SUMMARY

A summary of the financial information of the Group for the year ended 31 December 2021 and the previous four years is set out on page 204 of this Annual Report.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 35 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to Shareholders as at 31 December 2021 represented retained profits of HK$20,081,132,000 (2020: HK$18,801,233,000).

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Shen Xiao Chu *(Chairman)*
Zhou Jun *(Vice Chairman & Chief Executive Officer)*
Xu Bo *(Deputy CEO)*
Xu Zhan

Independent Non-Executive Directors

Woo Chia-Wei
Leung Pak To, Francis
Cheng Hoi Chuen, Vincent
Yuen Tin Fan, Francis

The biographical details of the Directors are set out on pages 50 to 51 of this Annual Report. Details of Directors' emoluments are set out in note 11 to the consolidated financial statements.

In accordance with the Company's articles of association, the Directors of the Company (including the Independent Non-Executive Directors) shall be subject to retirement by rotation at each annual general meeting. Mr. Xu Zhan, Prof. Woo Chia-Wei and Mr. Leung Pak To, Francis shall retire by rotation at the forthcoming annual general meeting. All of them, being eligible, have offered themselves for re-election at the forthcoming annual general meeting.

DIRECTORS OF THE SUBSIDIARIES

The names of all directors who have served on the boards of the subsidiaries of the Company during the year ended 31 December 2021 and up to the date of this report are available on the website of the Company.

DIRECTORS' SERVICE CONTRACTS

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

PERMITTED INDEMNITY PROVISIONS

During the year ended 31 December 2021 and up to the date of this report, the Company has in force permitted indemnity provisions for the benefits of the directors of the Company (including former directors) or of its associated companies.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 31 December 2021, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(I) Interests in shares and underlying shares of the Company

Name of Director	Capacity	Nature of interests	Number of issued shares held	Approximate percentage of the issued Shares
Zhou Jun	Beneficial owner	Personal	300,000	0.03%

Note: All interests stated above represent long positions.

(II) Interests in shares and underlying shares of associated corporations

SI Urban Development

Name of Director	Capacity	Nature of interests	Number of issued SIUD Shares held	Approximate percentage of the issued SIUD Shares
Zhou Jun	Beneficial owner	Personal	360,000	0.01%

Note: All interests stated above represent long positions.

Save as disclosed above, none of the Company's Directors, chief executives nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 31 December 2021.

EQUITY-LINKED AGREEMENTS

Details of the equity-linked agreements entered into during the year or subsisting at the end of the year are set out below:

Share options

Particulars of the share option schemes adopted by the Group are set out in note 36 to the consolidated financial statements.

(I) SIHL Scheme

The SIHL Scheme shall be valid and effective for a period of 10 years commencing the date of adoption of the scheme. During the year, no options were granted or outstanding under the SIHL Scheme.

(II) SI Urban Development Scheme

The SI Urban Development Scheme shall be valid and effective for a period of 10 years commencing the date of adoption of the scheme. During the year, no options were granted or outstanding under the SI Urban Development Scheme.

(III) SIIC Environment Scheme

The SIIC Environment Scheme shall be valid and effective for a period of 10 years commencing the date of adoption of the scheme. During the year, no options were granted or outstanding under the SIIC Environment Scheme.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES OF THE COMPANY

Save as disclosed under the section "Equity-linked Agreements" above, neither the Company nor a specified undertaking (within the meaning of the Hong Kong Companies Ordinance) of the Company was a party to any other arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate at any time during or at the end of the year.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

No transactions, arrangements and contracts that are significant in relation to the Group's business, to which the Company or a specified undertaking (within the meaning of the Hong Kong Companies Ordinance) of the Company was a party and in which a person who at any time in the year was a Director or his connected entities had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2021, the interests and short positions of the substantial Shareholders and other persons, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, were as follows:

Name of Shareholder	Capacity	Nature of interests	Number of issued Shares beneficially held	Approximate percentage of the issued Shares
SIIC	Interests held by controlled corporations	Corporate	683,843,748 *(Notes 1 and 2)*	62.90%

Notes:

1. SIIC through its subsidiaries, namely Shanghai Investment Holdings Limited, SIIC Capital (B.V.I.) Limited, Shanghai Industrial Financial Holdings (Hong Kong) Company Limited, SIIC Trading Company Limited and SIIC CM Development Limited held 519,409,748 Shares, 80,000,000 Shares, 52,908,000 Shares, 31,516,000 Shares and 10,000 Shares of the Company respectively, and was accordingly deemed to be interested in the respective Shares held by the aforementioned companies.

2. All interests stated above represent long positions.

Save as disclosed above, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO as at 31 December 2021.

CONNECTED TRANSACTIONS

The following connected transactions and continuing connected transactions (other than those exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules) were entered into between the Group and its connected persons and/or were subsisting during the year ended 31 December 2021:

1. Entrusted loan arrangement provided by Shanghai Shen-Yu to Shanghai Galaxy

On 21 June 2018, 上海申渝公路建設發展有限公司 (Shanghai Shen-Yu Development Co., Ltd.*) ("**Shanghai Shen-Yu**") (an indirect wholly-owned subsidiary of the Company, as lender), Shanghai Pudong Development Bank Co., Ltd., Chongming Branch ("**Shanghai Pudong Bank**") (as lending agent) and Shanghai Galaxy (as borrower) entered into an entrusted loan contract (the "**SG Entrusted Loan Contract**"), pursuant to which Shanghai Shen-Yu entrusted Shanghai Pudong Bank to grant a loan in the principal amount of RMB200,000,000 to Shanghai Galaxy, with a term of 12 months to support the operation and development of Shanghai Galaxy.

As the SG Entrusted Loan Contract expired on 20 June 2019, Shanghai Shen-Yu, Shanghai Pudong Bank and Shanghai Galaxy entered into an extension Agreement (the "**SG Extension Agreement**") on 17 June 2019 on substantially the same terms as the SG Entrusted Loan Contract in order to extend the terms of the loan under the SG Entrusted Loan Contract for a 12-month period from 21 June 2019 to 20 June 2020, with the principal amount of the loan revised to RMB160,000,000.

Under the SG Extension Agreement, the fixed interest rate of the loan was 5% per annum, and the interest shall be accrued daily and settled by Shanghai Galaxy quarterly during the term of the loan. Shanghai Galaxy shall make a bullet repayment upon the expiry of the SG Extension Agreement.

The loan under the SG Extension Agreement was repaid on 15 June 2020.

On 15 June 2020, Shanghai Shen-Yu (as lender), Shanghai Pudong Bank (as lending agent) and Shanghai Galaxy (as borrower) entered into an entrusted loan arrangement (the "**SG Entrusted Loan Arrangement**") for the provision of a loan in the principal amount of RMB100,000,000, which would be funded by Shanghai Shen-Yu, to Shanghai Galaxy for a 12-month period from 15 June 2020 to 14 June 2021 (the "**SG Entrusted Loan**").

The SG Entrusted Loan Arrangement comprised two agreements, namely an entrusted agreement (the "**SG Entrustment Agreement**") and an entrusted loan agreement (the "**SG Entrusted Loan Agreement**").

The SG Entrustment Agreement was entered into between Shanghai Sheng-Yu and Shanghai Pudong Bank on 15 June 2020, pursuant to which Shanghai Shen-Yu entrusted Shanghai Pudong Bank to provide a loan in the principal amount of RMB100,000,000 to Shanghai Galaxy by 15 June 2020 at an annual interest rate of 5%, for an agency fee of 0.01% per annum payable by Shanghai Shen-Yu with reference to the principal amount of the SG Entrusted Loan and the term of the loan.

The SG Entrusted Loan Agreement was entered into between Shanghai Shen-Yu, Shanghai Pudong Bank and Shanghai Galaxy on 15 June 2020, pursuant to which the fixed interest rate of the SG Entrusted Loan was 5% per annum and the interest shall be accrued daily and settled by Shanghai Galaxy quarterly during the term of the SG Entrusted Loan. In addition, Shanghai Galaxy shall make a bullet repayment upon the expiry of the SG Entrusted Loan Agreement.

As SIIC, the controlling Shareholder, through its wholly-owned subsidiary, held 10% of the registered capital of Shanghai Galaxy and exercised the authority as a state-owned shareholder of 上海上實(集團)有限公司 (SIIC Shanghai Holdings Co., Ltd.*), which in turn was a state-owned enterprise holding 45% of the registered capital of Shanghai Galaxy, Shanghai Galaxy was an associate of SIIC and a connected person of the Company.

2. Provision of project management services to Shanghai Pharmaceuticals Holding

On 5 November 2020, 上實城開(上海)城市建設管理有限公司 (Shanghai Industrial Urban Development (Shanghai) City Construction and Management Company Limited*) ("**SIUD Shanghai Construction**"), an indirect subsidiary of the Company, entered into a construction project entrusted management agreement (the "**PMS Agreement 1**") with Shanghai Pharmaceuticals Holding Co., Ltd. ("**Shanghai Pharmaceuticals Holding**") following completion of a tender process organised by a bidding agency appointed by Shanghai Pharmaceuticals Holding. Pursuant to the PMS Agreement 1, SIUD Shanghai Construction agreed to provide Shanghai Pharmaceuticals Holding with project management services for the construction of Phase Two of the Shanghai Pharmaceutical Logistics Centre Project (上海醫藥物流中心綏德路二期項目), which was located in the Taopu area, Puxi, Shanghai with a total site area of approximately 51,348.62 square metres, for a total management fee of RMB10,000,000 (the "**PMS Project 1**").

The term of the PMS Agreement 1 started from the date of the PMS Agreement 1 and would expire on the date completion of the PMS Project 1 is filed with the relevant regulatory authority. Construction work for the PMS Project 1 was scheduled to be completed in approximately 36 months and project management work of the PMS Project 1 was scheduled to last for approximately 42 months.

As Shanghai Pharmaceuticals Holding was a subsidiary of SIIC, it was an associate of SIIC and a connected person of the Company.

3. Provision of project management services to Shanghai Biomedical Pharmaceuticals

On 19 November 2020, SIUD Shanghai Construction entered into a construction project entrusted management agreement (the "**PMS Agreement 2**") with 上海上藥生物醫藥有限公司 (Shanghai Biomedical Pharmaceuticals Co., Ltd.*) ("**Shanghai Biomedical Pharmaceuticals**") following completion of a tender process organised by a bidding agency appointed by Shanghai Biomedical Pharmaceuticals. Pursuant to the PMS Agreement 2, SIUD Shanghai Construction agreed to provide Shanghai Biomedical Pharmaceuticals with project management services for the construction of Phase One of the Shanghai Pharmaceutical and Biomedical Industrial Hub (上藥生物醫藥產業基地建設項目(一期)), which was located at 92 Zhangjiang Road, Pudong New Area, Shanghai with a total construction area of approximately 126,253 square metres, for a total management fee of RMB20,000,000 (the "**PMS Project 2**").

The term of the PMS Agreement 2 started from the date of the PMS Agreement 2 and would expire on the date completion of the PMS Project 2 is filed with the relevant regulatory authority. Construction work for the PMS Project 2 was scheduled to complete in approximately 44 months and project management work of the PMS Project 2 was scheduled to last for approximately 50 months.

Shanghai Biomedical Pharmaceuticals was a wholly-owned subsidiary of Shanghai Pharmaceutical (Group) Co., Ltd. ("**Shanghai Pharmaceutical Group**"), which in turn was owned as to 60% by SIIC Shanghai and was accounted for as a subsidiary of SIIC, which exercised the authority as a state-owned shareholder of SIIC Shanghai. As such, Shanghai Biomedical Pharmaceuticals was an associate of SIIC and a connected person of the Company.

4. Formation of partnership

On 20 November 2020, SI Development (a non-wholly owned subsidiary of the Company, as a Limited Partner) entered into a partnership agreement with 四川滬川合作創新投資管理有限公司 (Sichuan Chuanhu Cooperative Innovation Investment Management Co., Ltd.*) ("**Sichuan CHIIM**") (as the General Partner), 上海上實創業投資有限公司 (SIIC Shanghai Venture Capital Co., Ltd.*) ("**SIIC VC**") (as a Limited Partner) and 四川企業改革發展股權投資基金合伙企業(有限合伙) (Sichuan Enterprise Reform and Development Equity Investment Fund Partnership Enterprise (Limited Partnership)*) ("**Sichuan DEIF**") (as a Limited Partner) (collectively, the "**Sichuan Chuanhu Partners**"), pursuant to which 四川川滬合作創新股權投資基金合伙企業(有限合伙) (Sichuan Chuanhu Cooperative Innovation Equity Investment Fund Partnership Enterprise (Limited Partnership)*) (the "**Sichuan Chuanhu Partnership**") was formed to set up the Sichuan Shanghai Innovation Fund to invest principally in artificial intelligence industries, covering technical fields such as advanced artificial intelligence technologies, applications of artificial intelligence technologies and integration of artificial intelligence technologies in traditional industries.

The total capital contribution by all the Sichuan Chuanhu Partners to the Sichuan Chuanhu Partnership shall be RMB610,000,000, being the initial subscription scale of the Sichuan Shanghai Innovation Fund. The capital contribution made by each of the Sichuan Chuanhu Partners was as follows:

Sichuan Chuanhu Partner	Type	Capital contribution (RMB)	Approximate percentage of interest in the Sichuan Chuanhu Partnership (%)
Sichuan CHIIM	General Partner	10,000,000	1.64
SI Development	Limited Partner	100,000,000	16.39
SIIC VC	Limited Partner	200,000,000	32.79
Sichuan DEIF	Limited Partner	300,000,000	49.18
Total:		610,000,000	100.00

The Sichuan Chuanhu Partnership shall appoint 上海國際創投股權投資基金管理有限公司 (Shanghai International Venture Capital Fund Management Co., Ltd.*) ("**Shanghai VCFM**") to provide management services to it and pay Shanghai VCFM for such services an annual management fee of not more than 2% of the total paid-up capital of the Sichuan Chuanhu Partnership.

Shanghai VCFM shall be responsible for establishing an investment decision committee comprising five members. Each of SIIC and 四川發展產業引導股權投資基金管理有限責任公司 (Sichuan Development Industry Led Equity Investment Fund Management Co., Ltd.*) shall be entitled to appoint two members, while Shanghai VCFM shall be entitled to appoint one member. The investment decision committee shall be the highest governing body of the Sichuan Chuanhu Partnership and responsible for reviewing and approving investment to be made by the Sichuan Chuanhu Partnership.

SIIC exercised the authority as a state-owned shareholder of SIIC Shanghai, which indirectly held 100% equity interest in SIIC VC. SIIC VC was therefore an associate of SIIC and a connected person of the Company.

Besides, Sichuan HCIIM was owned as to 30% by Shanghai VCFM, which was an indirect non-wholly owned subsidiary of SIIC VC (which in turn was a wholly-owned subsidiary of SIIC). Accordingly, Sichuan HCIIM was also an associate of SIIC and a connected person of the Company.

5. Provision of assets management services by Shanghai Galaxy

On 25 June 2018, certain indirect wholly-owned subsidiaries of the Company, namely 上海滬寧高速公路(上海段)發展有限公司 (Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd.*) ("**Hu-Ning Expressway**"), 上海路橋發展有限公司 (Shanghai Luqiao Development Co., Ltd.*) ("**Luqiao Development**"), Shanghai Shen-Yu and 上海躋沄基礎建設有限公司 (Shanghai Ji Yun Infrastructure Construction Co., Ltd.*) (together the "**Four 2018 Relevant Companies**"), each entered into an asset management entrustment agreement (i.e. the "**2018 Entrustment Agreement 1**", the "**2018 Entrustment Agreement 2**", the "**2018 Entrustment Agreement 3**" and the "**2018 Entrustment Agreement 4**" respectively, and together the "**Four 2018 Entrustment Agreements**") with Shanghai Galaxy on the same terms respectively. Pursuant to the Four 2018 Entrustment Agreements, each of the Four 2018 Relevant Companies entrusted Shanghai Galaxy to manage its assets for a term of three years commencing from the date when Shanghai Galaxy serves the written notice to it requesting for the provision of the initial entrustment fund under the respective Four 2018 Entrustment Agreements (the "**Commencement Date I**") to the date immediately prior to the third anniversary of the Commencement Date I (the "**Expiry Date I**").

The total maximum amount of the entrustment funds to be provided by the Four 2018 Relevant Companies shall be no more than RMB600,000,000, provided that the maximum amount of entrustment fund from each of the Four 2018 Relevant Companies shall not exceed RMB200,000,000.

Shanghai Galaxy shall pay guaranteed returns calculated on a daily basis at the rate of 5% per annum on the accumulated principal of the entrustment funds. The annual caps for the aggregate amount of guaranteed returns payable to the Four 2018 Relevant Companies by Shanghai Galaxy under the Four 2018 Entrustment Agreements were RMB15,863,014 for the period from the Commencement Date I to 31 December 2018, RMB30,000,000 for the period from 1 January 2019 to 31 December 2019, RMB30,000,000 for the period from 1 January 2020 to 31 December 2020 and RMB30,000,000 for the period from 1 January 2021 to the Expiry Date I.

If there was any revenue surplus after making the above distribution and deducting all taxes and expenses, such sum shall be divided between Shanghai Galaxy and the Four 2018 Relevant Companies on a 50:50 basis. The annual caps for the aggregate amount of revenue surplus payable to the Four 2018 Relevant Companies or Shanghai Galaxy under the Four 2018 Entrustment Agreements were RMB317,260,274 for the period from the Commencement Date I to 31 December 2018, RMB600,000,000 for the period from 1 January 2019 to 31 December 2019, RMB600,000,000 for the period from 1 January 2020 to 31 December 2020 and RMB600,000,000 for the period from 1 January 2021 to the Expiry Date I.

On 18 September 2018, each of the Four 2018 Relevant Companies and Shanghai Galaxy separately entered into a supplementary Agreement on the same terms, pursuant to which the scope within which the entrusted funds could be invested under the respective Four 2018 Entrustment Agreements was extended. All other existing terms and conditions under the Four 2018 Entrustment Agreements remain unchanged and in full force and effect.

On the same date, Wing Fat Printing (Dongguan) Co., Ltd. ("**WF Dongguan**"), an indirect non-wholly owned subsidiary of the Company, entered into an entrustment agreement (the "**2018 Entrustment Agreement 5**") with Shanghai Galaxy on the same terms (other than the maximum amount of entrustment fund to be provided by WF Dongguan) as those of the Four 2018 Entrustment Agreements (as supplemented and amended by the above supplementary agreements).

The Four 2018 Entrustment Agreements and the 2018 Entrustment Agreement 5 are collectively named as the "**Five 2018 Entrustment Agreements**".

The total maximum amount of the entrustment funds to be provided by the Four 2018 Relevant Companies and WF Dongguan under the Five 2018 Entrustment Agreements shall remain to be no more than RMB600,000,000 provided that the maximum amount of entrustment fund from WF Dongguan would not exceed RMB400,000,000. The annual caps for (a) the aggregate amount of guaranteed returns payable to the Four 2018 Relevant Companies and WF Dongguan by Shanghai Galaxy, and (b) the aggregate amount of revenue surplus payable to the Four 2018 Relevant Companies and WF Dongguan or Shanghai Galaxy under the Five 2018 Entrustment Agreements remained the same as those under the Four 2018 Entrustment Agreements mentioned above.

The Five 2018 Entrustment Agreements expired on 19 September 2021. Hu-Ning Expressway, Luqiao Development, Shanghai Shen-Yu and WF Dongguan (together the "**2021 Relevant Companies**"), entered into an asset management entrustment agreement (together the "**2021 Entrustment Agreements**") with Shanghai Galaxy on 19 August 2021 to renew the 2018 Entrustment Agreement 1, the 2018 Entrustment Agreement 2, the 2018 Entrustment Agreement 3 and the 2018 Entrustment Agreement 5, respectively, for a term of three years from the date when Shanghai Galaxy serves a written notice to the 2021 Relevant Companies requesting for the provision of the initial entrustment fund under the 2021 Entrustment Agreements (the "**Commencement Date II**") to the date immediately prior to the third anniversary of the Commencement Date II (the "**Expiry Date II**"). Furthermore, the 2018 Entrustment Agreement 4 lapsed upon expiry of its entrustment term.

Under the 2021 Entrustment Agreements, the total maximum amount of the entrustment fund to be provided by all the 2021 Relevant Companies shall be no more than RMB500,000,000, provided that: (i) the maximum amount of entrustment fund from each of Hu-Ning Expressway, Luqiao Development and Shanghai Shen-Yu shall not exceed RMB500,000,000; and (ii) the maximum amount of entrustment fund from WF Dongguan shall not exceed RMB200,000,000.

Shanghai Galaxy shall pay guaranteed returns calculated on a daily basis at the rate of 5% per annum on the accumulated principal of the entrustment funds. The annual caps for the aggregate amount of guaranteed returns payable to the 2021 Relevant Companies by Shanghai Galaxy under the 2021 Entrustment Agreements would be RMB9,247,000 for the period from the Commencement Date II to 31 December 2021, RMB25,000,000 for the financial year ended 31 December 2022, RMB25,000,000 for the financial year ended 31 December 2023 and RMB25,000,000 for the period from 1 January 2024 to the Expiry Date II.

If there was any revenue surplus after making the above distribution and deducting all taxes and expenses, such sum shall be divided between Shanghai Galaxy and the 2021 Relevant Companies on a 50:50 basis. The annual caps for the aggregate amount of revenue surplus payable to the 2021 Relevant Companies or Shanghai Galaxy under the 2021 Entrustment Agreements would be RMB9,247,000 for the period from the Commencement Date II to 31 December 2021, RMB25,000,000 for the financial year ended 31 December 2022, RMB25,000,000 for the financial year ended 31 December 2023 and RMB25,000,000 for the period from 1 January 2024 to the Expiry Date II.

As mentioned above, Shanghai Galaxy was an associate of SIIC and a connected person of the Company.

6. Shareholder's loan facility provided by Hu-Ning Expressway to Shanghai Galaxy

As a shareholder's loan facility, which was in an aggregate principal amount of up to RMB500,000,000 made available by Hu-Ning Expressway to Shanghai Galaxy for a term of three years from 21 January 2016, expired on 20 January 2019, Hu-Ning Expressway agreed to extend such facility available to Shanghai Galaxy on substantially the same terms for a further term of three years from 21 January 2019 to 20 January 2022 (the "**Shareholder's Loan Facility**"). The Board approved the Shareholder's Loan Facility on 29 August 2018.

Under the Shareholder's Loan Facility, Hu-Ning Expressway shall upon request provide term loan(s) to Shanghai Galaxy during the term of the Shareholder's Loan Facility, and the relevant loan amount shall be determined on a case-by-case basis based on the purpose of use, with the maximum amount representing the unutilised portion of the Shareholder's Loan Facility. The duration of each term loan would be negotiated on a case-by-case basis. Each term loan would expire by the end of the three-year period from 21 January 2019, i.e. 20 January 2022.

Interest under the Shareholder's Loan Facility shall be the benchmark interest rate of RMB denominated loans for the same period as announced by the People's Bank of China, subject to the negotiation and agreement between the parties at the time of each drawdown. Amounts advanced under a loan shall be repaid at maturity. Shanghai Galaxy might repay the principal amount prior to the maturity date of the loan. Interest shall be repaid on a semi-annual basis.

In respect of each term loan under the Shareholder's Loan Facility, individual loan agreement(s) would be entered into between Hu-Ning Expressway and Shanghai Galaxy setting out the interest rate as agreed, the loan amount and the repayment term before the drawdown.

The annual caps of the Shareholder's Loan Facility for each of the financial years ended 31 December 2019, 2020, 2021 and 2022 were RMB522,760,417, RMB524,145,834, RMB524,079,862 and RMB501,319,445 respectively, being the possible maximum loan amount that could be granted under the Shareholder's Loan Facility plus the maximum interest income generated in the respective year. Shanghai Galaxy would be responsible for any profit tax payable by Hu-Ning Expressway in relation to its interest income.

As the Shareholder's Loan Facility expired on 20 January 2022, Hu-Ning Expressway agreed to extend the Shareholder's Loan Facility available to Shanghai Galaxy in an aggregate principal amount of up to RMB500,000,000 on substantially the same terms for a further term of three years from 21 January 2022 to 20 January 2025 (the "**Renewed Shareholder's Loan Facility**"). The Board approved the Renewed Shareholder's Loan Facility on 8 November 2021.

Under the Renewed Shareholder's Loan Facility, Hu-Ning Expressway shall upon request provide term loan(s) to Shanghai Galaxy during the term of the Renewed Shareholder's Loan Facility, and the relevant loan amount shall be determined on a case-by-case basis based on the purpose of use, with the maximum amount representing the unutilised portion of the Renewed Shareholder's Loan Facility. The duration of each term loan would be negotiated on a case-by-case basis. Each term loan would expire by the end of the three-year period from 21 January 2022, i.e. 20 January 2025.

Interest under the Renewed Shareholder's Loan Facility shall be the benchmark interest rate of RMB denominated loans for the relevant period as announced by the the People's Bank of China (as at the close of trading of 8 November 2021, which was 4.65% for loans of a 5-year period), subject to the negotiation and agreement between the parties at the time of each drawdown. Amounts advanced under a loan shall be repaid at maturity. Shanghai Galaxy may repay the principal amount prior to the maturity date of the loan. Interest shall be repaid on a semi-annual basis.

In respect of each term loan under the Renewed Shareholder's Loan Facility, individual loan agreement(s) would be entered into between Hu-Ning Expressway and Shanghai Galaxy setting out the interest rate as agreed, the loan amount and the repayment term before the drawdown.

The annual cap of the Renewed Shareholder's Loan Facility for each of the financial years ending 31 December 2022, 31 December 2023, 31 December 2024 and 31 December 2025 was RMB500,000,000, which was determined based on the possible maximum loan amount that could be granted under the Renewed Shareholder's Loan Facility.

Hu-Ning Expressway, SIIC (through its wholly-owned subsidiary) and SIIC Shanghai hold 45%, 10% and 45% of the registered capital of Shanghai Galaxy, respectively. As mentioned above, Shanghai Galaxy was an associate of SIIC and a connected person of the Company.

7. Tenancy agreements - Tuen Mun Lease Agreement and Harcourt Tenancy Agreement

On 11 January 2021, Nanyang Tobacco (an indirect wholly-owned subsidiary of the Company) and the Company, as tenants, entered into the lease agreements (i.e. the lease agreement relating to a 16-storey property situated at No. 9 Tsing Yeung Circuit, Tuen Mun, New Territories, Hong Kong (the "**Tuen Mun Lease Agreement**"), and the tenancy agreement relating to a property situated at the whole of 26th Floor and a portion of 27th Floor of Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong (the "**Harcourt Tenancy Agreement**") with Nanyang Enterprises Properties Limited ("**Nanyang Enterprises**") and International Hope Limited ("**International Hope**") respectively, as landlords, with a term commencing from 1 January 2021 to 31 December 2021 (both days inclusive) to renew the previous lease agreements, both of which expired by 31 December 2020, for the operation of the Group.

The monthly rentals (exclusive of rates, management fee and other outgoings) under the Tuen Mun Lease Agreement and the Harcourt Tenancy Agreement were HK$2,750,000 and HK$937,400 respectively. The annual caps, which represented the sum of (a) the rental payable by Nanyang Tobacco to Nanyang Enterprises under the Tuen Mun Lease Agreement for the period from 1 January 2021 to 31 December 2021 in the amount of HK$33,000,000, and (b) the rental payable by the Company to International Hope under the Harcourt Tenancy Agreement for the period from 1 January 2021 to 31 December 2021 in the amount of HK$11,248,800, were HK$44,248,800.

As Nanyang Enterprises and International Hope were wholly-owned subsidiaries of SIIC, they were associates of SIIC and connected persons of the Company.

8. Supply of printed packaging materials for pharmaceutical products by Wing Fat Printing Group

On 19 January 2021, Wing Fat Printing, an indirect non-wholly owned subsidiary of the Company, entered into a procurement framework agreement (the "**Procurement Framework Agreement**") with Shanghai Pharmaceuticals Holding for a term of one year commencing from 1 January 2021 and ending on 31 December 2021. Pursuant to the Procurement Framework Agreement, any members of Wing Fat Printing and its subsidiaries from time to time (the "**Wing Fat Group**") might enter into an individual procurement agreement(s) (the "**Individual Agreement(s)**") with any members of Shanghai Pharmaceuticals Holding and its subsidiaries and 30%-controlled companies from time to time (the "**Shanghai Pharmaceuticals Holding Group**") to supply printed packaging materials for pharmaceutical products, subject to the annual cap of the procurement amount.

The procurement amount chargeable by the Wing Fat Group for the supply of printed packaging materials for pharmaceutical products shall be determined after arm's length negotiations between the parties with reference to various factors for each Individual Agreement, including (among others) the prevailing market price, type and quantity of printed packaging materials, specifications, complexity of tasks involved and delivery date, to ensure that the amount equals the market price. The specific payment arrangement shall be set out in the Individual Agreements.

The annual cap for the total procurement amount payable by the Shanghai Pharmaceuticals Holding Group to the Wing Fat Group with respect to the transactions contemplated under the Procurement Framework Agreement for the financial year ending 31 December 2021 was RMB60,000,000.

As mentioned above, Shanghai Pharmaceuticals Holding was an associate of SIIC and a connected person of the Company.

9. Increase in capital contribution to SIIC Elderly Care

On 29 April 2021, 上海上實城市發展投資有限公司 (SIIC Shanghai Urban Development & Investment Co., Ltd.*) ("**SIIC Shanghai Urban**"), an indirect non-wholly owned subsidiary of the Company, entered into a capital injection agreement with SIIC Dongtan, 上海海外公司 (Shanghai Overseas Company*) ("**Shanghai Overseas**") and SIIC Elderly Care, pursuant to which it was agreed that (1) the registered capital of SIIC Elderly Care would increase from RMB20,000,000 to RMB520,000,000; and (2) SIIC Shanghai Urban, SIIC Dongtan and Shanghai Overseas shall make an additional capital contribution in proportion to their respective existing shareholding in the amount of RMB190,000,000, RMB190,000,000 and RMB120,000,000, respectively (the "**Capital Increase**"). Upon the Capital Increase, the percentage of equity interests held by SIIC Shanghai Urban, SIIC Dongtan and Shanghai Overseas in SIIC Elderly Care would remain unchanged at 38%, 38% and 24%, respectively.

The following table sets out the respective equity interest held by SIIC Shanghai Urban, SIIC Dongtan and Shanghai Overseas in SIIC Elderly Care before and immediately upon the completion of the Capital Increase:

	Before completion of the Capital Increase		Immediately upon completion of the Capital Increase	
	Amount of registered capital (RMB)	(%)	Amount of registered capital (RMB)	(%)
SIIC Shanghai Urban	7,600,000	38	197,600,000	38
SIIC Dongtan	7,600,000	38	197,600,000	38
Shanghai Overseas	4,800,000	24	124,800,000	24
Total	20,000,000	100	520,000,000	100

The amount of the Capital Increase was determined with reference to (1) the working capital currently available to SIIC Elderly Care; (2) the capital requirements of SIIC Elderly Care for the existing development projects; and (3) the respective percentages of equity interest held by SIIC Shanghai Urban, SIIC Dongtan and Shanghai Overseas in SIIC Elderly Care.

SIIC Dongtan was a wholly-owned subsidiary of SIIC Shanghai, over which SIIC exercised the authority as a state-owned shareholder. As such, SIIC Dongtan was an associate of SIIC and a connected person of the Company. Furthermore, SIIC Dongtan holds 38% of the registered capital of SIIC Elderly Care, as such SIIC Elderly Care is an associate of SIIC Dongtan and a connected person of the Company.

10. Participation in 上海瑞力文化科創股權投資基金合伙企業(有限合伙) (Shanghai Ruili Cultural and Technology Innovation Equity Investment Fund Partnership Enterprise (Limited Partnership)*) (the "Partnership")

On 24 August 2021, SI Development (a non-wholly owned subsidiary of the Company, as a Limited Partner) entered into a limited partnership agreement (the "**Limited Partnership Agreement**") with 上海臻壹企業管理合伙企業(有限合伙) (Shanghai Zhenyi Enterprise Management Partnership Enterprise (Limited Partner)*) ("**Shanghai Zhenyi**", as the General Partner and the Executive Partner), 上海瑞力創新二期私募投資基金合伙企業(有限合伙) (Shanghai Ruili Innovation Second Phase Private Equity Investment Fund Partnership Enterprise (Limited Partner)*) ("**Shanghai Ruili II**", as a Limited Partner), 上海聯和投資有限公司 (Shanghai Lianhe Investment Company Limited*) ("**Shanghai Lianhe**", as a Limited Partner), 上海文化產業發展投資基金合伙企業(有限合伙) (Shanghai Cultural Industries Development and Investment Fund Partnership Enterprise (Limited Partner)*) ("**Shanghai Cultural Industries Fund**", as a Limited Partner) and Mr. Yao Xingtao (姚興濤) ("**Mr. Yao**", as a Limited Partner), pursuant to which SI Development participated in the Partnership and the parties agreed to regulate their respective rights and obligations in the Partnership.

The Partnership is a limited partnership established under the laws of the PRC on 24 September 2019. The purpose of the Partnership was to establish a fund to invest in cultural-related industries. The Partnership was initially held by 上海瑞力創新股權投資基金合伙企業(有限合伙) (Shanghai Ruili Innovation Equity Investment Fund Partnership Enterprise (Limited Partnership)*) ("**Shanghai Ruili I**"), Shanghai Lianhe and 上海志昕企業管理合伙企業(有限合伙) (Shanghai Zhixin Enterprise Management Partnership Enterprise (Limited Partner)*) ("**Shanghai Zhixin**"). The then total capital commitment of the Partnership was RMB202,000,000, of which RMB200,000,000, RMB200,000,000 and RMB2,000,000 were to be contributed by Shanghai Ruili I, Shanghai Lianhe and Shanghai Zhixin, respectively. Shanghai Ruili I and Shanghai Lianhe had paid to the Partnership RMB100,000,000 and RMB100,000,000 as capital, respectively. On 19 August 2021, Shanghai Ruili I transferred its entire interests in the Partnership to Shanghai Ruili II and Shanghai Ruili II became a Limited Partner of the Partnership thereafter. In addition, Shanghai Zhixin would withdraw from the Partnership, pending completion of the internal approval process and the registration procedures with the PRC authority. By signing the Limited Partnership Agreement, there would be the addition of new partners to the Partnership and an increase in the total capital contribution.

The total capital contribution by the partners of the Partnership, including the General Partner and the Limited Partners (the "**Partners**") to the Partnership shall be RMB651,500,000. The committed amounts of capital contribution and the outstanding amounts of capital contribution to be made by each of the Partners are as follows:

Partner	Type	Committed amount of capital contribution (RMB)	Outstanding amount of capital contribution to be made (RMB)	Approximate percentage of interest in the Partnership (%)
Shanghai Ruili II	Limited Partner	300,000,000	200,000,000	46.05
Shanghai Lianhe	Limited Partner	200,000,000	100,000,000	30.70
Shanghai Cultural Industries Fund	Limited Partner	100,000,000	100,000,000	15.35
SI Development	Limited Partner	30,000,000	30,000,000	4.60
Mr. Yao	Limited Partner	20,000,000	20,000,000	3.07
Shanghai Zhenyi	General Partner	1,500,000	1,500,000	0.23
Total:		651,500,000	451,500,000	100.00

The term of the Partnership is eight years from the issue date of the business registration certificate and the term of the Partnership may be extended upon the approval of the Partners in accordance with the Limited Partnership Agreement.

The Executive Partner might become or appoint a third party (being a professional organization which was engaged in private equity investment) to become the manager of the Partnership (the "**Manager**") to provide investment, management and operational services in accordance with the Limited Partnership Agreement and the relevant laws and regulations. Where the Manager is a third party, the Partnership and the Executive Partner might enter into an entrustment management agreement with the Manager specifying its duties and obligations.

The Partnership has an investment decision-making committee which is the decision-making body to review and approve investments to be made by the Partnership. The investment decision-making committee comprises five members. The Manager is entitled to appoint one member, while each of Shanghai Lianhe and Shanghai Ruili II is entitled to appoint two members. The chairman of the investment decision-making committee shall be appointed by Shanghai Ruili II. Any party, which subsequently participates in the Partnership as a new Limited Partner by making a capital contribution of more than RMB150,000,000, will be entitled to appoint one member while the number of members to be appointed by Shanghai Lianhe will be reduced to one. Any investment project shall not be carried out unless approved by more than 1/2 of the members of the committee (including the chairman of the committee) having the right to vote, whereas any final investment decision and other related important decision must be approved by more than 3/5 of the members of the committee (including the chairman of the committee) having the right to vote.

Shanghai Ruili II was indirectly owned as to 44.40% equity interest by SIIC, therefore Shanghai Ruili II was an associate of SIIC and a connected person of the Company

11. Deemed Disposal of Interest in Chelsea Securities

On 31 August 2021, Chelsea Securities Limited ("**Chelsea Securities**"), an indirect non-wholly owned subsidiary of the Company, entered into a subscription agreement (the "**Subscription Agreement**") with 天津信託有限責任公司 (Tianjin Trust Co., Ltd.*) ("**Tianjin Trust**") and Mr. Wang Weixian ("**Mr. Wang**") (collectively the "**Subscribers**"), pursuant to which each of Tianjin Trust and Mr. Wang conditionally agreed to pay HK$94,529,097 and HK$23,632,097, respectively for the subscription of 133,333 and 33,333 shares of Chelsea Securities (the "**Subscription Shares**"), representing 50% and approximately 12.50% of the enlarged issued share capital of Chelsea Securities, respectively (the "**Subscription**").

Before entering into the Subscription Agreement, Chelsea Securities was owned by Profit Engine Limited ("**Profit Engine**") (50%), China Best Investment Limited ("**China Best Investment**") (30%), Mr. Wang (15%) and Mr. David Sean Linker (5%). Profit Engine and China Best Investment were indirect non-wholly subsidiary of the Company.

The following table sets out the shareholding of Chelsea Securities before and immediately after the completion of the Subscription:

	Before completion of the Subscription		Immediately after completion of the Subscription	
	Number of shares of Chelsea Securities	%	Number of shares of Chelsea Securities	(approximately) %
Profit Engine	50,000	50.00	50,000	18.75
China Best Investment	30,000	30.00	30,000	11.25
Mr. Wang	15,000	15.00	48,333	18.12
Mr. David Sean Linker	5,000	5.00	5,000	1.88
Tianjin Trust	–	–	133,333	50.00
Total:	100,000	100.00	266,666	100.00

The consideration of the Subscription was determined by Chelsea Securities and the Subscribers after arm's length negotiation with reference to, among other things, (i) the business development and performance of Chelsea Securities; (ii) the future business prospect of Chelsea Securities; (iii) the audited consolidated net asset value of Chelsea Securities as at 31 January 2021 which was HK$39,221,448; and (iv) the financial position of Chelsea Securities would be strengthened and the proceeds from the Subscription was intended to be used to satisfy its general working capital needs and other corporate purposes. Chelsea Securities was expected to benefit from Tianjin Trust's experience in funds investment and management, while the Group would be able to continue to enjoy the economic benefit through its retained shareholding in Chelsea Securities.

Mr. Wang held 15% of Chelsea Securities and was therefore a substantial shareholder of Chelsea Securities. Chelsea Securities was an insignificant subsidiary of the Company for the purpose of Rule 14A.09 of the Listing Rules. Accordingly, notwithstanding Mr. Wang's interest in Chelsea Securities, he was not regarded as a connected person of the Company pursuant to Rule 14A.09 of the Listing Rules. The Subscription viz-a-viz Mr. Wang therefore did not constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

Tianjin Trust was a subsidiary of SIIC Shanghai, which was in turn a subsidiary of SIIC by virtue of SIIC being the representative authorised to exercise state-owned shareholder's right over SIIC Shanghai. As such, Tianjin Trust was an associate of SIIC, and hence a connected person of the Company. Accordingly, the subscription of 133,333 Subscription Shares by Tianjin Trust under the Subscription Agreement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

Following completion of the Subscription, the Group's interest in Chelsea Securities would reduce. The Subscription also constituted a deemed disposal of the Company under Rule 14.29 of the Listing Rules.

12. Project Management Services Agreement with Shanghai Dongyi Property

On 12 October 2021, SIUD Shanghai Construction entered into a construction project entrusted management agreement (the "**Project Management Services Agreement**") with Shanghai Dongyi Property following completion of a tender process organised by a bidding agency appointed by Shanghai Dongyi Property. Pursuant to the Project Management Services Agreement, Shanghai Dongyi Property engaged SIUD Shanghai Construction to manage the construction of a sanatorium on the designated site in Shanghai owned by Shanghai Dongyi Property (the "**Project**"). The services to be provided include the overall project management, initial planning, organising and managing tender processes, managing the design, progress and inspection of the construction works, conducting post-construction assessment work and other related supporting services for a total management fee of RMB12,800,000.

The term of the Project Management Services Agreement started from the date of the Project Management Services Agreement and would end on the date on which completion of the Project is filed with the relevant regulatory authority, which is expected to last for about 38 months.

Shanghai Dongyi Property was a wholly-owned subsidiary of SIIC Dongtan, which was in turn a wholly-owned subsidiary of SIIC Shanghai. As such, Shanghai Dongyi Property was an associate of SIIC and a connected person of the Company.

13. Acquisition of equity interests in Shanghai Dongyi Property

On 15 October 2021, 上實城開(上海)大健康管理有限公司 (Shanghai Industrial Urban Development (Shanghai) Healthcare Management Co., Ltd.*) ("**SIUD Healthcare Management**"), an indirect non-wholly owned subsidiary of the Company, entered into an equity transfer agreement (the "**Equity Transfer Agreement**") with SIIC VC, 上海華氏資產經營有限公司 (Shanghai Huashi Asset Management Co., Ltd.*) ("**Shanghai Huashi**"), SIIC Dongtan and Shanghai Dongyi Property for the acquisition of equity interests in Shanghai Dongyi Property. Pursuant to the Equity Transfer Agreement, SIIC Dongtan had conditionally agreed to transfer 40% equity interest in Shanghai Dongyi Property to SIUD Healthcare Management for a cash consideration of approximately RMB48,296,090 (the "**Acquisition**"); and transfer 20% and 10% equity interest in Shanghai Dongyi Property to SIIC VC and Shanghai Huashi for a cash consideration of approximately RMB24,148,050 and RMB12,074,020 respectively. SIUD Healthcare Management, SIIC VC and Shanghai Huashi are collectively named as the "**Transferees**".

The consideration of the Equity Transfer was determined by SIIC Dongtan and the Transferees after arm's length negotiation with reference to, among other things, (i) the valuation of all the equity interest in Shanghai Dongyi Property; (ii) the development progress of the Project; and (iii) an excellent opportunity for SI Urban Development to further its expansion plan in the great health industry, which is in line with the business development strategy of the Group.

Following completion of the transfer of an aggregate of 70% equity interest in Shanghai Dongyi Property pursuant to the Equity Transfer Agreement (the "**Equity Transfer**"), SIIC Dongtan and the Transferees would make an aggregate capital contribution of RMB180,000,000, on a pro-rata basis in accordance with their respective equity interests, to the registered capital of Shanghai Dongyi Property for funding ongoing development of the Project. On this basis, SIUD Healthcare Management would contribute RMB72,000,000 in cash to the registered capital of Shanghai Dongyi Property.

The amount of total capital contribution and the registered capital of Shanghai Dongyi Property was determined after arm's length negotiation between SIIC Dongtan and the Transferees with reference to, among other things, the funding requirements for the Project and the Transferees' respective shareholding in Shanghai Dongyi Property following completion of the Equity Transfer.

As mentioned earlier, Shanghai Dongyi Property was a connected person of the Company. SIIC Dongtan and SIIC VC were wholly-owned subsidiaries of SIIC Shanghai, which was in turn a subsidiary of SIIC by virtue of SIIC being the representative authorised to exercise state-owned shareholder's right over SIIC Shanghai. Shanghai Huashi was a wholly-owned subsidiary of Shanghai Pharmaceutical Group, which was in turn a non-wholly owned subsidiary of SIIC Shanghai. As such, each of SIIC Dongtan, SIIC VC and Shanghai Huashi was an associate of SIIC, and hence also a connected person of the Company.

14. Disposal of equity interest in Shanghai Huanyu

On 20 October 2021, Shanghai Urban Development, an indirect non-wholly owned subsidiary of the Company, entered into an equity transfer agreement with 上海徐匯資本投資有限公司 (Shanghai Xuhui Capital Investment Co., Ltd.*) (the "**Buyer**") on the disposal of 60% equity interest in Shanghai Huanyu (being the Group's entire interest in Shanghai Huanyu) (the "**Equity Interest**') for a total consideration of RMB3,576,000,000 (the "**Disposal**"). The Equity Interest was offered for sale through the public tender on the Shanghai Assets Exchange (the "**Public Tender**") and the Buyer, as the sole bidder, succeeded in the open bid in relation to the Disposal.

Upon completion of the Disposal, Shanghai Huanyu would cease to be a subsidiary of the Company and the Group would cease to have any interest in Shanghai Huanyu. The financial results of Shanghai Huanyu would no longer be consolidated with the financial statements of the Group following completion of the Disposal.

The consideration payable by the Buyer for the Equity Interest was the outcome of the Public Tender which was accepted by the Group with reference to the appraised value of Shanghai Huanyu as at 30 June 2021. According to the valuation report issued by an independent valuer, having conducted a valuation on Shanghai Huanyu using an asset-based approach, the appraised value of shareholders' equity interest of Shanghai Huanyu as at 30 June 2021 was approximately RMB5,957,000,000, and the appraised value of the Equity Interest amounted to approximately RMB3,574,000,000.

The Buyer was wholly-owned by 上海市徐匯區國有資產監督管理委員會 (the State-owned Assets Supervision and Administration Commission of Shanghai Xuhui District*) ("**Xuhui SASAC**") (a substantial shareholder of Shanghai Urban Development. Given Shanghai Urban Development was a subsidiary of the Company, the Buyer was therefore an associate of Xuhui SASAC and a connected person of the Company at the subsidiary level.

15. Further increase in capital contribution to SIIC Elderly Care

On 28 December 2021, SIIC Shanghai Urban entered into a capital injection agreement with SIIC Dongtan and SIIC Elderly Care, pursuant to which it was agreed that (1) the registered capital of SIIC Elderly Care would increase from RMB520,000,000 to RMB890,000,000; and (2) SIIC Shanghai Urban and SIIC Dongtan shall make an additional capital contribution in proportion to their then respective existing shareholding in the amounts of RMB140,600,000 and RMB229,400,000, respectively (the "**Further Capital Increase**"). Immediately prior to the Further Capital Increase, the percentages of equity interest held by SIIC Shanghai Urban and SIIC Dongtan in SIIC Elderly Care were 38% and 62% respectively. Upon the Further Capital Increase, the percentage of equity interests held by SIIC Shanghai Urban and SIIC Dongtan in SIIC Elderly Care would remain unchanged as 38% and 62% respectively.

The following table sets out the respective equity interest held by SIIC Shanghai Urban and SIIC Dongtan in SIIC Elderly Care before and immediately upon the completion of the Further Capital Increase:

	Before completion of the Further Capital Increase		Immediately upon completion of the Further Capital Increase	
	Amount of registered capital (RMB)	%	Amount of registered capital (RMB)	%
SIIC Shanghai Urban	197,600,000	38	338,200,000	38
SIIC Dongtan	322,400,000	62	551,800,000	62
Total:	520,000,000	100	890,000,000	100

The amount of the Further Capital Increase was determined with reference to (1) the working capital currently available to SIIC Elderly Care; (2) the capital requirements of SIIC Elderly Care for the existing development projects; and (3) the respective percentages of equity interest held by SIIC Shanghai Urban and SIIC Dongtan in SIIC Elderly Care.

SIIC was a controlling shareholder of the Company and was therefore a connected person of the Company. SIIC Dongtan was a wholly-owned subsidiary of SIIC Shanghai, over which SIIC exercised the authority as a state-owned shareholder, and in turn held 62% of the registered capital of SIIC Elderly Care. As such, each of SIIC Dongtan and SIIC Elderly Care was an associate of SIIC and a connected person of the Company.

* *For identification purposes only.*

Shortly prior to the date of this Directors' Report, SI Development, a subsidiary of the Company listed on the Shanghai Stock Exchange (SSE Stock Code: 600748), reported to the Company of certain transactions entered into by SIIC Longchuang (a 69.7849% non-wholly owned subsidiary of SI Development) from 2018 to 2021 (the "**Potential Connected Transactions**"), some or all of which may constitute continuing connected transactions or connected transactions of the Company under the Listing Rules, in which case the relevant disclosure requirements of these Potential Connected Transactions may not have been fully complied with.

The Company is in a process of reviewing the relevant agreements and documents and requesting for further information from SI Development in order to ascertain the details of these Potential Connected Transactions. The Company has also reported the Potential Connected Transactions to the Company's Audit Committee and the Board of Directors, as well as the auditors of the Company. The Company shall make full disclosure of the details of the Potential Connected Transactions as and when appropriate.

Pursuant to Rule 14A.56 of the Listing Rules, the Directors engaged the auditor of the Company to report on the continuing connected transactions of the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The auditor reviewed these continuing connected transactions and, pursuant to Rule 14A.56 of the Listing Rules, advised nothing has come to their attention that has caused them to believe that the continuing connected transactions:

(i) have not been approved by the Board;

(ii) for the transactions involving the provision of goods or services by the Group, were not, in all material respects, in accordance with the pricing policies of the Group;

(iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the continuing connected transactions; and

(iv) with respect to each of the aforesaid continuing connected transactions, have exceeded their respective annual caps set by the Company.

Save as disclosed, in respect of the continuing connected transactions, the Company has followed the policies and guidelines as laid down in the guidance letter HKEX-GL73-14 issued by the Stock Exchange when determining the price and terms of the transactions conducted during the financial year ended 31 December 2021.

The Independent Non-Executive Directors have reviewed the continuing connected transactions and the report of the auditor and have confirmed that the transactions have been entered into by the Company in the ordinary and usual course of its business, on normal commercial terms, and in accordance with the terms of the agreements governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

RELATED PARTY TRANSACTIONS

The Company confirms that it has complied with all the requirements under Chapter 14A of the Listing Rules in respect of the transactions disclosed in the section headed "Connected Transactions" of the Directors' Report in this report, which were also classified as related party transactions of the Group and set out in paragraph (I) of note 45 to the consolidated financial statements in this report. Details of such related party transactions for the year are set out in paragraph (I) of note 45 to the consolidated financial statements. During the year ended 31 December 2021, the Group also entered into other related party transactions which did not constitute connected transactions and are not subject to reporting, announcement, circular or independent shareholders' approval requirements under Chapter 14A of the Listing Rules, particulars of which are set out in paragraphs (II) and (III) of note 45 to the consolidated financial statements in this report.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, both the aggregate revenue from sales attributable to the Group's five largest customers and the aggregate purchases attributable to the Group's five largest suppliers were less than 30% of the Group's total sales and purchases respectively.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2021, SIIC Environment, a subsidiary of the Company, bought back a total of 14,012,000 and 13,140,000 of its own ordinary shares on the Stock Exchange and the Singapore Stock Exchange for a total consideration of approximately HK$16,841,944 and SG$2,662,126 respectively, and all these shares were cancelled.

Save as disclosed above, during the year ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK$8,228,000.

RETIREMENT BENEFITS SCHEMES

Details of the Group's retirement benefits schemes are set out in note 44 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this Annual Report, based on publicly available information and within the knowledge of the Directors of the Company, approximately 37.10% of the issued share capital of the Company is held by the public.

The Company has maintained a sufficient public float throughout the year ended 31 December 2021.

CORPORATE GOVERNANCE

The corporate governance principles and practices adopted by the Company are set out in the Corporate Governance Report on pages 38 to 49 of this Annual Report.

AUDITOR

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Shen Xiao Chu
Chairman

Hong Kong, 14 April 2022

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE MEMBERS OF SHANGHAI INDUSTRIAL HOLDINGS LIMITED
上海實業控股有限公司
(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Shanghai Industrial Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 77 to 203, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current reporting period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties We identified the valuation of investment properties as a key audit matter due to its significance to the consolidated financial statements as a whole and the significant judgment and estimation associated with determining the fair values of investment properties. As disclosed in note 14 to the consolidated financial statements, the fair values of the Group's investment properties amounted to HK$28,985,301,000 as at 31 December 2021 with a net increase in fair value of investment properties of HK$877,970,000 recognised in the consolidated statement of profit or loss for the year then ended under the line item "other income, gains and losses". The fair values of the Group's investment properties as at 31 December 2021 have been arrived at on the basis of valuations carried out by an independent qualified professional valuer (the "Valuer"). Details of the valuation techniques and significant unobservable inputs used in the valuations are disclosed in note 14 to the consolidated financial statements. The fair values are dependent on certain key inputs that involve judgment and estimation made by the management of the Group together with the Valuer, including, among other factors, reversionary yield derived from market rent and the transaction price of comparable properties in the same location and market price of comparable properties in the similar locations.	Our procedures in relation to the valuation of the investment properties included: • Evaluating the competence, capabilities and objectivity of the Valuer; • Obtaining an understanding from the Valuer and the management of the Group on the valuation process to understand the performance of property markets, significant assumptions adopted and inputs used in the valuations; • Evaluating the reasonableness of the valuation methodologies by matching the nature of the properties and the availability of comparable market transactions and information against the valuation methodologies applied; and • Assessing the appropriateness of key inputs used by the Valuer in the valuation models by referring, on a sample basis, to the comparable market transactions and other relevant information in the property market.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Assessment of the net realisable value ("NRV") of properties held-for-sale ("PHFS")	
We identified assessment of the NRV of the Group's PHFS with impairment indicators (the "Concerned PHFS") as a key audit matter due to the significant judgment and estimation associated. As disclosed in note 26 to the consolidated financial statements, the Group has PHFS of HK$12,683,567,000 as at 31 December 2021, of which an amount of HK$1,916,914,000 is referring to as the Concerned PHFS. No impairment loss in respect of the Concerned PHFS is recognised in the consolidated statement of profit or loss for the year. The management of the Group determined whether PHFS are with impairment indicators by reference to the cities and locations where the PHFS are located, the pre-sale status and other relevant market factors. The management of the Group assessed the NRV of the Concerned PHFS as at 31 December 2021 by reference to the valuation reports prepared by independent qualified professional valuers (the "Valuers"). The valuations are dependent on certain key inputs that involve judgment and estimation made by the management of the Group together with the Valuers including, among other factors, transaction price of comparable properties in the similar or same locations and adjustments made according to nature of each property and its specific location and conditions.	Our procedures in relation to the assessment of the NRV of the Concerned PHFS included: • Understanding and evaluating the appropriateness of the process adopted by the management of the Group in identifying properties with impairment indicators from the Group's PHFS portfolio (i.e. the Concerned PHFS); • Assessing the competence, capabilities and objectivity of the Valuers; • Discussing with the Valuers on the valuation process to understand the performance of property markets, significant assumptions adopted and inputs used in the valuation models and the management's critical judgmental areas; • Evaluating the reasonableness of the valuation methodologies by matching the nature of the properties and the availability of comparable market transactions and information against the valuation methodologies applied; and • Assessing the reasonableness of the key inputs used by the valuers in the valuation models by referring, on a sample basis, to the available market information such as transaction prices of comparable properties and the factors supporting the adjustments made.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Leung Po Shan.

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
14 April 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	NOTES	2021 HK$'000	2020 HK$'000
Revenue	5	**38,747,951**	27,137,601
Cost of sales		**(23,878,335)**	(17,319,822)
Gross profit		**14,869,616**	9,817,779
Net investment income	6	**372,905**	572,752
Other income, gains and losses		**(1,768,684)**	219,877
Selling and distribution costs		**(1,183,111)**	(1,097,249)
Administrative and other expenses		**(1,905,940)**	(2,273,393)
Finance costs	7	**(1,681,765)**	(1,854,385)
Share of results of joint ventures		**243,759**	163,034
Share of results of associates		**442,051**	644,888
Gain on disposal of subsidiaries/interests in associates	8	**1,357,183**	723,758
Profit before taxation		**10,746,014**	6,917,061
Income tax expense	9	**(6,633,048)**	(2,993,918)
Profit for the year	10	**4,112,966**	3,923,143
Profit for the year attributable to			
– Owners of the Company		**3,745,505**	2,218,877
– Non-controlling interests		**367,461**	1,704,266
		4,112,966	3,923,143
		HK$	HK$
Earnings per share	13		
– Basic		**3.429**	2.014
– Diluted		**3.429**	2.014

The notes on pages 87 to 203 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
Profit for the year	**4,112,966**	3,923,143
Other comprehensive income (expense)		
Items that may be subsequently reclassified to profit or loss		
Exchange differences arising on translation of foreign operations		
– subsidiaries	**1,776,886**	4,776,576
– joint ventures	**552,446**	320,327
– associates	**82,131**	344,292
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	**(288,506)**	(13,953)
Reclassification adjustment upon disposal of an associate classified as held-for-sale	**(9,429)**	–
Reclassification adjustment for realisation of revaluation reserves upon disposal of the related properties	**(5,205)**	–
Other comprehensive income for the year	**2,108,323**	5,427,242
Total comprehensive income for the year	**6,221,289**	9,350,385
Total comprehensive income for the year attributable to		
– Owners of the Company	**4,956,286**	4,862,737
– Non-controlling interests	**1,265,003**	4,487,648
	6,221,289	9,350,385

The notes on pages 87 to 203 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	NOTES	2021 HK$'000	2020 HK$'000
Non-Current Assets			
Investment properties	14	**28,985,301**	27,166,276
Property, plant and equipment	15	**5,764,711**	5,763,753
Right-of-use assets	16	**698,853**	535,198
Toll road operating rights	17	**6,599,286**	7,132,190
Goodwill	18	**590,588**	810,832
Other intangible assets	19	**8,603,724**	7,974,255
Interests in joint ventures	20	**6,078,908**	5,475,401
Interests in associates	21	**8,257,908**	6,899,413
Investments	22	**456,697**	732,031
Receivables under service concession arrangements	23	**25,925,594**	23,159,535
Deposits paid on acquisition of non-current assets	24	**7,960,018**	3,885,676
Deferred tax assets	25	**136,391**	396,040
		100,057,979	89,930,600
Current Assets			
Inventories	26	**53,441,173**	59,557,443
Trade and other receivables	27	**12,280,029**	13,329,541
Contract assets	28	**116,869**	403,204
Investments	22	**414,889**	632,753
Receivables under service concession arrangements	23	**848,548**	819,316
Prepaid taxation		**1,014,476**	577,240
Pledged bank deposits	29	**709,526**	806,864
Short-term bank deposits	29	**668,643**	142,382
Bank balances and cash	29	**38,149,742**	28,354,355
		107,643,895	104,623,098
Assets classified as held for sale	38	**8,661**	328,672
		107,652,556	104,951,770

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	NOTES	2021 HK$'000	2020 HK$'000
Current Liabilities			
Trade and other payables	30	**22,185,904**	21,521,708
Lease liabilities	34	**100,582**	113,239
Contract liabilities	31	**20,618,731**	21,695,922
Deferred income	32	**446,581**	–
Taxation payable		**6,641,699**	3,410,431
Bank and other borrowings	33	**23,637,611**	13,755,345
		73,631,108	60,496,645
Liabilities associated with assets classified as held for sale	38	**113**	180,428
		73,631,221	60,677,073
Net Current Assets		**34,021,335**	44,274,697
Total Assets less Current Liabilities		**134,079,314**	134,205,297
Capital and Reserves			
Share capital	35	**13,649,839**	13,649,839
Reserves		**33,789,615**	30,028,927
Equity attributable to owners of the Company		**47,439,454**	43,678,766
Non-controlling interests		**33,918,247**	38,388,617
Total Equity		**81,357,701**	82,067,383
Non-Current Liabilities			
Provision for major overhauls	23	**89,298**	88,160
Deferred income	32	**3,368,970**	–
Bank and other borrowings	33	**40,619,524**	43,186,801
Deferred tax liabilities	25	**8,495,150**	8,545,117
Lease liabilities	34	**148,671**	317,836
		52,721,613	52,137,914
Total Equity and Non-Current Liabilities		**134,079,314**	134,205,297

The notes on pages 87 to 203 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 77 to 203 were approved and authorised for issue by the board of directors on 14 April 2022 and are signed on its behalf by:

Zhou Jun
Chief Executive Officer

Xu Bo
Deputy Chief Executive Officer

	Attributable to owners of the Company									Attributable to non-controlling interests				
	Share capital HK$'000	Other revaluation reserve HK$'000 (Note i)	Other reserve HK$'000 (Note ii)	Merger reserve HK$'000 (Note iii)	Investment revaluation reserves HK$'000	Translation reserve HK$'000	PRC statutory reserves HK$'000 (Note iv)	Retained profits HK$'000	Sub-total HK$'000	Perpetual bond HK$'000 (Note vi)	Share options reserve of listed subsidiaries HK$'000	Share of net assets of subsidiaries HK$'000	Sub-total HK$'000	Total HK$'000
At 1 January 2020	13,649,839	54,855	(324,293)	(5,912,547)	257,987	(725,875)	2,460,543	30,779,303	40,239,812	–	31,892	32,532,856	32,564,748	72,804,560
Profit for the year	–	–	–	–	–	–	–	2,218,877	2,218,877	–	–	1,704,266	1,704,266	3,923,143
Exchange differences arising on translation of foreign operations														
– subsidiaries	–	–	–	–	–	1,986,173	–	–	1,986,173	–	–	2,790,403	2,790,403	4,776,576
– joint ventures	–	–	–	–	–	320,327	–	–	320,327	–	–	–	–	320,327
– associates	–	–	–	–	–	344,292	–	–	344,292	–	–	–	–	344,292
Fair value change on equity investments at fair value through other comprehensive income held by subsidiaries, net of tax	–	–	–	–	(6,932)	–	–	–	(6,932)	–	–	(7,021)	(7,021)	(13,953)
Total comprehensive (expense) income for the year	–	–	–	–	(6,932)	2,650,792	–	2,218,877	4,862,737	–	–	4,487,648	4,487,648	9,350,385
Transfers	–	–	–	–	–	–	240,949	(240,949)	–	–	–	–	–	–
Acquisition of additional interest in a listed subsidiary	–	–	(32,976)	–	–	–	–	–	(32,976)	–	–	(95,458)	(95,458)	(128,434)
Acquisition of additional interests in subsidiaries	–	–	85,521	–	–	–	–	–	85,521	–	–	(102,916)	(102,916)	(17,395)
Acquisition of a subsidiary (note 37)	–	–	–	–	–	–	–	–	–	–	–	4,318	4,318	4,318
Capital contributions from non-controlling interests (Note vii)	–	–	–	–	–	–	–	–	–	–	–	618,908	618,908	618,908
Disposal/liquidation of subsidiaries	–	–	–	–	–	(6,062)	(1,469)	6,997	(534)	–	–	(95,912)	(95,912)	(96,446)
Dividends recognised as distribution (note 12)	–	–	–	–	–	–	–	(963,269)	(963,269)	–	–	–	–	(963,269)
Dividends declared to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	(699,989)	(699,989)	(699,989)
Partial disposal of a listed subsidiary without loss of control (Note v)	–	–	(514,849)	–	–	–	–	–	(514,849)	–	–	673,582	673,582	158,733
Issue of perpetual bond	–	–	–	–	–	–	–	–	–	1,096,852	–	–	1,096,852	1,096,852
Accrual of interest to holder of perpetual bond	–	–	–	–	–	–	–	(29,568)	(29,568)	60,840	–	(31,272)	29,568	–
Interest paid to holder of perpetual bond	–	–	–	–	–	–	–	–	–	(60,840)	–	–	(60,840)	(60,840)
Lapse of share options (note 36)	–	–	–	–	–	–	–	31,892	31,892	–	(31,892)	–	(31,892)	–
At 31 December 2020	13,649,839	54,855	(786,597)	(5,912,547)	251,055	1,918,855	2,700,023	31,803,283	43,678,766	1,096,852	–	37,291,765	38,388,617	82,067,383

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to owners of the Company									Attributable to non-controlling interests			
	Share capital HK$'000	Other revaluation reserve HK$'000 (Note i)	Other reserve HK$'000 (Note ii)	Merger reserve HK$'000 (Note iii)	Investment revaluation reserves HK$'000	Translation reserve HK$'000	PRC statutory reserves HK$'000 (Note iv)	Retained profits HK$'000	Sub-total HK$'000	Perpetual bond HK$'000 (Note vi)	Share of net assets of subsidiaries HK$'000	Sub-total HK$'000	Total HK$'000
At 1 January 2021	13,649,839	54,855	(786,597)	(5,912,547)	251,055	1,918,855	2,700,023	31,803,283	43,678,766	1,096,852	37,291,765	38,388,617	82,067,383
Profit for the year	–	–	–	–	–	–	–	3,745,505	3,745,505	–	367,461	367,461	4,112,966
Exchange differences arising on translation of foreign operations													
– subsidiaries	–	–	–	–	–	701,911	–	–	701,911	113,216	961,759	1,074,975	1,776,886
– joint ventures	–	–	–	–	–	552,446	–	–	552,446	–	–	–	552,446
– associates	–	–	–	–	–	82,131	–	–	82,131	–	–	–	82,131
Fair value change on equity investments at fair value through other comprehensive income held by subsidiaries, net of tax	–	–	–	–	(114,583)	–	–	–	(114,583)	–	(173,923)	(173,923)	(288,506)
Reclassification adjustment upon disposal of an associate classified as held-for-sale	–	–	–	–	–	(8,891)	–	–	(8,891)	–	(538)	(538)	(9,429)
Reclassification adjustment for realisation of revaluation reserves Upon disposal of the related properties	–	(8,157)	–	–	5,924	–	–	–	(2,233)	–	(2,972)	(2,972)	(5,205)
Total comprehensive (expense) income for the year	–	(8,157)	–	–	(108,659)	1,327,597	–	3,745,505	4,956,286	113,216	1,151,787	1,265,003	6,221,289
Transfers	–	–	–	–	–	–	409,361	(409,361)	–	–	–	–	–
Acquisition of subsidiaries (Note 37)	–	–	–	–	–	–	–	–	–	–	29,240	29,240	29,240
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	105,333	105,333	105,333
Repurchase of their own shares by a listed subsidiary	–	–	22,890	–	–	–	–	–	22,890	–	(55,653)	(55,653)	(32,763)
Dividends recognised as distribution (Note 12)	–	–	–	–	–	–	–	(1,087,212)	(1,087,212)	–	–	–	(1,087,212)
Dividends declared to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(2,401,988)	(2,401,988)	(2,401,988)
Repayment of perpetual bond	–	–	–	–	–	–	–	–	–	(1,210,068)	–	(1,210,068)	(1,210,068)
Accrual of interest to holder of perpetual bond	–	–	–	–	–	–	–	(17,193)	(17,193)	35,376	(18,183)	17,193	–
Interest paid to holder of perpetual bond	–	–	–	–	–	–	–	–	–	(35,376)	–	(35,376)	(35,376)
Transfer upon disposal/liquidation of subsidiaries	–	–	–	–	–	(115,342)	5,102	(3,843)	(114,083)	–	(2,184,054)	(2,184,054)	(2,298,137)
At 31 December 2021	13,649,839	46,698	(763,707)	(5,912,547)	142,396	3,131,110	3,114,486	34,031,179	47,439,454	–	33,918,247	33,918,247	81,357,701

Notes:

(i) Other revaluation reserve is comprised of fair value adjustments on acquisition of subsidiaries relating to interests previously held by the Company and its subsidiaries (collectively referred to as the "Group") as associates/joint ventures and fair value adjustments arising upon the transfer of property, plant and equipment to investment properties in prior years.

(ii) The Group accounts for acquisitions of associates, joint ventures or investee companies from its ultimate parent, Shanghai Industrial Investment (Holdings) Company Limited ("SIIC"), as equity transactions and any difference between the consideration paid and the fair value of the interest acquired is recorded in other reserve. In addition, the Group accounts for changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over those subsidiaries as equity transactions and any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received was recorded in other reserve.

(iii) Merger reserve represents the difference between the fair value of the consideration paid to SIIC for the acquisition of subsidiaries/businesses controlled by SIIC and the share capital of the acquired subsidiaries.

(iv) The statutory reserves are reserves required by the relevant laws in the People's Republic of China (the "PRC") applicable to the Group's PRC subsidiaries, joint ventures and associates.

(v) During the year ended 31 December 2020, the Group distributed 217,442,320 shares in a non-wholly owned listed subsidiary, namely Shanghai Industrial Urban Development Group Limited ("SI Urban Development") through distribution in specie as disclosed in note 12. The difference of HK$514,849,000 between the fair value of the interim dividend and the increase in carrying amount of the non-controlling interests has been recognised directly in equity under other reserve. Immediately after the distribution in specie, the Group's equity interest in SI Urban Development decreased from 47.41% to 42.89% and the Group accounted for this transaction as an equity transaction.

(vi) On 2 January 2020, Shanghai Industrial Development Co., Ltd. ("SI Development"), a non-wholly owned listed subsidiary of the Group issued a 5.5% perpetual bond with par value of RMB1 billion (equivalent to HK$1,096,852,000) to an independent third party (the "Perpetual Bondholder").

The Perpetual Bondholder is entitled to an interest of 5.5% per annum in the first 1.5 years (the "initial investment period") after issuance. Upon the end of the initial investment period, SI Development can elect to extend repayment of the principal for another year once every year indefinitely and the interest rate will be reset with reference to People's Bank of China Benchmark Lending Rate upon each deferral of interest payment and capped at 9%. The interest payments fall due quarterly. Unless SI Development declares dividend to shareholders or reduces the registered capital within 12 months before the interest due date, SI Development can elect to defer the payment of all current or deferred interests to the next payment date.

According to the above-mentioned terms, the issued perpetual bond has no maturity date. SI Development has the right to defer interest payment and the option for redemption of perpetual bond. SI Development has no obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer, so the perpetual bond is classified as an equity instrument.

(vii) During the year ended 31 December 2020, part of the contribution from non-controlling interests upon additional capital injection in subsidiaries of RMB216,491,000 (equivalent to HK$243,303,000) was settled through the transfer of operating concession rights and an RMB96,763,000 (equivalent to HK$108,747,000) was offset against outstanding payables to the non-controlling interests.

The notes on pages 87 to 203 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**10,746,014**	6,917,061
Adjustments for:		
Amortisation of other intangible assets	**355,356**	360,077
Amortisation of toll road operating rights	**760,504**	644,840
Change in fair value of financial assets at fair value through profit or loss ("FVTPL")	**100,022**	(83,317)
Depreciation of property, plant and equipment	**505,414**	524,767
Depreciation of right-of-use assets	**97,557**	94,288
Dividend income from equity investments	**(47,875)**	(10,241)
(Increase) decrease in fair value of investment properties	**(877,970)**	185,972
Finance costs	**1,681,765**	1,854,385
Gain on disposal of subsidiaries/interests in associates	**(1,357,183)**	(723,758)
Gain on bargain purchase arising from acquisition of a subsidiary	**(7,812)**	–
Government compensation of toll road operating rights	**(409,446)**	–
Impairment loss on a toll road operating right	**–**	322,123
Impairment loss on contract assets	**368,047**	–
Impairment loss on trade receivables	**253,820**	100,647
Impairment loss on goodwill	**265,052**	79,555
Impairment loss on other receivables	**2,215,205**	89,842
Impairment loss on properties under development held for sale	**909,692**	23,739
Interest income	**(423,333)**	(477,879)
Net gain on disposal/written off of property, plant and equipment	**(311,534)**	(4,396)
Provision for major overhauls	**682**	1,125
Reversal of impairment loss on inventories, other than properties	**(13,440)**	(1,551)
(Reversal of) impairment loss on properties held for sale	**(30,781)**	100,212
Share of results of associates	**(442,051)**	(644,888)
Share of results of joint ventures	**(243,759)**	(163,034)
Operating cash flows before movements in working capital	**14,093,946**	9,189,569
Decrease (increase) in inventories	**525,646**	(1,016,449)
Decrease in financial assets at FVTPL	**120,912**	261,551
Increase in trade and other receivables	**3,627,086**	(2,143,781)
Increase in receivables under service concession arrangements	**(1,965,517)**	(1,990,653)
(Increase) decrease in contract assets	**(73,868)**	222,140
(Decrease) increase in contract liabilities	**(1,758,267)**	5,650,285
(Decrease) increase in trade and other payables	**(1,862,840)**	991,668
Increase in deferred income	**4,148,805**	–
Decrease in provision for major overhauls	**(2,430)**	(2,389)
Prepayments for acquisition of parcels of land for residential property projects	**(3,472,790)**	–
Cash generated from operations	**13,380,683**	11,161,941
PRC Enterprise Income Tax ("EIT") paid	**(2,453,298)**	(2,005,531)
PRC Land Appreciation Tax ("LAT") paid	**(1,339,867)**	(1,989,577)
Hong Kong Profits Tax paid	**(28,063)**	(198,711)
NET CASH FROM OPERATING ACTIVITIES	**9,559,455**	6,968,122

	NOTES	2021 HK$'000	2020 HK$'000
INVESTING ACTIVITIES			
Payment for acquisition of land parcels	24	**(5,625,904)**	(2,293,709)
Advance to related parties		**(1,633,386)**	(1,654,653)
Purchase of operating concessions		**(652,318)**	(225,495)
Purchase of property, plant and equipment		**(596,260)**	(219,545)
Subsequent expenditures on investment properties		**(585,915)**	(185,517)
(Increase) decrease in restricted/pledged bank deposits/short–term bank deposits		**(428,923)**	471,343
Capital injection into associates		**(420,073)**	(171,636)
Investment in joint ventures		**(322,043)**	–
Deposits paid on acquisition of property, plant and equipment/ intangible assets	24	**(114,192)**	(87,134)
Prepayment for acquisition of service concession arrangements	24	**(86,601)**	(102,350)
Purchase of investments		**(18,405)**	(56,192)
Additions to toll road operating rights		**(6,705)**	(184,484)
Proceeds from disposal of subsidiaries	39	**4,609,821**	624,117
Repayment from related parties		**821,115**	153,006
Proceeds from disposal of property, plant and equipment		**633,999**	84,515
Proceeds from disposal of investment properties		**513,768**	–
Dividends received from joint ventures		**485,867**	65,360
Interest received		**425,186**	479,799
Acquisition of subsidiaries	37	**134,298**	(20,883)
Proceeds from disposal of interests in associates		**124,802**	467,644
Dividends received from associates		**97,664**	202,032
Dividends received from equity investments		**47,875**	10,241
Proceeds from refund of capital of equity instruments at fair value through other comprehensive income		**19,374**	7,741
Prepayment on acquisition of an associate	24	**–**	(484,607)
Capital injection in joint ventures		**–**	(1,804,854)
Proceeds from disposal of equity instruments at FVTOCI		**–**	36,853
NET CASH USED IN INVESTING ACTIVITIES		**(2,576,956)**	(4,888,408)

	2021 **HK$'000**	2020 HK$'000
FINANCING ACTIVITIES		
Bank and other borrowings raised	**22,454,759**	26,928,128
Advances from related parties	**351,417**	316,167
Capital contributions by non–controlling interests	**105,333**	266,858
Repayment of bank and other borrowings	**(14,527,530)**	(27,035,987)
Interest paid	**(2,528,188)**	(2,867,205)
Repayment of perpetual bond	**(1,210,068)**	–
Dividends paid	**(1,087,212)**	(804,536)
Dividends paid to non–controlling interests	**(438,516)**	(699,989)
Repayments of lease liabilities	**(122,348)**	(120,008)
Interest paid to holder of perpetual bond	**(35,376)**	(60,840)
Repurchase of their own shares by listed subsidiaries	**(32,763)**	–
Interest paid on lease liabilities	**(15,241)**	(17,556)
Proceeds from issuance of perpetual bond, net of issue cost	**–**	1,096,852
Acquisition of additional interest in a listed subsidiary	**–**	(128,434)
Acquisition of additional interests in subsidiaries	**–**	(17,395)
Distribution after liquidation of a subsidiary	**–**	(2,239)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**2,914,267**	(3,146,184)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**9,896,766**	(1,066,470)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**28,354,355**	27,904,781
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(101,379)**	1,516,044
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash	**38,149,742**	28,354,355

The notes on pages 87 to 204 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

Shanghai Industrial Holdings Limited (the "Company") is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate parent is SIIC, a private limited company also incorporated in Hong Kong. The addresses of the registered office and principal place of business of the Company are disclosed in the section of "Corporate Information" of the annual report.

The Company is an investment holding company. The principal activities of its principal subsidiaries, joint ventures and associates are set out in notes 48, 49 and 50, respectively.

The consolidated financial statements are presented in Hong Kong dollar ("HK$"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("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 annual periods beginning on or after 1 January 202l for the preparation of the consolidated financial statements:

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

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

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.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

Amendments to HKFRSs that are mandatorily effective for the current year (continued)

Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 Financial Instruments: Disclosures ("HKFRS 7").

As at 1 January 2021, the Group has several financial liabilities, the interest of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform.

The following table shows the total amounts of outstanding contracts. The amounts of financial liabilities are shown at their carrying amounts.

	USD London Interbank Offered Rate ("LIBOR") HK$'000	HKD Hong Kong Interbank Offered Rate ("HIBOR") HK$'000	Total HK$'000
Bank and other borrowings	1,495,872	6,632,537	8,128,409

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year and the Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank borrowings measured at amortised cost. Additional disclosures as required by HKFRS 7 are set out in note 53(b).

Impacts on application of the agenda decision of the Committee – Cost necessary to sell inventories (HKAS 2 "Inventories")

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group's accounting policy prior to the Committee's agenda decision was to determine the net realisable value of inventories taking into consideration of incremental costs only. Upon application of the Committee's agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration of both incremental costs and other cost necessary to sell inventories. The new accounting policy has been applied retrospectively.

The application of the Committee's agenda decision has had no material impact on the Group's financial positions and performance.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[1]
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 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020[2]

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

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 HKFRS 3 "Reference to the Conceptual Framework"

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 other 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 Group will apply the amendments prospectively to business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs in issue but not yet effective (continued)

Amendments to HKFRS 10 and HKAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The amendments to HKFRS 10 "Consolidated Financial Statements" and HKAS 28 "Investments in Associates and Joint Ventures" deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2021)"

The 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:

- 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:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- 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".

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 December 2021, the application of the amendments will not result in reclassification of the Group's liabilities.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs in issue but not yet effective (continued)

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.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs in issue but not yet effective (continued)

Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 "Income Taxes" so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in note 3.2 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the relevant assets and liabilities separately. Temporary differences on initial recognition of the relevant assets and liabilities are not recognised due to application of the initial recognition exemption.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. As at 31 December 2021, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to HK$119,409,000 and HK$249,253,000 respectively. The Group is still in the process of assessing the full impact of the application of the amendments. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the earliest comparative period presented.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with 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 and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of the reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of preparation of consolidated financial statements (continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial application the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The significant principal accounting policies are set out below.

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group losses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Business combinations or assets acquisitions

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combinations

Acquisitions of businesses, other than business combination under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the "Framework for the Preparation and Presentation of Financial Statements" (replaced by the "Conceptual Framework for Financial Reporting" issued in October 2010).

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits", respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payments" at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Business combinations or assets acquisitions (continued)

Business combinations (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Merger Accounting for business combination involving businesses under common control

Business combination involving entities under common control relates to acquisitions of subsidiaries/ businesses controlled by SIIC.

The consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is shorter.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any assets, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Investments in associates and joint ventures (continued)

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Non-current assets held for sale

Non-current assets (and disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Non-current assets held for sale (continued)

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell, except for financial assets within the scope of HKFRS 9 continue to be measured in accordance with the accounting policies as set out in respective sections.

When there is a delay caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset (or disposal group), an extension of the period required to complete a sale does not preclude an asset (or disposal group) from being classified as held for sale.

Service concession arrangements

Consideration given by the grantor

A financial asset (receivable under service concession arrangement) is recognised to the extent that (a) the Group has an unconditional right to receive cash or another financial asset from or at the direction of the grantor for the construction services rendered and/or the consideration paid and payable by the Group for the right to charge users of the public service; and (b) the grantor has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law. The Group has an unconditional right to receive cash if the grantor contractually guarantees to pay the Group (a) specified or determinable amounts or (b) the shortfall, if any, between amounts received from users of the public service and specified or determinable amounts, even if the payment is contingent on the Group ensuring that the infrastructure meets specified quality of efficiency requirements. The financial asset (receivable under service concession arrangement) is accounted for in accordance with the policy set out for "Financial instruments" below.

An intangible asset (operating concession) is recognised to the extent that the Group receives a right to charge users of the public service, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. The intangible asset (operating concession) is accounted for in accordance with the policy set out for "Intangible assets" below.

If the Group is paid partly by a financial asset and partly by an intangible asset, in which case, each component of the consideration is accounted for separately and the consideration received or receivable for both components shall be recognised initially at the fair value of the consideration received or receivable.

Operating services

Revenue relating to operating services are accounted for in accordance with the policy for "Revenue recognition" below.

Contractual obligations to restore the infrastructure to a specified level of serviceability

When the Group has contractual obligations which it must fulfil as a condition of its licence for operating concession, that is (a) to maintain the infrastructure to a specified level of serviceability and/or (b) to restore the infrastructure to a specified condition before they are handed over to the grantor at the end of the service concession arrangement, these contractual obligations to maintain or restore infrastructure are recognised and measured in accordance with the policy set out for "Provisions" below.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date, the Group recognises revenue in the amount to which the Group has the right to invoice.

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Contract costs

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (mainly sales commissions in relation to the sales of properties) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of HKFRS16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or nonlease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of warehouses, office premises and department units that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Right-of-use assets (continued)

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property or inventory as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property and inventory are presented within "investment properties", "properties under development for sale" and "properties held for sale" respectively.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- amounts expected to be paid under residual value guarantees; and
- payments of penalties for terminating a lease, of the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Rental income which is derived from the Group's ordinary course of business is presented as revenue.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or an operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessor (continued)

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions, are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the lease payments for the new lease.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes).

Investment properties also include leased properties which are being recognised as right-of-use assets upon application of HKFRS 16 and subleased by the Group under operating leases.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair values, adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes (i.e. construction in progress) are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management of the Group and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Hong Kong dollar) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under “other income”.

Employee benefits

Retirement benefits costs

Payments to defined contribution retirement benefit plans/state-managed retirement benefit schemes/the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees after deducting any amount already paid.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred taxes for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale which is always presumed to be recovered entirely through sales.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption. Temporary difference arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modification that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Taxation (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

When the Group has a right to charge for usage of concession infrastructure (as a consideration for providing construction service in a service concession arrangement), it recognises an intangible asset at fair value upon initial recognition. The intangible asset is carried at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Research expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Toll road operating rights

Toll road operating rights are stated at costs less accumulated amortisation and any accumulated impairment losses. Amortisation is provided to write off the costs of toll road operating rights on a units-of-usage basis, calculated based on the proportion of actual traffic volume for a particular period to the projected total traffic volume over the periods for which the Group is granted the rights to operate the toll roads.

Operating concessions

Operating concessions represent the rights to operate waste water treatment, water supply and waste incineration plants and are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on the straight-line basis over the respective periods of the operating concessions.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Intangible assets (continued)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment loss.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss in the period when the asset is derecognised.

Impairment on property, plant and equipment, right-of-use assets, and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating units when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Impairment on property, plant and equipment, right-of-use assets, and intangible assets other than goodwill (continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Properties under development held for sale and properties held for sale

Properties under development held for sale which are intended to be sold upon completion of development and properties for sale are classified as current assets. Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets upon the application of HKFRS 16, properties under development held for sale and properties for sale are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Properties under development held for sale are transferred to properties for sale upon completion.

Transfer from inventories to investment properties carried at fair value

The Group transfers a property from inventories to investment properties when there is a change in use to hold the property to earn rentals and/or for capital appreciation rather than for sale in the ordinary course of business, which is evidenced by the commencement of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss.

Others

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest/dividend income which are derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that is required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income ("OCI") and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "net investment income" line item in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as at FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "net investment income".

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, receivables under service concession arrangements, pledged bank deposits, short-term bank deposits and bank balances and cash) and other items (including lease receivables, contract assets and financial guarantee contracts) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor; or

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(i) Significant increase in credit risk (continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, except as specified below, unless the Group has reasonable and supportable information that demonstrates otherwise.

For water-related businesses, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due for corporate/individual debtors and more than three years for government debtors based on their industry experience.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group considers changes in the risk of that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

For water-related businesses, the Group considers that default has occurred when a financial asset is more than one year past due for corporate/individual debtors and more than five years for government debtors based on their industry knowledge.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(v) Measurement and recognition of ECL (continued)

Lifetime ECL for certain trade receivables and contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for financial guarantee contracts, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, lease receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Perpetual instruments, which include no contractual obligation for the Group to deliver cash or other financial assets or the Group has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities, including trade and other payables and bank and other borrowings, are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts issued by the Group are initially measured at their fair values. They are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9; and

- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision, including those arising from the contractual obligation specified in the service concession arrangement to maintain or restore the infrastructure before it is handed over to the grantor, is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Provisions for maintenance of infrastructure under service concession arrangements

The Group has contractual obligations that it must fulfill as a condition of its licence to maintain the infrastructure to a specified level of serviceability during the service concession arrangements. These contractual obligations to maintain infrastructure, except for any upgrade element, is recognised and measured at the best estimate of the expenditure that would be required to settle the present obligation at the end of each reporting period in the consolidated statement of financial position.

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs except in the extremely rare circumstances where no reliable estimate can be made.

Perpetual bonds

Perpetual bonds issued by the Group are classified as equity instruments as they do not include the contractual obligation: (i) to deliver cash or another financial asset to another entity; or (ii) to exchange financial asset or financial liability with another entity under conditions that are potentially unfavourable to the issuer.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

For grant of share options that are conditional upon satisfying specified vesting conditions, the fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest based on assessment of all relevant non-marketing vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For grant of share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When the share options are exercised, the amount previously recognised in share options reserve will be transferred to share capital. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

In case of share options granted by a subsidiary, the share options reserve of the subsidiary is classified as and grouped under non-controlling interests by the Group on consolidation. At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium of that subsidiary. The Group will account for the dilution as an equity transaction if the exercise of share options does not constitute a loss of the Group's control over that subsidiary. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits of the Group and non-controlling interests' share of net assets of that subsidiary according to the proportion of interests held by the Group and non-controlling shareholders on consolidation.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3.2, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The followings are the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Control over non-wholly owned listed subsidiaries

Note 48 describes that the Group held less than a majority of ownership interest and voting rights in its non-wholly owned listed subsidiaries as at 31 December 2021.

The directors of the Company assessed whether or not the Group has control over SIIC Environment Holdings Ltd ("SIIC Environment"), SI Urban Development and SI Development throughout the year ended 31 December 2021, based on whether the Group has the practical ability to direct the relevant activities of these non-wholly owned listed subsidiaries unilaterally by considering the Group's absolute size of holding in them, the relative size and dispersion of holdings of other shareholders and the practical right to appoint the majority members of the board of directors of these non-wholly owned listed subsidiaries. After their assessments, the directors of the Company concluded that the Group has the current ability to direct the relevant activities of these non-wholly owned listed subsidiaries and affect the amount of the Group's return. Therefore, the Group has control over these non-wholly owned listed subsidiaries throughout the whole year ended 31 December 2021.

Deferred taxation on investment properties

For the purpose of measuring deferred taxation arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that certain of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred taxation on certain investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted for such properties. For the properties on which the 'sale' presumption is not rebutted, the Group has further recognised deferred taxes on changes in fair value of investment properties in relation to PRC LAT, which is the additional tax to be charged if a property in the PRC is recovered through sale.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair values of investment properties

The fair values of the investment properties are determined by reference to valuations conducted on these properties by independent property valuers using property valuation techniques which involve certain assumptions of prevailing market conditions as set out in note 14. In relying on the valuation reports prepared by the independent professional qualified valuers, the directors of the Company have exercised their judgment and are satisfied that the method of valuation is reflective of the current market conditions. Whilst the Group considers valuations of the Group's investment properties are the best estimates, the ongoing Covid-19 pandemic has resulted in greater market volatility depending on how the Covid-19 pandemic may progress and evolve, which have led to higher degree of uncertainties in respect of the valuations in the current year. Changes to these assumptions, including the potential risk of any market violation, policy, geopolitical and social changes or other unexpected incidents as a result of change in macroeconomic environment and travel restrictions within the PRC, would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss.

Investment properties in the consolidated statement of financial position at 31 December 2021 are carried at their fair values of approximately HK$28,985 million (2020: HK$27,166 million).

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit to which goodwill has been allocated, which is the higher of the value in use and fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or changes in facts and circumstances which results in downward revision of future cash, a material impairment loss/future impairment loss may arise. As at 31 December 2021, the carrying amount of goodwill was approximately HK$591 million (2020: HK$811 million). During the year ended 31 December 2021, an impairment loss of approximately HK$265 million (2020: HK$80 million) has been recognised on goodwill in real estate (2020: consumer products) segment. Details of the impairment test are set out in note 18.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Allowance for properties under development and properties held for sale

Management regularly reviews the recoverability of the Group's properties under development and properties held for sale with reference to the current market environment whenever events or changes in circumstances indicate that the carrying amounts of the assets exceed their recoverable amounts. Appropriate allowance for properties under development and properties held for sale is made if the estimated recoverable amount is lower than its carrying amount. As at 31 December 2021, the aggregate carrying amount of properties under development and properties held for sale was approximately HK$51,714 million (2020: HK$57,715 million).

During the current year, the management of the Group identified certain properties held for sale with impairment indicators (the "Concerned PHFS") by reference to the cities and locations where the PHFS are located, the pre-sale status and other relevant market factors. The management of the Group assessed the net realisable values of the Concerned PHFS as at 31 December 2021, with reference to the valuation reports prepared by professional valuers (the "Valuers"). The valuations are dependent on certain key inputs that involve judgment and estimation made by the management of the Group together with the Valuers including, among other factors, transaction price of comparable properties in the similar or same locations and adjustments made according to nature of each property and its specific location and conditions. As disclosed in note 26, the Group has PHFS of approximately HK$12,684 million (2020: HK$11,321 million) as at 31 December 2021, of which an amount of approximately HK$1,917 million (2020: HK$2,266 million) is referring to as the Concerned PHFS. No impairment loss in respect of the Concerned PHFS (2020: approximately HK$100 million) is recognised for the year.

The management of the Group also provided impairment loss in respect of certain properties under development held for sale amounting to approximately HK$910 million (2020: HK$24 million) during the year, because the unit sale price is lower than the unit cost with reference to the comparable market prices.

PRC LAT

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

The Group is subject to LAT in the PRC which has been included in income tax expense of the Group. However, the Group has not finalised its LAT returns with the tax authorities for certain of its property development projects. Accordingly, significant judgment is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax expense and deferred income tax provisions in the period in which such determination is made. As at 31 December 2021, the carrying amount of LAT provision (included in taxation payable) was approximately HK$3,614 million (2020: HK$1,951 million).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Provision of ECL for trade receivables and contract assets

The Group uses provision matrix to calculate ECL for the trade receivables and contract assets. The provision rates are based on shared characteristics including historical credit loss experience, industry specific factors to the debtors and general economic conditions. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables and contract assets with significant balances and credit-impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and contract assets are disclosed in notes 53(b), 27 and 28.

Estimation of contract revenue and costs

The Group recognised contract revenue from construction works by progress towards complete satisfaction of a performance obligation based on input method. The management estimates the efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation by reviewing and revising the estimates to the costs of the performance obligation. The actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimations and this will affect the revenue and profit recognised.

Fair value measurements and valuation processes

Some of the Group's assets are measured at fair value for financial reporting purposes. Management of the Group is responsible for determination of the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. Management of the Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model on a regular basis, or when needs arise, and will report the significant results and findings to the board of directors of the Company. The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Notes 14 and 53(c) provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair values of various assets and liabilities.

5. REVENUE

(i) Disaggregation of revenue

	For the year ended 31 December 2021			
	Infrastructure facilities HK$'000	Real estate HK$'000	Consumer products HK$'000	Total HK$'000
Types of goods or service				
Sales of goods and services				
– Sales of properties	–	20,416,851	–	20,416,851
– Sales of goods	–	–	4,047,033	4,047,033
Income from infrastructure facilities, other than financial income from service concession arrangements				
– toll road operation	2,154,697	–	–	2,154,697
– water-related services				
– operating, maintenance and other income	4,035,178	–	–	4,035,178
– construction income from construction contracts	3,331,340	–	–	3,331,340
Ancillary facilities, property services and management income	–	1,875,446	–	1,875,446
Income from hotel operations	–	246,949	–	246,949
Revenue from goods and services	9,521,215	22,539,246	4,047,033	36,107,494
Financial income from service concession arrangements	1,392,722	–	–	1,392,722
Rental income	–	1,247,735	–	1,247,735
Total	10,913,937	23,786,981	4,047,033	38,747,951
Timing of revenue recognition of revenue from goods and services				
A point in time	3,773,341	20,416,851	4,047,033	28,237,225
Overtime	5,747,874	2,122,395	–	7,870,269
	9,521,215	22,539,246	4,047,033	36,107,494

5. REVENUE (continued)

(i) Disaggregation of revenue (continued)

	For the year ended 31 December 2020			
	Infrastructure facilities HK$'000	Real estate HK$'000	Consumer products HK$'000	Total HK$'000
Types of goods or service				
Sales of goods and services				
– Sales of properties	–	10,799,110	–	10,799,110
– Sales of goods	–	–	3,366,066	3,366,066
Income from infrastructure facilities, other than financial income from service concession arrangements				
– toll road operation	1,489,717	–	–	1,489,717
– water-related services				
– operating, maintenance and other income	3,247,442	–	–	3,247,442
– construction income from construction contracts	2,604,435	–	–	2,604,435
Ancillary facilities, property services and management income	–	3,124,689	–	3,124,689
Income from hotel operations	–	208,527	–	208,527
Revenue from goods and services	7,341,594	14,132,326	3,366,066	24,839,986
Financial income from service concession arrangements	1,196,894	–	–	1,196,894
Rental income	–	1,100,721	–	1,100,721
Total	8,538,488	15,233,047	3,366,066	27,137,601
Timing of revenue recognition of revenue from goods and services				
A point in time	3,053,109	10,799,110	3,366,066	17,218,285
Overtime	4,288,485	3,333,216	–	7,621,701
	7,341,594	14,132,326	3,366,066	24,839,986

5. REVENUE (continued)

(ii) Performance obligations for contracts with customers

Infrastructure facilities

The Group's revenue from infrastructure facilities segment represents i) toll road fee income, and ii) income from water-related businesses, comprising operating and maintenance income from service concession arrangements and other service income and construction income.

Toll road fee income and other service income are recognised over time using the output method by reference to the progress towards complete satisfaction of the relevant performance obligation, as the customer simultaneously receives and consumes the benefit provided by the Group's performance.

Revenue from operating and maintenance income from water-related businesses under service concession arrangements is recognised at a point in time when the Group has transmitted to the customers and the customers accepted the water supplied or when the wastewater treatment service is rendered.

Construction service income is recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised for these construction services based on the stage of completion of the contract using the input method.

Real estate

The Group's revenue under real estate segment represents income from sales of properties, ancillary facilities, property services and management and hotel operations.

Revenue from sales of properties is recognised at a point in time. Under the transfer-of-control approach in HKFRS 15, revenue from sales of properties is recognised when the respective properties have been completed and delivered to the customers, which is a point in time when customers have the ability to direct the use of the properties and obtain substantially all of the remaining benefits of the properties. Deposits received from customers prior to meeting the aforementioned revenue recognition criteria are regarded as contract liabilities.

Revenue from provision of ancillary facilities and property management services is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation as the customers simultaneously receive and consume the benefits provided by the Group when the Group renders the service.

Revenue from hotel operations is recognised over time. The Group's performance obligations in relation to the hotel operations mainly represent granting customers a right to access hotels' facilities, products and services. The customers simultaneously receive and consume the benefits provided by the Group in running the hotels.

Revenue from rental income is recognised overtime on a straight-line basis over the lease term.

Consumer products

The Group's revenue from consumer products segment represents income from the manufacture and sales of cigarettes, packaging materials and printed products and is recognised at a point in time.

Under the transfer-of-control approach in HKFRS 15, revenue from sales of consumer products is recognised when the products are delivered and titles are passed to customers, which is the point of time when the control of products is transferred to the customer and the customer has the ability to direct the use of the products and obtain substantially all of the remaining benefits of the products.

5. REVENUE (continued)

(iii) Transaction price allocated to the remaining performance obligations for contracts with customers:

The Group has elected to apply the practical expedient under HKFRS 15 for not to disclose the information of remaining performance obligations which are part of a contract that has an original expected duration of one year or less; or from satisfaction of which the Group recognises revenue in the amount, which the Group has the right to invoice, that corresponds directly with the value to the customers of the Group's performance completed to date. The transaction price allocated to the remaining performance obligations where the aforementioned practical expedients are not applicable as at 31 December 2021 was HK$11,026,569,000 (2020: HK$10,157,541,000), which relates to contracts of sales of properties. This amount represents the revenue expected to be recognised by the Group in the future when it satisfies the remaining performance obligations and around 81.9% (2020: 73.0%) is expected to be recognised as revenue within one year.

(iv) Leases

	2021 HK$'000	2020 HK$'000
Total revenue arising from operating leases:		
Lease payments that are fixed	**1,247,735**	1,100,721

6. NET INVESTMENT INCOME

	2021 HK$'000	2020 HK$'000
Interest on bank deposits	**318,103**	310,954
Interest on financial assets at FVTPL	**2,922**	7,303
Other interest income	**102,308**	159,622
Total interest income	**423,333**	477,879
Change in fair value of financial assets at FVTPL	**(100,022)**	83,317
Dividend income from equity investments	**47,875**	10,241
Rental income from property, plant and equipment	**1,719**	1,315
	372,905	572,752

Net investment income earned from financial assets, analysed by category of asset, is as follows:

	2021 HK$'000	2020 HK$'000
Financial assets at FVTPL	**(49,225)**	100,861
Financial assets at amortised cost (including bank balances and cash)	**420,411**	470,576
	371,186	571,437
Investment income earned on non-financial assets	**1,719**	1,315
	372,905	572,752

Included above is net loss from listed investments of HK$82,911,000 (2020: net income of HK$101,276,000) and net income from unlisted investments of HK$33,686,000 (2020: net loss of HK$415,000).

7. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interests on bank and other borrowings	**2,534,323**	2,916,753
Interests on lease liabilities	**15,241**	17,556
	2,549,564	2,934,309
Less: amounts capitalised in properties under development held for sale	**(867,799)**	(1,079,924)
	1,681,765	1,854,385

Borrowing costs capitalised during the year arose on the general borrowings pool and are calculated by applying capitalisation rates ranging from 3.61% to 6.09% (2020: 4.01% to 6.09%), per annum to expenditure on qualifying assets.

8. GAIN ON DISPOSAL OF SUBSIDIARIES/INTERESTS IN ASSOCIATES

	2021 HK$'000	2020 HK$'000
Gain on disposal of subsidiaries	**1,304,032**	653,463
Gain on disposal of interests in associates	**53,151**	70,295
	1,357,183	723,758

9. INCOME TAX EXPENSE

	2021 HK$'000	2020 HK$'000
Current tax		
– Hong Kong	**119,789**	81,509
– PRC LAT	**2,977,339**	1,549,796
– PRC EIT (including PRC withholding tax of HK$33,575,000 (2020: HK$85,617,000))	**3,403,476**	1,596,376
	6,500,604	3,227,681
(Over) underprovision in prior years		
– Hong Kong	**(4,006)**	(308)
– PRC LAT	**–**	(19,347)
– PRC EIT	**2,430**	(65,141)
	(1,576)	(84,796)
Deferred taxation for the year (note 25)	**134,020**	(148,967)
	6,633,048	2,993,918

9. INCOME TAX EXPENSE (continued)

The income tax expense for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss as follows:

	2021 HK$'000	2020 HK$'000
Profit before taxation	**10,746,014**	6,917,061
Tax at PRC statutory tax rate of 25% (2020: 25%)	**2,686,504**	1,729,265
Tax effect of share of results of joint ventures and associates	**(171,453)**	(201,981)
Tax effect of expenses not deductible for tax purpose	**2,077,058**	406,903
Tax effect of income not taxable for tax purpose	**(453,379)**	(234,136)
Overprovision of Hong Kong Profits Tax and PRC EIT in prior years	**(1,576)**	(65,449)
Tax effect of tax losses not recognised as deferred tax assets	**343,825**	282,138
Utilisation of tax losses previously not recognised as deferred tax assets	**(144,832)**	(38,916)
Derecognition of deferred tax liabilities due to change in tax rate of LAT for certain properties sold	**(70,157)**	(353,813)
Effect of PRC subsidiaries subject to a lower tax rate	**(89,400)**	(34,395)
Effect of different tax rates of subsidiaries	**(97,292)**	22,293
Provision for PRC LAT for the year	**3,131,707**	1,895,810
Overprovision of PRC LAT in prior years	**–**	(19,347)
Tax effect of PRC LAT deductible for PRC EIT	**(782,927)**	(459,056)
Tax charge on dividend withholding tax	**141,630**	27,304
Others	**63,340**	37,298
Income tax expense for the year	**6,633,048**	2,993,918

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 (2020: four) 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.

10. PROFIT FOR THE YEAR

	2021 HK$'000	2020 HK$'000
Profit for the year has been arrived at after charging:		
Employee benefits expense, including directors' emoluments:		
Basic salaries, allowances and bonus	**1,886,967**	1,771,489
Retirement benefits scheme contributions	**287,697**	188,241
	2,174,664	1,959,730
Amortisation of toll road operating rights (included in cost of sales)	**760,504**	644,840
Amortisation of other intangible assets (included in cost of sales)	**355,356**	360,077
Depreciation of property, plant and equipment	**505,414**	524,767
Depreciation of right-of-use assets	**97,557**	94,288
Total depreciation and amortisation	**1,718,831**	1,623,972
Auditors' remuneration	**19,683**	17,244
Cost of inventories recognised as an expense		
– properties	**11,610,158**	8,442,161
– inventories, other than properties	**2,437,207**	2,026,682
Government compensation of toll road operating rights (included in other income, gain and losses) (Note i)	**409,446**	–
Impairment loss on trade receivables (included in other income, gain and losses) (Note ii)	**253,820**	100,647
Impairment loss on other receivables (included in other income, gain and losses) (Note ii)	**2,215,205**	89,842
Impairment loss on properties held for sale (included in other income, gain and losses)	**–**	100,212
Impairment loss on properties under development held for sale (included in other income, gain and losses)	**909,692**	23,739
Impairment loss on contract assets (included in other income, gain and losses) (Note ii)	**368,047**	–
Impairment loss on goodwill (included in other income, gain and losses)	**265,052**	79,555
Impairment loss on a toll road operating right (included in other income, gain and losses)	**–**	322,123
Net decrease in fair value of investment properties	**–**	185,972
Provision for major overhauls (included in cost of sales)	**682**	1,125
Research expenditure	**119,650**	148,986
Share of PRC EIT of joint ventures (included in share of results of joint ventures)	**79,410**	67,261
Share of PRC EIT of associates (included in share of results of associates)	**138,951**	394,624
and after crediting:		
Interest income	**423,333**	477,879
Net increase in fair value of investment properties	**877,970**	–
Net gain on disposal/written off of property, plant and equipment	**311,534**	4,396
Net foreign exchange gain (included in other income, gains and losses)	**34,898**	75,972
Reversal of impairment loss on inventories, other than properties	**13,440**	1,551
Reversal of impairment loss on properties held for sale	**30,781**	–

Notes:

(i) The amount is transferred to other income on a units-of-usage basis, calculated based on the proportion of actual traffic volume for a particular period to the projected total traffic volume over the periods for which the Group is granted the rights to operate the toll roads. This policy has resulted in a credit to other income for the year ended of HK$409 million. As at 31 December 2021, an amount of RMB3,110 million (equivalent to approximately HK$3,816 million) remains to be amortised, details for this compensation are set out in note 32.

(ii) These amounts mainly represented impairment losses arising from a 70% owned subsidiary of SI Development, namely 上海上實龍創智慧能源科技股份有限公司 ("SIIC Longchuang"). During the year, SIIC Longchuang was found involved in trade finance business and resulted in irrecoverable prepayment and receivables. After internal investigation, the management of the Group considers that trade receivables accounting to approximately HK$235 million, other receivables amounting to approximately HK$1,937 million and contract assets amounting to approximately HK$368 million are credit impaired and a full impairment is provided.

11. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each of the eight (2020: eight) existing directors of the Company were as follows:

	Executive directors				Independent non-executive directors				
	Shen Xiao Chu HK$'000	Zhou Jun HK$'000	Xu Bo HK$'000	Xu Zhan HK$'000	Woo Chia-Wei HK$'000	Leung Pak To, Francis HK$'000	Cheng Hoi Chuen, Vincent HK$'000	Yuen Tin Fan, Francis HK$'000	Total HK$'000
Year ended 31 December 2021									
Executive directors:									
Directors' fee and committee remuneration	**–**	**579**	**–**	**231**	**–**	**–**	**–**	**–**	**810**
Basic salaries and allowances	**3,258**	**2,364**	**1,887**	**–**	**–**	**–**	**–**	**–**	**7,509**
Bonuses	**2,100**	**1,995**	**840**	**–**	**–**	**–**	**–**	**–**	**4,935**
Retirement benefits scheme contributions	**114**	**102**	**94**	**–**	**–**	**–**	**–**	**–**	**310**
Independent non-executive directors:									
Directors' fees and committee remuneration	**–**	**–**	**–**	**–**	**480**	**470**	**480**	**470**	**1,900**
Total directors' emoluments	**5,472**	**5,040**	**2,821**	**231**	**480**	**470**	**480**	**470**	**15,464**
Year ended 31 December 2020									
Executive directors:									
Directors' fee and committee remuneration	–	562	–	334	–	–	–	–	896
Basic salaries and allowances	3,258	2,364	1,887	–	–	–	–	–	7,509
Bonuses	2,100	1,995	840	–	–	–	–	–	4,935
Retirement benefits scheme contributions	114	102	94	–	–	–	–	–	310
Independent non-executive directors:									
Directors' fees and committee remuneration	–	–	–	–	480	470	480	470	1,900
Total directors' emoluments	5,472	5,023	2,821	334	480	470	480	470	15,550

Notes:

(i) The directors of the Company are also the key management personnel of the Company. Their emoluments including those for services rendered by them as the key management personnel are also included in the above directors' emoluments tables for presentation.

(ii) The executive director's emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group.

(iii) The independent non-executive directors' emoluments shown above were paid for their services as directors of the Company.

(iv) Bonuses were determined with reference to the Group's operating results, individual performance and comparable market statistics.

(v) During the years ended 31 December 2021 and 2020, no emoluments were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as a compensation for loss of office. None of the directors has waived any emoluments during both years.

11. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS (continued)

For the year ended 31 December 2021, out of the five individuals with the highest emoluments in the Group, two (2020: three) are directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining three (2020: two) individual are as follows:

	2021 HK$'000	2020 HK$'000
Salaries and other allowances	**6,251**	4,657
Retirement benefits	**124**	106
	6,375	4,763

The emoluments of the above three (2020: two) individuals are within the following band:

	2021	2020
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$2,500,000	**2**	2

During the year ended 31 December 2021, no emoluments have been paid by the Group to the three (2020: two) employees with the highest emoluments as an inducement to join or upon joining the Group or as compensation for loss of office.

12. DIVIDENDS

	2021 HK$'000	2020 HK$'000
Dividends recognised as distribution during the year:		
2021 interim dividend of HK48 cents per share (2020: 2020 interim dividend of HK22 cents and in form of distribution in specie (Note))	**521,862**	397,919
2020 final dividend of HK52 cents (2020: 2019 final dividend of HK52 cents) per share	**565,350**	565,350
	1,087,212	963,269

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

The final dividend of HK54 cents per share in respect of the year ended 31 December 2021 (2020: HK52 cents), amounting to approximately HK$587.1 million (2020: HK$565.4 million) in total, has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

13. 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:

	2021 HK$'000	2020 HK$'000
Earnings for the purpose of basic and diluted earnings per share:		
Profit for the year attributable to owners of the Company	**3,745,505**	2,218,877
Interest to holder of perpetual bond	**(17,193)**	(29,568)
	3,728,312	2,189,309

	2021	2020
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**1,087,211,600**	1,087,211,600

The computation of diluted earnings per share does not assume:

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

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

14. INVESTMENT PROPERTIES

The Group leases out various commercial and residential properties including offices, shopping malls, stores, mart, exhibition hall, car parking spaces and apartments under operating leases with monthly rentals. The leases typically run for an initial period of one to twenty years and the lessees have the option to extend the lease beyond initial agreed period but it is subject to mutual agreement between the Group and the lessees. The extension option is subject to market review clauses in the event the lessee exercises the option.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

14. INVESTMENT PROPERTIES (continued)

	HK$'000
FAIR VALUE	
At 1 January 2020	22,844,587
Exchange adjustments	2,233,498
Subsequent expenditures	185,517
Transfer from inventories (Note iii)	2,277,152
Transfer to property, plant and equipment (Note iv)	(188,506)
Net decrease in fair value recognised in profit or loss (Note i)	(185,972)
At 31 December 2020	27,166,276
Exchange adjustments	889,770
Subsequent expenditures	585,915
Transfer from deposits paid on acquisition of non-current assets (Note v)	951,724
Disposal (Note vi)	(826,651)
Transfer to inventories	(16,360)
Net increase in fair value recognised in profit or loss (Note i)	877,970
Transfer from property, plant and equipment	16,012
Transfer from inventories (Note iii)	838,624
Disposal of subsidiaries (note 39)	(1,497,979)
At 31 December 2021	28,985,301

Notes:

		2021 HK$'000	2020 HK$'000
(i)	Unrealised gain (loss) on property revaluation included in profit or loss for the year (included in other income, gains and losses)	**877,970**	(185,972)

(ii) The Group's investment properties are situated on land held under:

	2021 HK$'000	2020 HK$'000
Leasehold land in the PRC	**28,985,301**	27,166,276

(iii) During the year ended 31 December 2021, properties held for sale included in inventories with an aggregate carrying amount of HK$838,624,000 (2020: HK$2,277,152,000) were transferred to investment properties as the management had changed the use of the properties, evidenced by inception of lease agreements with the tenants. The properties were measured at fair values arrived on the basis of valuations carried out on the respective dates by Cushman & Wakefield Limited ("C&W") at the date of transfer by reference to net rental income allowing for reversionary income potential.

(iv) During the year ended 31 December 2020, certain units of an investment property of the Group located in Shanghai the PRC, were arranged for own use and served as office premises of the Group due to the needs of expansion of business. Accordingly, investment properties with a fair value of HK$188,506,000 were transferred to property, plant and equipment.

(v) During the year ended 31 December 2021, the Group obtained the land use right certificate for two parcels of land located in the PRC. These two parcel of land will be developed into residential properties or commercial building held for earning rentals. Accordingly, the deposits paid in prior year for the land cost amounting to HK$951,724,000 were transferred to investment properties.

(vi) During the year ended 31 December 2021, several lands and buildings located in Shanghai held by SI Development is acquired by the municipal government at a total compensation consideration of RMB930 million (equivalent to HK$1,116 million). Therefore, the respective investment properties at fair value of HK$826,651,000 is accounted for as disposal of investment properties and the respective leasehold land and buildings with carrying amount of HK$64,663,000 is accounted for as disposal of property, plant and equipment and a gain on disposal of property, plant and equipment amounting to HK$224,686,000 is recognized in profit or loss.

14. INVESTMENT PROPERTIES (continued)

Notes: (continued)

(vii) The property rental income earned by the Group from its investment properties which are either held for rental income under operating leases and/or for capital appreciation purpose, amounted to HK$1,247,735,000 (2020: HK$1,132,768,000) with insignificant direct operating expenses.

(viii) The fair values of the Group's investment properties as at 31 December 2021 and 2020 have been arrived at on the basis of valuations carried out on the respective dates by C&W. C&W is a member of the Institute of Valuers and a firm of independent qualified professional valuer not connected with the Group. C&W possesses appropriate qualifications and experience in the valuation of properties in the relevant locations. All of the Group's investment properties were valued by C&W with reference to market evidence of transaction prices for similar properties in similar locations and conditions or on the basis of investment approach, where appropriate. In arriving at the valuation on the basis of investment approach, the fair value is determined by capitalising the net rental income derived from the existing tenancies with due provision or allowance for the reversionary potential of the properties.

(ix) In estimating the fair value of the properties, the highest and best use of the properties is their current use. The fair values of certain investment properties have been adjusted to exclude prepaid or accrued operating lease income to avoid double counting.

(x) Following are the key inputs used in valuing the investment properties as at 31 December 2021 and 2020:

Category	Fair value hierarchy	Fair value 2021 HK$'000	Fair value 2020 HK$'000	Valuation techniques	Significant unobservable inputs	Range 2021	Range 2020	Sensitivity
Offices properties and related car parking spaces	Level 3	**7,253,631**	8,419,020	Investment approach	For offices: Reversionary yield derived from market rent and the transaction price of comparable properties in the same locations	**4.5% to 6.75%**	3.75% to 6.75%	The higher the reversionary yield, the lower the fair value.
				Direct comparison approach	For car parking spaces: Market price per unit	**Market price: RMB191,700 to RMB254,000 per unit**	Market price: RMB194,000 to RMB295,000 per unit	The higher the market price per unit, the higher the fair value.
Residential properties – a detached villa, service apartments and a parcel of land in various locations	Level 3	**2,746,312**	1,154,078	Investment approach	For a detached villa and a service apartment: Reversionary yield derived from market rent and transaction price of comparable properties in the same locations	**3.5% to 4.75%**	3.5% to 4.75%	The higher the reversionary yield, the lower the fair value.
				Direct comparison approach	For service apartments: Market price per unit	**Market price: RMB10,326 per unit**	Market price: RMB11,143 to RMB11,429 per unit	The higher the market price per square metre, the higher the fair value.
				Direct comparison approach and cost approach	For a parcel of land commenced construction for service apartments: Market price per unit	**Market price: RMB23,350 to RMB26,674 per unit**	Market price: RMB24,100 to RMB27,810 per unit	The higher the market price per square metre, the higher the fair value.
				Direct comparison approach and cost approach	For a parcel of land yet commenced construction for service apartments: Market price per unit	**Market price: RMB39,542 per unit**	N/A	The higher the market price per square metre, the higher the fair value.
Industrial properties	Level 3	**151,975**	147,520	Investment approach	Reversionary yield derived from market rent and the transaction price of comparable properties in the same locations	**5.75%**	5.75%	The higher the reversionary yield, the lower the fair value.
Commercial properties – shopping malls, stores, mart, exhibition hall and related car parking spaces	Level 3	**18,833,383**	17,445,658	Investment approach	For commercial properties: Reversionary yield derived from market rent and the transaction price of comparable properties in the same locations	**3.5% to 6.5%**	3.5% to 7.75%	The higher the reversionary yield, the lower the fair value.
				Direct comparison approach	For car parking spaces: Market price per unit	**Market prices RMB104,000 to RMB189,000 per unit**	Market prices RMB104,000 to RMB189,000 per unit	The higher the market price per square metre, the higher the fair value.
		28,985,301	27,166,276					

There were no transfers into or out of Level 3 during both years.

15. PROPERTY, PLANT AND EQUIPMENT

	Hotel property HK$'000	Leasehold land and buildings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Construction in progress HK$'000	Total HK$'000
COST							
At 1 January 2020	2,464,172	2,401,985	1,232,243	166,324	3,032,047	248,749	9,545,520
Exchange adjustments	150,910	109,321	55,817	10,269	73,270	16,806	416,393
Additions	1,353	3,194	48,150	12,459	161,310	5,452	231,918
Acquisition of subsidiaries (note 37)	–	55,322	6,347	4	20,626	–	82,299
Reclassification	–	8,122	–	–	–	(8,122)	–
Transferred from investment properties (note 14)	–	188,506	–	–	–	–	188,506
Disposal of a subsidiary (note 39)	–	(18,199)	(1,065)	(1,956)	(879)	–	(22,099)
Disposals/written off	(1,895)	(17,132)	(65,693)	(13,294)	(32,329)	–	(130,343)
At 31 December 2020	2,614,540	2,731,119	1,275,799	173,806	3,254,045	262,885	10,312,194
Exchange adjustments	82,618	72,698	39,211	10,659	97,592	21,734	324,512
Additions	43,777	65,860	97,746	50,367	193,366	187,811	638,927
Acquisition of subsidiaries (note 37)	–	1,537	442	268	4,196	–	6,443
Reclassification	–	70,175	1,647	–	41,099	(112,921)	–
Transferred to investment properties (note 14)	–	(16,905)	–	–	–	–	(16,905)
Disposal of subsidiaries (note 39)	–	(1,762)	(1,463)	(1,051)	(805)	–	(5,081)
Disposals/written off	(56,237)	(102,784)	(93,748)	(54,439)	(74,276)	(52,803)	(434,287)
At 31 December 2021	2,684,698	2,819,938	1,319,634	179,610	3,515,217	306,706	10,825,803
DEPRECIATION, AMORTISATION AND IMPAIRMENT							
At 1 January 2020	522,080	785,181	643,527	112,360	1,864,588	–	3,927,736
Exchange adjustments	32,744	37,858	22,598	11,074	52,562	–	156,836
Provided for the year	105,823	104,713	90,329	22,947	200,955	–	524,767
Eliminated on disposal of a subsidiary	–	(7,016)	(946)	(1,880)	(832)	–	(10,674)
Eliminated on disposals/written off	(1,717)	(1,147)	(33,115)	(12,293)	(1,952)	–	(50,224)
At 31 December 2020	658,930	919,589	722,393	132,208	2,115,321	–	4,548,441
Exchange adjustments	26,485	40,970	15,788	4,589	36,253	–	124,085
Provided for the year	102,274	103,710	61,081	17,335	221,014	–	505,414
Transfer to investment properties	–	(893)	–	–	–	–	(893)
Eliminated on disposal of subsidiaries	–	(1,412)	(1,093)	(951)	(677)	–	(4,133)
Eliminated on disposals/written off	(1,043)	(3,914)	(45,148)	(10,321)	(51,396)	–	(111,822)
At 31 December 2021	786,646	1,058,050	753,021	142,860	2,320,515	–	5,061,092
CARRYING VALUES							
At 31 December 2021	1,898,052	1,761,888	566,613	36,750	1,194,702	306,706	5,764,711
At 31 December 2020	1,955,610	1,811,530	553,406	41,598	1,138,724	262,885	5,763,753

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Notes:

(i) The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis at the following rates per annum or over the following periods:

Hotel property	Over the period of the lease term
Leasehold land and buildings	The shorter of 4%-5% or over the period of the lease term
Furniture, fixtures and equipment	5%-33$^{1}/_{3}$% or over the period of the lease in case of fixtures in rented premises, if shorter
Motor vehicles	10%-30%
Plant and machinery	5%-20%

(ii) The carrying values of property interests comprise properties erected on land held under:

	2021 HK$'000	2020 HK$'000
Leasehold land in the PRC	**3,032,806**	3,175,433
Leases in Hong Kong	**565,400**	591,707
	3,598,206	3,767,140

16. RIGHT-OF-USE ASSETS

	Leasehold land HK$'000	Leased properties (Note i) HK$'000	Total HK$'000
As at 31 December 2021			
Carrying amount	**576,341**	**122,512**	**698,853**
As at 31 December 2020			
Carrying amount	293,095	242,103	535,198
For the year ended 31 December 2021			
Depreciation charge	**11,752**	**85,805**	**97,557**
Exchange difference	**(7,107)**	**(8,506)**	**(15,613)**
For the year ended 31 December 2020			
Depreciation charge	9,646	84,642	94,288
Exchange difference	(11,597)	(14,109)	(25,706)

16. RIGHT-OF-USE ASSETS (continued)

	2021 HK$'000	2020 HK$'000
Expense relating to short-term leases	**19,527**	15,479
Expense relating to leases of low-value assets, excluding short-term leases of low value assets	**–**	115
Total cash outflow for leases (note ii)	**157,116**	153,158
Additions to right-of-use assets (note iii)	**372,864**	165,277
Acquisition of subsidiaries (note 37)	**608**	32,701
Disposal of subsidiaries (note 39)	**(7,965)**	(1,680)
Early termination of lease	**(119,908)**	–

Notes:

(i) The Group leases various office premises and apartment units for its operations. Majority of the lease contracts are entered into for lease terms of 2 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease terms and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

(ii) Total cash outflow for leases included the repayment of lease liabilities and related interest paid, expense relating to short-term leases and expense relating to leases of low-value assets.

(iii) Amounts of HK$372,864,000 (2020: HK$165,277,000) includes right-of-use assets resulting from new leases entered amounting HK$101,999,000 (2020: HK$165,277,000) and transfer from deposits paid on acquisition of non-current assets amounting HK$270,865,000 (2020: nil).

The Group regularly entered into short-term leases for leased properties. As at 31 December 2021 and 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

Restrictions or covenants on leases

In addition, in respect of right-of-use assets of HK$122,512,000 (2020: HK$242,103,000) and the associated lease liabilities of HK$249,253,000 (2020: HK$431,075,000) as at 31 December 2021, the lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

17. TOLL ROAD OPERATING RIGHTS

	HK$'000
COST	
At 1 January 2020	14,865,987
Addition	184,484
Exchange adjustments	928,765
At 31 December 2020	15,979,236
Addition	6,705
Exchange adjustments	525,576
At 31 December 2021	16,511,517
AMORTISATION AND IMPAIRMENT	
At 1 January 2020	7,385,444
Charged for the year	644,840
Impairment loss recognised (Note iii)	322,123
Exchange adjustments	494,639
At 31 December 2020	8,847,046
Charged for the year	760,504
Exchange adjustments	304,681
At 31 December 2021	9,912,231
CARRYING VALUES	
At 31 December 2021	6,599,286
At 31 December 2020	7,132,190

Notes:

(i) The toll road operating rights represent:

(a) the right to receive toll fees from vehicles using the Shanghai section of the Jing-Hu Expressway and to operate service facilities in designated areas along the Shanghai section for a period of 25 years ending in 2028;

(b) the right to receive toll fees from vehicles using the Shanghai section of the Hu-Kun Expressway and to operate service facilities in designated areas along the Shanghai section for a period of 30 years ending in 2030; and

(c) the right to receive toll fees from vehicles using the Shanghai section of Hu-Yu Expressway and to operate service facilities in designated areas along the Shanghai section for a period of 20 years ending in 2027.

(ii) The Group's rights to operate the toll roads are amortised on a units-of-usage basis, calculated based on the proportion of actual traffic volume for a particular period to the projected total traffic volume over the period for which the Group is granted the rights to operate the toll roads.

(iii) During the year ended 31 December 2020, revenue from toll road operations decreased significantly, which is primarily resulted from the decrease in traffic flow volume and the waiver of toll fees according to "The Notice on Toll Roads going Toll-Free During the Period of Precautionary and Control in relation to the outbreak of Coronavirus Epidemic" issued by the Ministry of Transport of the PRC, as well as the changes of governmental policies in relation to the toll road operations in the PRC.

Based on the above circumstances, the Group performed impairment assessment on respective cash generating units ("CGUs") comprising each of the three toll road operating rights with an aggregate carrying amount of HK$7,132,190,000. The recoverable amounts of CGUs have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the Group covering the remaining useful lives of the toll road operating rights with a pre-tax discount rate of 15.2% as at 31 December 2020. The revenue and operating expense growth are determined based on traffic flow forecasts performed by an independent professional traffic flow expert. Key assumptions for the value in use calculation are (i) the impact on toll road operations due to Covid-19; (ii) the standardisation of starting point of toll charging around the city; (iii) the national implementation of new toll fee charging schemes, under which the classification of vehicles and tariff multiplier is changed; and (iv) the discount on using ETC cards for toll payment of 5%.

Based on the result of the assessment, management of the Group determined that the recoverable amount of one of the CGUs is lower than the respective carrying amount. Based on the value in use calculations, an impairment loss of HK$322,123,000 has been recognised against the carrying amount of toll road operating right.

18. GOODWILL

	HK$'000
COST	
At 1 January 2020	848,916
Exchange adjustments	46,312
Arising on acquisition of a subsidiary (note 37)	72,982
At 31 December 2020	968,210
Exchange adjustments	26,082
Arising on acquisition of a subsidiary (note 37)	23,604
At 31 December 2021	1,017,896
IMPAIRMENT	
At 1 January 2020	77,823
Impairment loss recognised	79,555
At 31 December 2020	157,378
Exchange adjustments	4,878
Impairment loss recognised	265,052
At 31 December 2021	427,308
CARRYING VALUES	
At 31 December 2021	590,588
At 31 December 2020	810,832

For the purpose of impairment testing, goodwill arising on business combinations as set out above was allocated, at acquisition, to five (2020: four) CGUs, comprising one (2020: one) subsidiary in the infrastructure facilities segment, two (2020: one) subsidiaries in the real estate segment and two (2020: two) subsidiaries in the consumer products segment, that are expected to benefit from that business combination as follows:

	2021 HK$'000	2020 HK$'000
Infrastructure facilities	**549,315**	531,826
Real estate	**23,604**	261,337
Consumer products	**17,669**	17,669
	590,588	810,832

The recoverable amounts of the above CGUs have been determined based on a value in use calculation.

18. GOODWILL (continued)

For infrastructure facilities CGUs, the value in use is determined by discounting the future cash flows to be generated from the continuing use of waste water treatment plant and waste incineration power generation plant over the service concession periods ranging from 20 to 30 years, using a discount rate of 8% (2020: 8%). Since the recoverable amount of the cash generating unit is higher than its carrying amount, the management of the Group considers that the goodwill is not impaired.

For real estate CGUs, the value in use calculation uses cash flow projections based on a financial budget approved by management covering a 5-year period with 12% (2020: 12%) discount rate. The cash flows beyond the 5-year period are extrapolated at zero growth rate. This growth rate is based on the relevant industry growth forecasts and is the directors' best estimate on the average growth rate of this specific industry. Other key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. During the year ended 31 December 2021, the management of the Group determined that an impairment loss of HK$265,052,000 should be recognised in relation to the whole amount of the goodwill in one of the subsidiary in the real estate segment due to the decrease in expected operating results.

For consumer products CGUs, the value in use calculations use cash flow projections based on financial budgets approved by management covering a 5-year period using discount rates ranging 11% (2020: 11% to 14%). The cash flows beyond the 5-year period are extrapolated at 5% (2020: 0% to 3%). This growth rate is based on the relevant industry growth forecasts and does not exceed the average growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. During the year ended 31 December 2020, the management of the Group determined that an impairment loss of HK$79,555,000 should be recognised in relation to goodwill due to the decrease in expected operating results in the consumer products segment. Since the recoverable amount of the cash generating unit is higher than its carrying amount, the goodwill is not further impaired during the current year.

Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of any of the CGUs to materially exceed the aggregate recoverable amount of the relevant CGUs.

19. OTHER INTANGIBLE ASSETS

	Operating concessions HK$'000 (note i)	Premium on leasehold land/prepaid lease payments HK$'000 (note ii)	Trademark HK$'000 (note iii)	Others HK$'000	Total HK$'000
COST					
At 1 January 2020	8,980,265	1,557	57,047	–	9,038,869
Exchange adjustments	517,161	97	3,537	–	520,795
Acquisition of a subsidiary	–	–	–	15,430	15,430
Additions	228,697	–	–	–	228,697
At 31 December 2020	9,726,123	1,654	60,584	15,430	9,803,791
Exchange adjustments	231,195	54	1,993	–	233,242
Acquisition of a subsidiary	68,781	–	–	200	68,981
Additions	733,677	–	–	–	733,677
At 31 December 2021	10,759,776	1,708	62,577	15,630	10,839,691
AMORTISATION AND IMPAIRMENT					
At 1 January 2020	1,409,858	483	–	–	1,410,341
Exchange adjustments	59,085	33	–	–	59,118
Charged for the year	359,994	83	–	–	360,077
At 31 December 2020	1,828,937	599	–	–	1,829,536
Exchange adjustments	51,054	21	–	–	51,075
Charged for the year	355,269	87	–	–	355,356
At 31 December 2021	2,235,260	707	–	–	2,235,967
CARRYING VALUES					
At 31 December 2021	8,524,516	1,001	62,577	15,630	8,603,724
At 31 December 2020	7,897,186	1,055	60,584	15,430	7,974,255

Notes:

(i) Operating concessions represent the rights to operate waste water treatment, water supply and waste incineration plants and are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on a straight-line basis over the respective periods of the operating concessions granted to the Group of 7 to 50 years. Details of these operating concessions are set out in note 23.

(ii) Premium on leasehold land represents the premium on acquisition of prepaid lease payments for land which is to be amortised over the period of the lease of the related prepaid lease payments on a straight-line basis.

(iii) The trademark has a legal life of 10 years from September 2011 to September 2021 and is renewable upon expiry. During the year, the trademark is renewed for another 10 years to September 2031. The directors of the Company are of the opinion that the Group will renew the trademark continuously and has the ability to do so at minimal cost. Various studies including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by management of the Group, which support that the trademark has no foreseeable limit to the period over which the trademarked products are expected to generate net cash inflow for the Group.

As a result, the trademark is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trademark will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

For the purpose of impairment testing, trademark with indefinite useful life set out above has been allocated to the individual CGU, comprising one subsidiary in the real estate segment. For the years ended 31 December 2021 and 2020, management of the Group has determined that there is no impairment of the CGU containing trademark by reference to the recoverable amount of the CGU, which has been determined based on a value in use calculation.

20. INTERESTS IN JOINT VENTURES

	2021 HK$'000	2020 HK$'000
Cost of unlisted investments in joint ventures	**4,361,502**	4,039,459
Share of post-acquisition profits and other comprehensive income, net of dividends received/declared	**1,717,406**	1,435,942
	6,078,908	5,475,401

Notes:

(i) Summarised financial information in respect of the Group's material interests in joint ventures, namely 中環保水務投資有限公司 (General Water of China Co., Ltd.) ("General Water"), 上海諾卓企業管理有限公司 (Shanghai Nuozhuo Enterprise Management Company Limited) ("Shanghai Nuozhuo") and S.I. Yangtze River Delta Ecological Development Limited ("Yangtze River Delta") set out below. The summarised financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with HKFRSs.

All joint ventures are accounted for using the equity method in these consolidated financial statements.

General Water

	General water		Shanghai Nuozhuo		Yangtze River Delta	
	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000 (Note)
Current assets	**2,630,175**	2,919,169	**4**	25	**21,037**	N/A
Non-current assets*	**7,482,926**	6,233,774	**3,239,264**	3,136,137	**3,983,569**	N/A
Current liabilities	**(2,972,122)**	(2,583,126)	**(419)**	(25)	**(5,038)**	N/A
Non-current liabilities	**(1,811,251)**	(1,489,159)	**–**	–	**(3,698,241)**	N/A
Non-controlling interests	**(880,917)**	(845,031)	**–**	–	**–**	N/A
The above amounts of assets and liabilities include the following:						
Cash and cash equivalents	**1,564,571**	1,576,905	**4**	25	**21,037**	N/A
Current financial liabilities (excluding trade and other payables and provisions)	**(994,930)**	(831,551)	**–**	–	**–**	N/A
Non-current financial liabilities (excluding trade and other payables and provisions)	**(1,457,288)**	(1,281,859)	**–**	–	**(3,804,248)**	N/A
Revenue	**2,530,580**	2,722,272	**–**	–	**–**	N/A
Profit for the year	**369,536**	274,366	**(410)**	3	**206,914**	N/A
Other comprehensive (expense) income for the year	**(141,227)**	248,958	**102,302**	–	**105,433**	N/A
Total comprehensive income for the year	**228,309**	523,324	**101,892**	3	**312,347**	N/A
Dividends received during the year	**(71,552)**	(42,324)	**–**	–	**–**	N/A
The above profit for the year includes the following:						
Depreciation and amortisation	**(335,327)**	(425,747)	**–**	–	**–**	N/A
Interest income	**45,226**	17,197	**–**	–	**860**	N/A
Interest expense	**(107,615)**	(79,584)	**–**	–	**(60,429)**	N/A
Income tax expense	**(141,433)**	(120,394)	**–**	–	**(668)**	N/A

* The balances of General Water mainly comprise operating concessions and the balances of Shanghai Nuozhuo mainly comprise land costs relating to properties under development for rentals.

Note: Yangtze River Delta is not a material interest in joint venture during the year ended 31 December 2020, therefore no financial information is disclosed.

20. INTERESTS IN JOINT VENTURES (continued)

Notes: (continued)

(i) (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in a joint venture recognised in the consolidated financial statements:

	General water		Shanghai Nuozhuo		Yangtze River Delta	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
Equity attributable to owners of	**4,448,811**	4,235,627	**3,238,849**	3,136,137	**301,327**	**2**
Proportion of the Group's ownership interest	**45%**	45%	**50%**	50%	**50%**	**50%**
Carrying amount of the Group's interest	**2,001,965**	1,906,032	**1,619,424**	1,568,069	**150,664**	**1**

Aggregate information of joint ventures that are not individually material:

	2021 HK$'000	2020 HK$'000
The Group's share of profit	**43,568**	39,569
The Group's share of other comprehensive income	**436,138**	98,012
The Group's share of total comprehensive income	**479,706**	137,581
Dividends received during the year	**414,315**	23,036
Aggregate carrying amount of the Group's interests in these joint ventures	**2,306,855**	2,001,300

(ii) The Group has discontinued recognition of its share of profit (loss) of a joint venture. The amounts of unrecognised share of the joint venture, both for the year and cumulatively, are as follows:

	2021 HK$'000	2020 HK$'000
Unrecognised share of profit of a joint venture for the year	**251**	473
Accumulated unrecognised share of losses of a joint venture	**(4,276)**	(4,527)

(iii) Details of the Group's principal joint ventures at the end of the reporting period are set out in note 49.

21. INTERESTS IN ASSOCIATES

	2021 HK$'000	2020 HK$'000
Cost of investments in associates	**7,165,440**	6,233,463
Share of post-acquisition profit and other comprehensive income, net of dividends received/declared	**1,092,468**	665,950
	8,257,908	6,899,413
Fair value of listed investment in an associate – Canvest Environmental	**1,958,034**	1,573,081

Notes:

(i) Included in the cost of investments is goodwill of HK$717,597,000 (2020: HK$717,597,000) arising on acquisitions.

(ii) On 22 January 2020, the Group, through its non-wholly owned subsidiary, entered into a subscription agreement with SIIC Financial Leasing Co., Ltd. (上實融資租賃有限公司) ("SIIC Financial Leasing"), an associate of SIIC. Pursuant to the subscription agreement, the Group conditionally agreed to subscribe for 20% of the enlarged register capital of SIIC Financial Leasing by at a cash consideration of RMB407,942,000 (equivalent to approximately HK$485 million). SIIC Financial Leasing is an integrated credit provider based in Shanghai. On 6 January 2021, the acquisition was completed and SIIC Financial Leasing is accounted for as interest in an associate using equity method.

(iii) On 29 April 2021, the Group, through its non-wholly owned subsidiary, SIIC Shanghai Urban Development & Investment Co., Ltd. ("SIIC Shanghai Urban") made an additional capital contribution in proportion to its existing shareholding in SIIC Elderly Care Investment Co., Ltd. ("SIIC Elderly Care"), an associate of the Group with an amount of RMB330,600,000 (equivalent to HK$398,063,000) pursuant to a capital injection agreement with all existing shareholders of SIIC Elderly Care, upon which SIIC Shanghai Urban's shareholding in SIIC Elderly Care remained unchanged at 38%.

(iv) As at 31 December 2021, despite the shortfall of the market value of the relevant interest of Canvest Environmental amounted to HK$259,204,000 (2020: HK$457,360,000) compared to the carrying amount of the relevant interest, the management of the Group has determined that there is no impairment on the carrying amount of the Group's interest in Canvest Environmental by reference to the recoverable amount of the relevant interest, which has been determined based on a value in use calculation with reference to the future dividend yields and disposal value of the relevant interest.

(v) Summarised financial information in respect of the Group's material associates, namely 上海華天置業有限公司 ("Shanghai Shentian"), 寧波市杭州灣大橋發展有限公司 ("Hangzhou Bay Bridge"), Canvest Environmental and Shanghai Galaxy Investment Co., Ltd. ("Shanghai Galaxy"), is set out below. The summarised financial information below represents amounts shown in the associates' financial statements prepared in accordance with HKFRSs.

All associates are accounted for using the equity method in these consolidated financial statements.

	Shanghai Shentian		Hangzhou Bay Bridge		Canvest Environmental		Shanghai Galaxy	
	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000
Current assets*	**5,522,216**	5,817,757	**722,160**	719,090	**4,011,744**	3,369,054	**4,083,178**	3,173,455
Non-current assets**	**37,678**	1,325	**10,353,682**	10,795,973	**19,594,562**	15,257,621	**7,758,261**	7,532,228
Current liabilities	**(923,268)**	(1,422,631)	**(881,346)**	(2,084,475)	**(3,180,071)**	(2,306,673)	**(3,084,867)**	(2,880,575)
Non-current liabilities	**(7,722)**	–	**(3,205,875)**	(3,073,160)	**(12,373,664)**	(9,295,741)	**(4,964,189)**	(4,296,077)
Non-controlling interests	**–**	–	**–**	–	**(400,405)**	(284,815)	**(582,976)**	(542,018)

* The balances of Shanghai Shentian mainly comprise land costs and construction costs relating to properties under development held for sale and properties held for sale.

** The balances of Hangzhou Bay Bridge and Canvest Environmental mainly comprise operating concessions. The balances of Shanghai Galaxy mainly comprise property, plant and equipment.

21. INTERESTS IN ASSOCIATES (continued)

Notes: (continued)

(v) (continued)

	Shanghai Shentian		Hangzhou Bay Bridge		Canvest Environmental		Shanghai Galaxy	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000 (note)
Revenue	**54,476**	4,209,453	**2,391,458**	1,677,758	**6,794,571**	4,987,806	**946,213**	806,389
Profit for the year	**86,294**	956,319	**862,225**	404,752	**1,319,167**	1,057,183	**199,486**	143,114
Other comprehensive income (expense) for the year	**146,159**	252,213	**(231,032)**	355,559	**281,144**	464,566	**22,908**	227,534
Total comprehensive income for the year	**232,453**	1,208,532	**631,193**	760,311	**1,600,311**	1,521,749	**222,394**	370,648
Dividends received during the year	**–**	–	**–**	(143,666)	**(47,050)**	(37,070)	**(16,336)**	(15,457)

(vi) Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	Shanghai Shentian		Hangzhou Bay Bridge		Canvest Environmental		Shanghai Galaxy	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000 (note)**	2020 HK$'000 (note)	**2021 HK$'000**	2020 HK$'000
Equity attributable to owners of the associate	**4,628,904**	4,396,451	**6,988,621**	6,357,428	**7,652,166**	6,739,446	**3,209,407**	2,987,013
Proportion of the Group's ownership interest	**35%**	35%	**23.06%**	23.06%	**19.48%**	19.48%	**45%**	45%
Goodwill	**–**	–	**–**	–	**717,597**	717,597	**–**	–
Carrying amount of the Group's interest in the associate	**1,620,116**	1,538,758	**1,611,576**	1,466,023	**2,208,239**	2,030,441	**1,444,233**	1,344,156

Note: The Group is able to exercise significant influence over Canvest Environmental as the Group is the second largest shareholder and has appointed a director to the board of Canvest Environmental. Canvest Environmental is accounted for as an associate using the equity method accordingly.

Aggregate information of associates that are not individually material:

	2021 HK$'000	2020 HK$'000
The Group's share of (loss) profit	**(133,722)**	15,753
The Group's share of other comprehensive income	**19,177**	71,632
The Group's share of total comprehensive income (expenses)	**(114,545)**	87,385
Dividends received during the year	**34,278**	5,839
Aggregate carrying amount of the Group's interests in the associates	**1,373,744**	520,035

(vii) Details of the Group's principal associates at the end of the reporting period are set out in note 50.

22. INVESTMENTS

	2021 HK$'000	2020 HK$'000
Equity instruments at FVTPL		
Listed equity securities	**395,523**	465,657
Unlisted equity securities	**635**	31,411
	396,158	497,068
Financial assets at FVTPL		
Listed corporate bonds	**19,366**	149,505
Funds	**–**	17,591
	19,366	167,096
Equity instruments at FVTOCI		
Listed equity securities (Note i)	**88,063**	106,882
Unlisted equity securities (Note ii)	**367,999**	593,738
	456,062	700,620
Total investments	**871,586**	1,364,784
Analysed for reporting purposes as:		
Current portion	**414,889**	632,753
Non-current portion	**456,697**	732,031
	871,586	1,364,784

Notes:

(i) The above listed equity securities as at 31 December 2021 and 2020 represent ordinary shares of entities listed in the PRC and/or HK. These investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss is not be consistent with the Group's strategy of holding these investments for long-term strategic purposes and realising their performance potential in the long run.

(ii) The above unlisted equity securities as at 31 December 2021 and 2020 represent the Group's equity interest in private entities established in the PRC. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they consider that the equity instruments are held for long-term strategic purposes and will realise their performance in the long run.

23. SERVICE CONCESSION ARRANGEMENTS

In addition to the Group's toll road operating rights as disclosed in note 17, the Group also has the following service concession arrangements.

(I) Nature of arrangements

The Group through its subsidiaries engages in the businesses of waste water treatment, water supply, waste incineration and sludge treatment in the PRC and has entered into a number of service concession arrangements with certain governmental authorities or their agencies in the PRC on a Build-Operate-Transfer ("BOT"), a Transfer-Operate-Transfer ("TOT"), Build-Operate-Own ("BOO") or Transfer-Operate-Own ("TOO") basis in respect of its businesses. These service concession arrangements generally involve the Group as an operator to (i) construct waste water treatment, water supply, waste incineration and sludge treatment plants for those arrangements on a BOT and BOO basis; (ii) pay a specific amount for those arrangements on a TOT and TOO basis; (iii) operate and maintain the waste water treatment, water supply, waste incineration and sludge treatment plants at a specified level of serviceability on behalf of the relevant governmental authorities for periods ranging from 20 to 50 years (the "service concession periods"), and the Group will be paid for its services over the relevant periods of the service concession arrangements at prices stipulated through pricing mechanism. The plants will be transferred to the respective grantors at the end of the service concession periods for BOT and TOT.

The Group is generally entitled to operate all the property, plant and equipment of the waste water treatment, water supply, waste incineration and sludge treatment plants, however, the relevant governmental authorities as grantors control and regulate the scope of services that the Group provides to the waste water treatment, water supply, waste incineration and sludge treatment plants and retain the beneficial entitlement to any residual interest in the waste water treatment, water supply, waste incineration and sludge treatment plants at the end of the service concession periods. Each of these service concession arrangements is governed by a contract and, where applicable, supplementary agreements entered into between the Group and the relevant governmental authorities or their agencies in the PRC that set out, inter alia, performance standards, mechanisms for adjusting prices for the services rendered by the Group, specific obligations levied on the Group to restore the waste water treatment, water supply, waste incineration and sludge treatment plants to a specified level of serviceability at the end of the service concession periods, and arrangements for arbitrating disputes.

23. SERVICE CONCESSION ARRANGEMENTS (continued)

(I) Nature of arrangements (continued)

At 31 December 2021, the Group had 134 (2020: 125) service concession arrangements on waste water treatment, eight (2020: seven) service concession arrangements on water treatment and distribution, four (2020: four) service concession arrangements on waste incineration and ten (2020: nine) service concession arrangements on sludge treatment. A summary of the major terms of the principal service concession arrangements is set out below:

Name of subsidiary as operator	Project name	Location in the PRC	Name of grantor	Type of service concession arrangement	Daily design capacity (tons/day)	Service concession period
Longjiang Environmental Protection Group Co., Ltd. ("Longjiang Group")	Harbin Wenchang Upgrade BOT	Harbin, Heilongjiang Province	哈爾濱市水務局	BOT (Financial assets)	1,350,000	29 years from 2011
Wuhan Hanxi Wastewater Treatment Co., Ltd.	Wuhan Hanxi Wastewater Treatment 1st Stage and 2nd Stage (Expansion)	Wuhan, Hubei Province	武漢市人民政府	BOT (Financial assets)	600,000	30 years from 2005
Yiyang City Tap Water Co., Ltd.	Yiyang City Water Supply	Yiyang, Hunan Province	益陽市住房和城鄉建設局	TOT and BOT (Intangible assets)	520,000	28 years from 2016
Mudanjiang Longjiang Environmental Protection Water Supply Co., Ltd.	Mudanjiang Water Supply TOT	Mudanjiang, Heilongjiang Province	牡丹江市城市投資集團有限公司	TOT (Intangible assets)	300,000	30 years from 2010
Jiamusi Longjiang Environmental Protection Water Supply Co., Ltd.	Jiamusi Water Supply TOT	Jiamusi, Heilongjiang Province	佳木斯市新時代城市基礎設施建設投資(集團)有限公司	TOT (Intangible assets)	360,000	30 years from 2012
Longjiang Group	Harbin Taipin Wastewater Treatment BOT	Harbin, Heilongjiang Province	哈爾濱供排水集團有限責任公司	BOT (Financial assets)	325,000	25 years from 2005
Longjiang Group	Harbin Wenchang Wastewater Treatment TOT	Harbin, Heilongjiang Province	哈爾濱市水務局	TOT (Financial assets)	325,000	30 years from 2010
Weifang City Tap Water Co., Ltd.	Weifang City Tap Water Supply	Weifang, Shandong Province	濰坊市人民政府	TOT and BOT (Intangible assets)	320,000	25 years from 2007
Yuyao City Xiaocaoe Urban Wastewater Treatment Co., Ltd.	Yuyao City (Xiaocaoe) Wastewater Treatment BOT	Yuyao Zhejiang Province	余姚市人民政府	BOT (Financial assets)	225,000	22 years from 2014

23. SERVICE CONCESSION ARRANGEMENTS (continued)

(I) Nature of arrangements (continued)

As explained in the accounting policy for "Service concession arrangements" set out in note 3, a service concession arrangement is accounted for as an intangible asset (operating concession) or a financial asset (receivables under service concession arrangements) or a combination of both, as appropriate. The intangible asset component is detailed in note 19 and the financial asset component is as follows:

	2021 HK$'000	2020 HK$'000
Receivables under service concession arrangements	**26,774,142**	23,978,851
Less: current portion classified as current assets	**(848,548)**	(819,316)
Non-current portion	**25,925,594**	23,159,535

During the year, the Group recognised interest income of HK$1,392,722,000 (2020: HK$1,196,894,000) and construction income of HK$3,331,340,000 (2020: HK$2,604,435,000) as revenue under the line item "income from infrastructure facilities" from service concession arrangements. The effective interest rate applied ranges from 4.9% to 8% (2020: 4.9% to 8%) per annum and the overall gross profit margin for construction contracts is at 12% (2020: 12%).

(II) Provision for major overhauls

Pursuant to the service concession agreements, the Group has contractual obligations to maintain the waste water treatment, water supply, waste incineration and sludge treatment plants to a specified level of serviceability and/or to restore the plants to a specified condition before they are handed over to the grantors at the end of the service concession periods. These contractual obligations to maintain or restore the waste water treatment, water supply, waste incineration and sludge treatment plants, except for any upgrade element, are recognised and measured in accordance with HKAS 37, i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the end of the reporting period. The future expenditure on these maintenance and restoration costs is collectively referred to as "major overhauls". The estimation basis is reviewed on an ongoing basis, and revised where appropriate.

The movements in the provision for the major overhauls of waste water treatment, water supply, waste incineration and sludge treatment plants during the current and prior years are as follows:

	HK$'000
At 1 January 2020	84,263
Exchange adjustments	5,161
Provided during the year	1,125
Settlement during the year	(2,389)
At 31 December 2020	88,160
Exchange adjustments	2,886
Provided during the year	682
Settlement during the year	(2,430)
At 31 December 2021	89,298

24. DEPOSITS PAID ON ACQUISITION OF NON-CURRENT ASSETS

	2021 **HK$'000**	2020 HK$'000
Services concession arrangements (Note i)	**193,910**	102,350
Acquisition of land parcels (Note ii)	**7,569,938**	3,092,790
Acquisition of an associate (note 21 (ii))	**–**	484,607
Others (Note iii)	**196,170**	205,929
	7,960,018	3,885,676

Notes:

(i) During the year ended 31 December 2021, SIIC Environment entered into certain BOT and TOT service concession arrangements and total consideration paid as prepayments for service concession arrangements amounted to RMB158,036,000 (equivalent to HK$193,910,000) (2020: RMB86,158,000 (equivalent to HK$102,350,000)).

(ii) During the year ended 31 December 2018, the Group entered into a land use right transfer contract with Shanghai Minhang Land Bureau to acquire a parcel of land located in Shanghai, the PRC for the development of residential properties held for earning rentals at a consideration of RMB649,100,000 (equivalent to HK$726,063,000). As at 31 December 2020, the full amount is paid and is accounted for as a deposit paid. During the current year, the Group obtained the land use right certificate and the deposit is transferred to investment properties accordingly.

During the year ended 31 December 2020, the Group entered into another land use right transfer contract with Shanghai Minhang Lang Bureau to acquire another parcel of land located in Shanghai, the PRC for the development of commercial building and hotel business at a consideration of RMB428,650,000 (equivalent to HK$511,813,000). As at 31 December 2020, the full amount is paid and is accounted for as a deposit paid. During the current year, the Group obtained the land use right certificate and the deposit is allocated and transferred to inventories, property, plant and equipment and investment properties according to the usage.

In December 2020, the Group won the bid in respect of three parcels of land located in Shanghai, the PRC, through listing for sale at a total consideration of approximately RMB3,893 million (equivalent to approximately HK$4,625 million), for the purpose of development into an urban complex with A grade office building, service apartment, theme commercial building and cultural and entertainment facilities. As at 31 December 2020, an amount of RMB1,500 million (equivalent to approximately HK$1,782 million) was paid and included as deposit paid. During the current year, the remaining consideration is paid and the full amount of approximately HK$4,625 million is accounted for as a deposit paid as the transaction is yet to complete.

During the current year, the Group entered into a land use right transfer contract to acquire a parcel of land located in Shanghai, the PRC for the development of commercial buildings at a consideration of approximately RMB2,277 million (equivalent to approximately HK$2,731 million). As at 31 December 2021, the consideration is fully paid and is accounted for as a deposit paid.

(iii) The remaining amounts represent deposits paid by the Group in connection with the acquisition of property, plant and equipment and intangible assets for the Group's new production facilities and projects under infrastructure facilities segment. The related capital commitments are disclosed in note 41.

25. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the current and prior years:

	Accelerated tax depreciation	Amortisation of toll road operating rights	Revaluation of investment properties	LAT on revaluation of investment properties	Tax losses	Fair value adjustments on business combinations	Undistributed earnings of PRC entities	LAT on properties under development/ properties held for sale	Other deferred tax liabilities	Other deferred tax assets	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2020	164,550	161,975	3,421,437	1,462,644	(82,249)	2,019,194	400,512	38,165	520,651	(163,621)	7,943,258
Exchange adjustments	1,564	10,484	96,975	106,867	(6,362)	151,572	4,292	1,841	56,107	(514)	422,826
Additions through acquisition of subsidiaries	403	–	–	–	–	–	–	–	–	–	403
Disposal of a subsidiary (note 39)	–	–	–	–	–	(61,883)	–	–	–	–	(61,883)
(Credited) charged to profit or loss	(3,351)	7,710	(46,493)	355,225	889	(719,796)	(58,313)	(9,211)	237,779	86,594	(148,967)
Credited to other comprehensive income	–	–	–	–	–	–	–	–	(6,560)	–	(6,560)
At 31 December 2020	163,166	180,169	3,471,919	1,924,736	(87,722)	1,389,087	346,491	30,795	807,977	(77,541)	8,149,077
Exchange adjustments	1,586	7,624	51,211	69,119	(2,193)	75,367	5,658	835	34,605	(1,629)	242,183
Additions through acquisition of subsidiaries (note 37)	–	–	–	–	–	–	–	–	14,400	–	14,400
Disposal of a subsidiary (note 39)	–	–	(121,021)	(89,603)	–	–	–	–	–	35,972	(174,652)
(Credited) charged to profit or loss	(71,273)	(5,083)	12,830	163,995	1,292	(177,954)	108,055	(9,627)	118,623	(6,838)	134,020
Credited to other comprehensive income	–	–	–	–	–	–	–	–	(6,269)	–	(6,269)
At 31 December 2021	**93,479**	**182,710**	**3,414,939**	**2,068,247**	**(88,623)**	**1,286,500**	**460,204**	**22,003**	**969,336**	**(50,036)**	**8,358,759**

Notes:

(i) For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2021 HK$'000	2020 HK$'000
Deferred tax liabilities	**8,495,150**	8,545,117
Deferred tax assets	**(136,391)**	(396,040)
	8,358,759	8,149,077

(ii) At the end of the reporting period, the Group had unused tax losses of approximately HK$10,780 million (2020: HK$9,980 million) available for offset against future assessable profits. A deferred tax asset amounting to approximately HK$88.6 million (2020: HK$87.7 million) in respect of tax losses amounting to approximately HK$355 million (2020: HK$351 million) has been recognised. No deferred tax asset was recognised in respect of the remaining tax losses of approximately HK$10,425 million (2020: HK$9,629 million) due to the unpredictability of future profit streams. The Hong Kong tax losses of approximately HK$24.9 million (2020: HK$18.5 million) may be carried forward indefinitely and the remaining PRC tax losses of approximately HK$10,401 million (2020: HK$9,962 million) will expire in various dates in the next five years.

(iii) Under the Law of the PRC on EIT, withholding tax is imposed on dividends declared in respect of profits earned by PRC entities from 1 January 2008 onwards. At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed profits of subsidiaries for which deferred tax liabilities have not been recognised was approximately HK$3,168 million (2020: HK$3,023 million). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

(iv) Other deferred tax liabilities mainly include deferred tax on fair value change of financial assets classified as held for trading. Other deferred tax assets include deferred tax on (a) impairment loss on bad and doubtful debts, (b) pre-operating expenses and (c) accrued expenses.

26. INVENTORIES

	2021 HK$'000	2020 HK$'000
Properties under development held for sale	**39,030,615**	46,394,251
Properties held for sale	**12,683,567**	11,321,044
Raw materials	**1,286,055**	1,361,712
Work in progress	**61,394**	64,165
Finished goods	**346,024**	383,544
Merchandise held for resale	**33,518**	32,727
	53,441,173	59,557,443

At 31 December 2021, included in the above balances were properties under development held for sale of HK$39,030,615,000 (2020: HK$46,394,251,000) which are not expected to be realised within one year.

Included in the properties held for sale as at 31 December 2021 were an amount of HK$6,895,090,000 (2020: HK$5,533,399,000) which represents properties located in first-tier cities, such as Beijing and Shanghai, the PRC and an amount of HK$5,788,477,000 (2020: HK$5,787,645,000) which represents properties located in other cities in the PRC.

Out of the above properties located in other cities in the PRC, an amount of HK$1,916,914,000 (2020: HK$2,530,609,000) had no pre-sale during the year and an amount of HK$1,916,914,000 (2020: HK$2,265,540,000) was identified as the Concerned PHFS by the management of the Group as detailed below.

As disclosed in note 4, the management of the Group identified the Concerned PHFS by reference to the cities and locations where the PHFS are located, the pre-sale status and other relevant market factors. The management of the Group assessed the net realisable values of the Concerned PHFS as at 31 December 2021, with reference to the valuations conducted by the Valuers. The net realisable values of the Group's Concerned PHFS were arrived at by the Valuers with reference to transaction price of comparable properties in the similar or same locations with adjustments made according to nature of each property and its specific location and condition.

The Valuers represent C&W have appropriate qualification and recent experience in the valuation of similar properties in the relevant locations. The Concerned PHFS were valued individually, on market value basis, which conforms to HKIS Valuation Standards 2017 published by Hong Kong Institute of Surveyors.

During the year ended 31 December 2020, in view of continuous slow turnover of the Concerned PHFS, the management of the Group, after considering the results of valuations conducted by the Valuers, has determined that the net realisable values of these properties are less than their carrying amounts and an impairment loss of HK$100,212,000 has been recognised in the profit or loss.

During the year ended 31 December 2021, a reversal of impairment loss of HK$30,781,000 in respect of certain public affordable housing in the PRC was recognised in profit or loss.

During the year ended 31 December 2021, an impairment loss of HK$909,692,000 (2020: HK$23,739,000) on certain properties under development held for sales is recognised, on the basis that the expected unit sales price, by referencing to the market unit price of other similar properties at the same location, is lower than the unit cost.

Included in properties under development held for sales is leasehold lands measured at cost less any accumulated depreciation and any impairment losses. The residual values are determined as the estimated disposal value of the leasehold land component. No depreciation charge is made on the leasehold lands taking into account the estimated residual values as at 31 December 2021.

27. TRADE AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables		
– Goods and services	**4,197,054**	3,740,179
– Lease receivables	**15,512**	13,424
	4,212,566	3,753,603
Less: allowance for credit loss	**(484,621)**	(230,801)
	3,727,945	3,522,802
Other receivables (Note iv)	**3,717,653**	5,604,187
Amounts due from related parties (Note v)	**1,361,641**	3,667,983
Prepayments for acquisition of parcels of land (Note vi)	**3,472,790**	–
Guarantee deposit paid for the auction of a parcel of land	**–**	534,569
Total trade and other receivables	**12,280,029**	13,329,541

As at 1 January 2020, trade receivable from contracts with customers amounted to HK$3,150,024,000.

Notes:

(i) Before accepting any new customer, the Group assesses the potential customer's credit quality by investigating their historical credit records and defines credit limits by customer. Credit sales are made to customers with good credit history and credit limits granted to customers are under regular review. Majority of the trade receivables that are neither past due nor impaired has no default payment history.

(ii) 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.

	2021 HK$'000	2020 HK$'000
Within 30 days	**1,149,695**	943,183
Within 31 – 60 days	**455,140**	420,590
Within 61 – 90 days	**283,650**	540,861
Within 91 – 180 days	**521,820**	408,506
Within 181 – 365 days	**603,190**	314,677
Over 365 days	**714,450**	894,985
	3,727,945	3,522,802

(iii) As at 31 December 2021, included in the Group's trade receivables balance are debtors with an aggregate carrying amount of HK$1,927,261,000 (2020: HK$1,674,789,000) which is past due as at reporting date. The management of the Group considers no deterioration in credit qualities of the debtors and the settlement records from those debtors are satisfactory, the management of the Group concludes that these debtors are not considered a default and the impact of ECL for this past due trade receivables is insignificant.

(iv) As at 31 December 2021, other receivables amounting HK$3,717,653,000 (net of allowance of HK$2,412,910,000) (2020: HK$5,604,187,000 (net of allowance of HK$197,705,000)) mainly represented advances to contractors, other tax recoverable, sundry advance payments, prepayments and deposits.

(v) As at 31 December 2021, included in amounts due from related parties were: (i) unsecured amounts of HK$957,760,000 (2020: HK$1,725,614,000) due from certain associates of which an amount of HK$589,284,000 (2020: HK$705,611,000) carries fixed interest at prevailing market interest rates, an amount of HK$319,018,000 (2020: HK$427,655,000) entrustment fund provided by the Group and (ii) amounts of HK$403,881,000 (2020: HK$1,942,369,000) due from certain joint ventures with amounts of HK$99,814,000 (2020: HK$1,787,481,000) carries fixed interest at prevailing market interest rates.

27. TRADE AND OTHER RECEIVABLES (continued)

Notes: (continued)

(vi) During the year ended 31 December 2021, the Group entered into two land use right transfer contracts with the Shanghai government department in Qingpu and Lianggang district respectively to acquire parcels of land in Shanghai in the PRC for the development of residential properties for sales at an aggregate consideration of RMB2,830,324,000 (equivalent to HK$3,472,790,000). As at 31 December 2021, the full amount of the considerations were paid by the Group and it is recognised as prepayments for the acquisition because the land use right certificates have not been ready.

(vii) Details of impairment assessment of trade and other receivables are set out in note 54(b).

28. CONTRACT ASSETS

	2021 **HK$'000**	2020 HK$'000
Amounts due from contract customers	**116,869**	403,204

As at 1 January 2020, contract assets amounted to HK$600,758,000.

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditional on the Group's future performance. The contract assets are transferred to trade receivables when the rights become unconditional.

The Group's construction contracts include payment schedules which require stage payments over the construction period once certain specified milestones are reached. The Group has recognised a contract asset for any works performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

29. PLEDGED BANK DEPOSITS/SHORT-TERM BANK DEPOSITS/BANK BALANCES AND CASH

(i) Bank deposits with maturity of less than one year of HK$709,526,000 (2020: HK$806,864,000) have been pledged to secure the Group's general banking facilities and are therefore classified as current assets. The pledged bank deposits carry interest at fixed interest rates, ranging from 0.16% to 0.26% (2020: 0.3% to 3.0%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

(ii) Short-term bank deposits with maturity of more than three months carry interest at market rates, ranging from 0.38% to 4.18% (2020: 0.52% to 3.40%) per annum.

(iii) Bank balances (including bank deposits with maturity of less than three months) carry interest at market rates, ranging from 0.01% to 1.48% (2020: 0.01% to 1.48%) per annum.

29. PLEDGED BANK DEPOSITS/SHORT-TERM BANK DEPOSITS/BANK BALANCES AND CASH (continued)

(iv) The amounts of the Group's pledged bank deposits, short-term bank deposits and bank balances and cash that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2021 HK$'000	2020 HK$'000
Renminbi	**596,631**	236,329
United States dollar	**1,217,135**	1,061,082
Hong Kong dollar	**286,470**	128,685

30. TRADE AND OTHER PAYABLES

	2021 HK$'000	2020 HK$'000
Trade payables (Note i)	**6,988,925**	7,304,427
Bills payables	**430,444**	1,770,015
Other payables (Note ii)	**14,766,535**	12,447,266
Total trade and other payables	**22,185,904**	21,521,708

Notes:

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

	2021 HK$'000	2020 HK$'000
Within 30 days	**3,286,268**	2,931,542
Within 31 – 60 days	**232,677**	328,009
Within 61 – 90 days	**132,927**	271,286
Within 91 – 180 days	**401,685**	417,515
Within 181 – 365 days	**1,217,757**	1,633,827
Over 365 days	**1,717,611**	1,722,248
	6,988,925	7,304,427

(ii) Included in other payables as at 31 December 2021 were (a) amounts of HK$47,649,000 (2020: HK$233,271,000), due to State-owned Assets Supervision and Administration Commission of Shanghai Xuhui District (the "Xuhui SASAC") and entities controlled by the Xuhui SASAC (see note 45(I)(a)(iv)), (b) amounts of HK$138,051,000 (2020: HK$1,448,000) due to certain fellow subsidiaries, which are unsecured and have no fixed terms of repayment, (c) amounts of HK$3,334,054,000 (2020: HK$866,508,000) due to non-controlling interests, of which the amount of HK$570,798,000 (2020: HK$552,720,000) carries fixed interest rate at prevailing market interest rates, (d) amounts of HK$195,405,000 (2020: HK$252,808,000) due to other related parties, which are unsecured and have no fixed terms of repayment, and (e) accrued expenditure on properties under development of HK$3,038,742,000 (2020: HK$2,597,353,000).

31. CONTRACT LIABILITIES

	Notes	2021 HK$'000	2020 HK$'000
Amounts due to contract customers	(i)	**44,150**	49,440
Customers deposits from sales of properties	(ii)	**20,574,581**	21,646,482
		20,618,731	21,695,922

At as 1 January 2020, contract liabilities amounted to HK$14,803,392,000.

Notes:

(i) Construction contracts

When the Group receives deposits before the construction activity commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit.

(ii) Sales of properties

Customers deposits from sales of properties are liabilities in relation to sale and purchase agreements entered into with property buyers and their proceeds received on sales of property units that have not been recognised as revenue in accordance with the Group's revenue recognition policy. The Group normally receives 30% to 100% of the contract value as pre-sale proceeds from property buyers when they sign the sale and purchase agreement. The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in prior periods. The revenue recognised included in the contract liabilities at the beginning of the year amounted to HK$19,122,643,000 (2020: HK$11,116,168,000).

For properties under development for sale, the Group typically provides guarantees to banks in connection with the property buyers' mortgage loans to finance their purchase of the properties for an amount up to 70% of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the property buyer's deposits and sell the property to recover any amounts paid by the Group to the bank. Unless there is significant drop in the market price, which is remote as considered by the directors of the Company, the Group would not be in a significant loss position in selling those properties out.

32. DEFERRED INCOME

On 22 June 2021, the Group through its indirect wholly-owned subsidiaries, entered into three compensation agreements with Shanghai Municipal Transportation Commission and Shanghai Municipal Investment (Group) Corporation, pursuant to which Shanghai Municipal transportation Commission agreed to pay the Group a pre-tax aggregate amount of RMB3,553 million (equivalent to approximately HK$4,272 million) as the economic compensation for the reduction of future toll fee revenue as a result from the waivers of toll mileage of certain entry sections of the three expressways operated by the Group. The Group continues to be responsible for the maintenance and operation of those entry sections of the relevant expressways for the remaining period of the respective toll road operating rights. The amount has been treated as deferred income.

The amount is transferred to other income on a units-of-usage basis, calculated based on the proportion of actual traffic volume for a particular period to the projected total traffic volume over the period for which the Group is granted the rights to operate toll road. This policy has resulted in a credit to other income in the current year of HK$409 million. As at 31 December 2021, an amount of RMB3,110 million (equivalent to approximately HK$3,816 million) remains to be amortised.

33. BANK AND OTHER BORROWINGS

	2021 HK$'000	2020 HK$'000
Bank loans	**49,375,810**	45,549,529
Other loans	**14,881,325**	11,392,617
	64,257,135	56,942,146
Analysed as:		
Secured	**17,795,066**	16,940,772
Unsecured	**46,462,069**	40,001,374
	64,257,135	56,942,146
Carrying amount repayable:		
Within one year	**23,637,611**	13,755,345
More than one year but not more than two years	**7,220,864**	13,828,740
More than two years but not more than five years	**22,669,157**	20,714,538
Over five years	**10,729,503**	8,643,523
	64,257,135	56,942,146
Less: amounts due within one year shown under current liabilities	**(23,637,611)**	(13,755,345)
	40,619,524	43,186,801
Floating rate		
– expiring within one year	**14,220,343**	11,030,811
– expiring beyond one year	**35,467,721**	32,767,004
Fixed rate		
– expiring within one year	**9,417,268**	2,724,534
– expiring beyond one year	**5,151,803**	10,419,797
	64,257,135	56,942,146

Notes:

(i) The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2021	2020
Effective interest rate:		
Fixed-rate borrowings	**0.80%-6.79%**	0.80%-7.50%
Variable-rate borrowings	**0.89%-6.51%**	0.80%-8.78%

(ii) Included in the Group's bank borrowings is an amount of HK$6,989 million (2020: HK$8,477 million) drawn under syndicated loan facilities of HK$6,989 million (2020: HK$8,477 million) obtained by the Group. For the year ended 31 December 2020, transaction costs of approximately HK$21 million (2021: nil) which were directly attributable to such bank borrowings were deducted from the fair values of the bank borrowings on initial recognition. At 31 December 2021, the carrying value of such bank borrowings was approximately HK$6,989 million (2020: HK$8,477 million).

(iii) Included in other loans are advanced bonds and medium term notes (the "Bonds and Notes") with an aggregate amount of HK$14,494,741,000 (2020: HK$10,750,589,000) issued by non-wholly owned subsidiaries of the Group (the "Issuers") in the PRC, which are listed on Shanghai Stock Exchange. The Bonds and Notes with an aggregate principal amount of RMB12,300,000,000 (2020: RMB9,300,000,000), are unsecured and have maturities of three to seven years (2020: three to seven years) falling due between 2022 and 2026 (2020: 2021 and 2025). The bondholders have the rights to request the Issuers to redeem the bonds at their third to fifth anniversary. The Bonds and Notes carry interest at fixed rates of 2.84% to 4.47% per annum or a variable rate of Shanghai Interbank Offered Rate plus 1.00% per annum (2020: a fixed rate of 3.49% to 4.6% per annum or a variable rate of Shanghai Interbank Offered Rate plus 1.00% per annum). The range of effective interest rates applied to the Bonds and Notes range from 2.84% to 4.71% per annum (2020: 3.62% to 4.75% per annum).

(iv) Certain bank facilities granted to the Group include requirements that (a) SIIC retains management control over the Company and holds not less than 35% of the Company's voting capital and (b) SIIC remains under the control of the Shanghai Municipal People's Government.

33. BANK AND OTHER BORROWINGS (continued)

In respect of a bank borrowing with carrying amount of RMB2,040,000,000 (equivalent to HK$2,503,067,000) as at 31 December 2021 (2020: HK$2,708,482,000), the Group failed to comply with the relevant covenant related to dividend declared/paid out ratio for the year. Accordingly, the entire balance of this borrowing was reclassified to current liabilities as at 31 December 2021. Subsequently to the end of the reporting period, the Group has obtained a waiver in respect of this covenant from the bank.

34. LEASE LIABILITIES

	2021 **HK$'000**	2020 HK$'000
Lease liabilities payable:		
Within one year	**100,582**	113,239
Within a period of more than one year but not more than two years	**74,469**	87,770
Within a period of more than two years but not more than five years	**46,245**	201,810
Within a period of more than five years	**27,957**	28,256
	249,253	431,075
Less: Amounts due for settlement with 12 months shown under current liabilities	**(100,582)**	(113,239)
Amounts due for settlement after 12 months shown under non-current liabilities	**148,671**	317,836

The weighted average incremental borrowing rats applied to lease liabilities range from 4.35% to 4.90% per annum (2020: 3.75% to 4.90% per annum).

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	HKD **HK$'000**	**RMB** **HK$'000**
As at 31 December 2021	**11,422**	**159,664**
As at 31 December 2020	5,511	224,453

35. SHARE CAPITAL

	Number of ordinary shares	**Amount** **HK$'000**
Ordinary shares, issued and fully paid:		
At 1 January 2020, 31 December 2020 and 31 December 2021	**1,087,211,600**	**13,649,839**

36. SHARE-BASED PAYMENT TRANSACTIONS

Details of the equity-settled share option schemes adopted by the Company and other members of the Group are as follows:

(I) SIHL Scheme

The principal terms of the SIHL Scheme are set out below.

The Company, in accordance with Chapter 17 of the Listing Rules, adopted a share option scheme (the "SIHL Scheme"), as approved by the shareholders of the Company at the extraordinary general meeting held on 25 May 2012. The SIHL Scheme shall be valid and effective for a period of 10 years commencing the date of its adoption, after which period no further share options will be granted. The SIHL Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the eligible participants and for such other purposes as the board of director (the "Board") may approve from time to time.

According to the SIHL Scheme, the Board of the Company may grant options to any director or employee of each member of the Group (including a company in which (i) the Company is directly or indirectly interested in less than 20% of the issued share capital or equity interest or voting rights of such company but is the largest shareholder or the holder of the largest voting rights of such company; or (ii) in the opinion of the Board of the Company, the Company is able to exercise significant influence to such company); and any executive or employee of any business consultant, professional and other advisers in each member of the Group who have rendered service or will render service to the Group, to subscribe for shares in the Company for a consideration of HK$1 for each lot of share options granted. Share options granted should be accepted within 30 days from the date of grant.

The Board of the Company may at its absolute discretion, determine and notify each grantee the period during which a share option may be exercised, such period should expire not later than 10 years from the date of grant of the share options. Subject to the provisions of the SIHL Scheme, the Board of the Company may at its discretion when offering the grant of a share option impose any conditions, restrictions or limitations in relation thereto as it may think fit.

The subscription price for shares in the Company shall be a price solely determined by the Board of the Company and notified to an eligible participant, and shall be at least the highest of: (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company.

The total number of shares which may be issued upon exercise of all options to be granted under the SIHL Scheme and any other share option schemes of the Company shall not in aggregate to exceed 10% of the total number of shares of the Company in issue as at the date of approval of the SIHL Scheme. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the SIHL Scheme and any other share option schemes of the Company shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted to each participant under the SIHL Scheme and any other option schemes (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue unless approved by the shareholders of the Company.

During both years, no options were granted or outstanding under the SIHL Scheme.

36. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(II) SI Urban Development Scheme

The principal terms of the SI Urban Development Scheme are set out below.

A listed subsidiary of the Company, SI Urban Development, operates a share option scheme (the "SI Urban Development Scheme") which was first adopted on 12 December 2002 in a special general meeting of SI Urban Development. Under the SI Urban Development Scheme, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the SI Urban Development Scheme and options granted and yet to be exercised under any other schemes shall not exceed 30% of the issued share capital of SI Urban Development from time to time. The maximum number of shares issued and to be issued upon exercise of the options granted to each participant in any 12-month period must not exceed 1% of the issued share capital of SI Urban Development at any time.

The offer of a grant of options may be accepted within 21 days from the date of the offer with signed acceptance letter comprising consideration of HK$1 received by SI Urban Development. The exercise period of the share options granted is determinable by the directors of SI Urban Development, but no later than 10 years from the date of the offer. The subscription price for the shares in respect of which options are granted is determinable by the directors of SI Urban Development, but in any case must be the highest of (i) the closing price of SI Urban Development's shares as stated in the Stock Exchange's daily quotations sheet on the date of the grant; (ii) the average closing price of SI Urban Development's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of SI Urban Development's shares.

No share option was granted since year 2010. Share options granted in year 2010 are vested in three tranches over two years, with 40% of the options granted were vested on the date of grant, 30% vested on the first anniversary of the date of grant and the remaining 30% vested on two years from the date of grant. All the share options under the Scheme were vested and the related expenses were recognised in profit or loss in previous years.

On 23 September 2020, the outstanding share options expired and the balance of share-based payments reserve of HK$31,892,000 was transferred to retained profits in the consolidated statement of changes in equity.

36. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(III) SI Urban Development New Scheme

The principal terms of the SI Urban Development New Scheme are set out below.

SI Urban Development, operates a share option scheme (the "SI Urban Development New Scheme") which was first adopted on 16 May 2013 in an annual general meeting of SI Urban Development. Under the SI Urban Development New Scheme, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the SI Urban Development New Scheme and options granted and yet to be exercised under any other schemes shall not exceed 30% of the issued share capital of SI Urban Development from time to time. The maximum number of shares issued and to be issued upon exercise of the options granted to each participant in any 12-month period must not exceed 1% of the issued share capital of SI Urban Development at any time.

The offer of a grant of options may be accepted within 21 days from the date of the offer with signed acceptance letter comprising consideration of HK$1 received by SI Urban Development. The exercise period of the share options granted is determinable by the directors of SI Urban Development, but no later than 10 years from the date of the offer. The subscription price for the shares in respect of which options are granted is determinable by the directors of SI Urban Development, but in any case must be the highest of (i) the closing price of SI Urban Development's shares as stated in the Stock Exchange's daily quotations sheet on the date of the grant; (ii) the average closing price of SI Urban Development's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of SI Urban Development's shares.

During both years, no options were granted or outstanding under the SI Urban Development New Scheme.

(IV) SIIC Environment Scheme

The principal terms of the SIIC Environment Scheme are set out below.

SIIC Environment operates a share option scheme (the "SIIC Environment Scheme"), which was adopted on 27 April 2012 in an extraordinary general meeting of SIIC Environment. The SIIC Environment Scheme shall be valid and effective for a period of 5 years commencing the date of its adoption, after which period no further share options will be granted. The aggregate nominal amount of shares which may be issued and issuable in respect of all options granted under the SIIC Environment Scheme, shall not exceed 15% of the issued share capital of SIIC Environment (excluding treasury shares) from time to time.

Under the SIIC Environment Scheme, the aggregate number of shares in relation to the grant of options that are available to the controlling shareholders or their associates shall not exceed 25% of the total number of shares which may be granted under the SIIC Environment Scheme. The number of shares available to any one controlling shareholder or his/her associate(s) shall not exceed 10% of the total number of shares which may be granted under the SIIC Environment Scheme.

Under the SIIC Environment Scheme, SIIC Environment can grant options at a price which is equal to the average of the last dealt prices for the share, as determined by reference of the daily official list or any other publication published by the SGX-ST for the three consecutive trading days immediately preceding the date of grant ("Price"). Options will not be granted at a discount to the Price.

36. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(IV) SIIC Environment Scheme (continued)

The offer of the grant of an option is to be accepted by the grantee within 30 days from the date of offer of that option and, in any event, not later than 5:00 p.m. on the 30th day from such date of offer by completing, signing and returning the acceptance form accompanied by payment of S$1.00 as consideration. The exercise period of the share options granted is determinable by the remuneration committee of SIIC Environment. Options granted with exercise price set at Price are only to be exercisable, in whole or in part, after the 1st anniversary of the date of offer. Options granted to non-executive directors and employees of the associated companies can be exercised before the 5th anniversary of the relevant date of offer.

During both years, no options were granted or outstanding under the SIIC Environment Scheme.

37. ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2021

Except for below acquisition, the Group has no other significant acquisitions during the year.

(i) Chelsea Securities Limited ("CSL")

In February 2021, SI Urban Development acquired 80% equity interests in CSL at a cash consideration of HK$56,000,000 from certain independent third parties. This acquisition was accounted for as a business combination. CSL operates in Hong Kong and is principally engaged securities dealing and portfolio management. CSL was acquired to enhance the competitiveness of the Group's business and explore a new dimension in Hong Kong.

(ii) Henan Wennuo Environmental Protection Technology Co., Ltd. ("Henan Wennuo")

In April 2021, SIIC Environment through its 92.2% owned subsidiary, Fudan Water Engineering and Technology Co., Ltd. and its 75% owned subsidiary, SIIC Henan Investment Co., Ltd., completed the acquisition of 80% equity interest in Henan Wennuo at a total consideration of RMB63,982,000 (equivalent to HK$76,754,000). Henan Wennuo is principally involved in the operation of waste water treatment plant with total design capacity of 300,000 tons/day, and is based in Luohe City, Henan Province, the PRC.

37. ACQUISITION OF SUBSIDIARIES (continued)

For the year ended 31 December 2021 (continued)

	CSL HK$'000	Henan Wennuo HK$'000	Total HK$'000
Consideration:			
Cash paid	26,000	62,632	88,632
Deposit paid in previous years	30,000	–	30,000
Consideration payable (included in other payable as at 31 December 2021)	–	14,122	14,122
	56,000	76,754	132,754
Assets acquired and liabilities recognised at the dates of acquisitions:			
Property, plant and equipment	63	6,380	6,443
Right-of-use-assets	608	–	608
Other intangible assets	200	68,781	68,981
Receivable under service concession arrangements	–	59,659	59,659
Interest in associates	–	30,301	30,301
Financial assets at FVTPL	13	7,805	7,818
Trade and other receivables	34,896	55,200	90,096
Prepaid taxation	4	–	4
Bank balances and cash	222,439	491	222,930
Trade and other payables	(217,107)	(108,510)	(325,617)
Lease liabilities	(621)	–	(621)
Deferred tax liabilities	–	(14,400)	(14,400)
	40,495	105,707	146,202
Goodwill (gain from bargain purchase) arising on acquisitions:			
Consideration	56,000	76,754	132,754
Add: Non-controlling interests	8,099	21,141	29,240
Less: Net assets acquired	(40,495)	(105,707)	(146,202)
	23,604	(7,812)	15,792
Net cash (inflow) outflow arising on acquisitions:			
Cash consideration paid	26,000	62,632	88,632
Less: Bank balances and cash acquired	(222,439)	(491)	(222,930)
	(196,439)	62,141	(134,298)

No pro forma information for the acquisitions of CSL and Henan Wennuo are prepared as the acquisitions would have no significant contribution to the Group's revenue or financial performance for the period from 1 January 2021 to respective dates of acquisition and the pro forma revenue and results of operations of the Group for the acquisitions approximate the Group's revenue and results for the year ended 31 December 2021.

37. ACQUISITION OF SUBSIDIARIES (continued)

For the year ended 31 December 2020

On 12 August 2020, Wing Fat (Dongguan) Printing Co., Ltd and Zhejiang Rong Feng Paper Co., Ltd ("Zhejiang Rong Feng"), two wholly owned subsidiaries of the Group, completed the acquisition of 90% and 10% equity interests in Wuxi Foreign Trade Printing Co. Ltd ("Wuxi Foreign Trade") respectively at a total cash consideration of RMB210,500,000 (equivalent to HK$240,160,000). The acquisition has been accounted for as acquisition of business using the acquisition method.

Wuxi Foreign Trade is principally engaged in the manufacture and sale of pharmaceutical package, and is based in Wuxi City, Jiangsu Province, the PRC.

	HK$'000
Considerations:	
Cash paid	28,247
Deposit paid at 31 December 2019	211,913
	240,160
Assets acquired and liabilities recognised at the dates of acquisitions:	
Property, plant and equipment	76,966
Right-of-use assets	32,701
Inventories	19,019
Trade and other receivables	51,867
Bank balances and cash	22,649
Trade and other payables	(21,240)
Taxation payable	(1,093)
Bank borrowings	(13,691)
	167,178
Goodwill arising on acquisition	
Consideration transferred	240,160
Less: Net assets acquired	(167,178)
	72,982
Net cash outflow arising on acquisition	
Cash consideration paid	28,247
Less: bank balances and cash acquired	(22,649)
	5,598

Apart from the aforementioned acquisition, the net cash outflow and increase of non-controlling interests arising from another acquisition of other subsidiary during the year ended 31 December 2020 amounted to HK$15,285,000 and HK$4,318,000 respectively.

38. ASSETS CLASSIFIED AS HELD FOR SALE

(i) In December 2018, the directors of SIIC Environment resolved to dispose of one of its entire 80% equity interest in Lingbi Chenxi Green Industry Development Co., Ltd. ("Lingbi") to an independent third party. Negotiations with several interested parties were subsequently taken place. The assets and liabilities attributable to the subsidiary, which were expected to be sold within twelve months, had been classified as a disposal group held for sale in accordance with HKFRS 5, and are presented separately in the consolidated statement of financial position since 31 December 2018. In June 2021, the disposal is completed and the details of which could refer to note 39 (i).

(ii) On 30 June 2020, the management of the Group resolved to dispose of an associate. Negotiations with several interested parties have taken place. The interest in an associate, which is expected to be sold within twelve months, has been classified as an asset held for sale with a carrying amount of HK$78,076,000, and is presented separately in the consolidated statement of financial position as at 31 December 2020. During the current year, the transaction is completed and has resulted in the Group recognising a gain on disposal of an associate amounting to HK$53,151,000 in profit or loss.

(iii) In December 2021, the management of SIIC Environment resolved to dispose of one of the Group's subsidiaries. Negotiations with several interested parties have subsequently taken place. The assets and liabilities attributable to the subsidiary, which are expected to be sold within twelve months, have been classified as a disposal group held for sale in accordance with HKFRS 5, and are presented separately in the statement of financial position as at 31 December 2021.

The proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and, accordingly, no impairment loss has been recognised on the classification of these operations held for sale.

The major classes of assets and liabilities comprising the disposal group classified as held for sale as at 31 December 2021 and 2020 are as follows:

	2021 HK$'000	2020 HK$'000
Interest in an associate	–	78,076
Receivables under service concession arrangements	5,322	218,828
Inventories	–	559
Trade and other receivables	252	31,209
Cash and cash equivalents	3,087	–
Total assets classified as held for sale	8,661	328,672
Trade and other payables, and total liabilities associated with assets classified as held for sale	(113)	(180,428)

39. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2021

(i) As disclosed in note 38(i), SIIC Environment completed the disposal of its entire 80% equity interest in Lingbi for consideration of RMB40,000,000 (equivalent to HK$47,985,000).

(ii) On 20 October 2021, entered into an equity transfer agreement with 上海徐匯資本投資有限公司 (Shanghai Xuhui Capital Investment Co., Ltd.) ("Shanghai Xuhui Capital"), an entity wholly-owned by Xuhui SASAC and a connected person at the subsidiary level. Pursuant to the equity transfer agreement, Shanghai Urban Development (Holdings) Co., Ltd. ("SUD") has agreed to sell and Shanghai Xuhui Capital has agreed to buy, 60% equity interest in 上海寰宇城市投資發展有限公司 (Shanghai Huanyu Urban Investment and Development Co., Ltd.) ("Shanghai Huanyu"), representing the Group's entire interest in Shanghai Huanyu, for a total cash consideration of RMB3,576,000,000 (equivalent to HK$4,300,144,000). The disposal is completed during the year and the consideration is received in full.

(iii) In December 2021, SI Development entered into an equity transfer agreement with an independent third party to dispose of its 100% of equity interest in 紹興上投置業發展有限公司 ("紹興上投置") at a consideration of RMB213,453,000 (equivalent to HK$258,293,000).

(iv) In August 2021, SI Development entered into an equity transfer agreement with an independent third party to dispose of its 100% of equity interest in 天津市中天興業房地產開發有限公司 ("中天興業") at a consideration of RMB65,104,000 (equivalent to HK$78,780,000).

The net assets of the subsidiaries being disposed at the disposal date are as follows:

	Lingbi HK$'000	Shanghai Huanyu HK$'000	紹興上投置 HK$'000	中天興業 HK$'000	Total HK$'000
Consideration:					
Cash received	37,188	4,300,144	258,293	78,780	4,674,405
Consideration receivable	10,797	–	–	–	10,797
	47,985	4,300,144	258,293	78,780	4,685,202
Analysis of assets and liabilities over which control was lost:					
Investment properties	–	1,245,325	201,175	51,479	1,497,979
Equipment	–	875	7	66	948
Right-of-use assets	–	7,965	–	–	7,965
Receivables under service concession arrangements	219,767	–	–	–	219,767
Inventory	570	6,841,920	98,001	13,300	6,953,791
Trade and other receivable	38,352	81,439	4,704	1,034	125,529
Bank balances and cash	17	45,985	3,732	14,850	64,584
Trade and other payable	(66,065)	(726,519)	(195,054)	–	(987,638)
Lease liabilities	–	(8,013)	–	–	(8,013)
Tax payable	–	–	(10,936)	(995)	(11,931)
Bank and other borrowings	(162,848)	(1,960,257)	–	–	(2,123,105)
Deferred tax liabilities	(5,150)	(160,832)	(7,659)	(1,011)	(174,652)
Net assets disposed of	24,643	5,367,888	93,970	78,723	5,565,224
Gain on disposal:					
Consideration	47,985	4,300,144	258,293	78,780	4,685,202
Net assets disposed of	(24,643)	(5,367,888)	(93,970)	(78,723)	(5,565,224)
Non-controlling interests	4,928	2,179,126	–	–	2,184,054
	28,270	1,111,382	164,323	57	1,304,032
Net cash inflow (outflow) arising on disposal:					
Cash consideration received	37,188	4,300,144	258,293	78,780	4,674,405
Less: Bank balance and cash disposed of	(17)	(45,985)	(3,732)	(14,850)	(64,584)
	37,171	4,254,159	254,561	63,930	4,609,821

39. DISPOSAL OF SUBSIDIARIES (continued)

For the year ended 31 December 2020

During the year ended 31 December 2020, SI Urban Development and Hengda Real Estate Group Changsha Zhiye Company Limited ("Hengda Changsha") reached settlement in respect of an appeal (the "Appeal") and entered into a settlement agreement (the "Disposal Settlement Agreement"). Pursuant to Disposal Settlement Agreement, Hengda Changsha undertook, among others, to continue to perform the Agreement on or before 30 October 2020. On 25 August 2020, The Supreme People's Court of The PRC issued a consent judgment (the ''Disposal Consent Judgment'') in respect of the Disposal Settlement Agreement in accordance with the stipulations of the Civil Procedure Law of the PRC 中華人民共和國民事訴訟法 (the "Civil Procedure Law"). Immediately after the Disposal Consent Judgment took effect after being signed by both parties, the Appeal would terminate accordingly. In addition, the Group also entered into a settlement agreement with Evergrande Real Estate Group Limited 恒大地產集團有限公司 ("Evergrande Holdco") (the "Evergrande Settlement Agreement"), being the sole shareholder of Hengda Changsha, pursuant to which Evergrande Holdco, agreed, among others, to guarantee the payment obligations of Hengda Changsha under the Disposal Consent Judgment. Details of the terms included in the Disposal Settlement Agreement and the Evergrande Settlement Agreement are set out in SI Urban Development's announcement dated 26 August 2020. Following Hengda Changsha performed all of its payment obligations under the Disposal Consent Judgment, and the Group completed its obligations for preparation of completion under the Agreement and the Disposal Consent Judgment, the Group ceased to have any effective control over Hunan Qianshuiwan since 29 December 2020.

39. DISPOSAL OF SUBSIDIARIES (continued)

For the year ended 31 December 2020 (continued)

The net assets of Hunan Qianshuiwan at the disposal date are as follows:

	HK$'000
Consideration:	
Cash received (Note)	605,267
Deposit received in 2019	220,359
	825,626
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	7,534
Pledged bank deposits	1,107
Inventories	482,182
Trade and other receivables	119,466
Prepaid taxation	7,584
Bank balances and cash	1,841
Trade and other payables	(17,551)
Amount due to a non-controlling shareholder	(240,273)
Contract liabilities	(1,990)
Deferred tax liabilities	(61,883)
Taxation payable	(17,480)
Net assets disposed of	280,537
Gain on disposal of Hunan Qianshuiwan:	
Total consideration	825,626
Net assets disposed of	(280,537)
Non-controlling interests	92,577
Gain on disposal of a subsidiary	637,666
Net cash inflow arising on the disposal:	
Cash received	605,267
Less: bank balances and cash disposed of	(1,841)
	603,426

Note: The cash received comprises of the remaining consideration of RMB445,900,000 (equivalent to approximately HK$514,172,000) and total default interests of RMB79,000,000 (equivalently to HK$91,095,000) pursuant to the Disposal Consent Judgment.

Apart from the aforementioned disposal, the net cash inflow and reduction in non-controlling interests arising from disposals of other subsidiaries during the year ended 31 December 2020 amounted to HK$20,691,000 and HK$3,335,000, respectively.

40. OPERATING LEASING ARRANGEMENTS

The Group as lessor

All of the Group's investment properties have committed tenants for the next two to ten years, certain of which with an option to renew the lease after that date at which time all terms are renegotiated.

Undiscounted lease payments receivable on leases are as follows:

	2021 **HK$'000**	2020 HK$'000
Within one year	**1,093,899**	1,003,395
In the second year	**621,294**	655,358
In the third year	**477,768**	514,381
In the fourth year	**334,875**	378,860
In the fifth year	**293,660**	336,449
After five years	**635,677**	848,930
	3,457,173	3,737,373

41. CAPITAL COMMITMENTS

	2021 **HK$'000**	2020 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of		
– acquisition of property, plant and equipment and intangible assets	**46,386**	50,583
– additions in properties under development held for sale	**10,036,806**	11,260,174
– investments in joint ventures	**77,005**	361,861
– acquisition of land use right	**2,793,252**	2,842,718
– additions in construction in progress	**1,634,065**	1,090,826
	14,587,514	15,606,162

The Group's share of the capital commitments made jointly with other joint venture relating to its joint venture, Wuhan Gengcheng, but not recognised at the end of the reporting period is as follows:

	2021 **HK$'000**	2020 HK$'000
Commitments of capital contribution for the acquisition of a parcel of land	**–**	651,210

42. FINANCIAL GUARANTEE CONTRACTS AND CONTINGENT LIABILITIES

Financial guarantees contracts

	2021 HK$'000	2020 HK$'000
Guarantees given to banks in respect of banking facilities utilised by		
– property buyers	**6,535,523**	7,254,139
– associates	**1,337,114**	1,411,370
– joint ventures	**2,024,889**	–
	9,897,526	8,665,509

Guarantees given to banks in respect of banking facilities utilised by property buyers

The Group entered into agreements with certain banks with respect to mortgage loans provided to buyers of the Group's property units and made deposits as security to and gave guarantees on mortgage loans provided to the buyers by these banks under the agreements. The management of the Group considers that the possibility of default by the relevant buyers is remote and, in case of default in payments, the net realisable value of the related properties can recover the repayment of the outstanding mortgage principals together with the accrued interest and penalty. Accordingly, no ECL under HKFRS 9 has been made in the consolidated financial statements for these guarantees.

Guarantees given to banks in respect of banking facilities utilised by associates/joint ventures

The Group entered into agreements with banks to provide corporate guarantees with respect to bank loans granted to associates/joint ventures. In determining whether financial liabilities should be recognised in respect of the Group's financial guarantee contracts, the management of the Group exercised judgment in evaluation of the probability of resources outflow that would be required and the assessment of whether a reliable estimate could be made of the amount of the obligation. The management of the Group considers that the possibility of default by these parties is remote given their strong financial background and the good quality of assets. Accordingly, no ECL under HKFRS 9 has been made in the consolidated financial statements for these guarantees.

As at 31 December 2021, the Group entered into agreements with banks to provide corporate guarantees with respect to the bank borrowing granted to joint ventures of the Group. The maximum liability of the Group under such guarantees were the outstanding amount of the bank borrowing to the joint ventures of approximately HK$2,025 million.

In the opinion of the management of the Group, the fair values of the aforementioned financial guarantee contracts of the Group are insignificant.

Guarantees given to banks in respect of banking facilities utilised by subsidiaries

As at 31 December 2021, the Company granted financial guarantees to the extent of approximately HK$9,020 million (2020: HK$10,520 million) to banks in respect of banking facilities granted to its subsidiaries, out of which approximately HK$7,008 million (2020: HK$8,508 million) were utilised.

43. PLEDGE OF ASSETS

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

(i) investment properties with an aggregate carrying value of HK$11,876,715,000 (2020: HK$10,334,774,000);

(ii) leasehold land and buildings with an aggregate carrying value of HK$11,609,000 (2020: HK$70,816,000);

(iii) plant and machineries with an aggregate carrying value of HK$189,290,000 (2020: HK$192,379,000);

(iv) receivables under service concession arrangements/intangible assets with an aggregate carrying value of HK$19,149,719,000 (2020: HK$16,744,560,000);

(v) properties under development held for sale with an aggregate carrying value of HK$17,448,191,000 (2020: HK$12,537,442,000);

(vi) properties held for sale with an aggregate carrying value of HK$259,702,000 (2020: HK$nil);

(vii) trade receivables with an aggregate carrying value of HK$289,972,000 (2020: HK$196,344,000);

(viii) bank deposits with an aggregate carrying value of HK$709,526,000 (2020: HK$806,864,000); and

(ix) equity interests of subsidiaries with aggregate carrying value of HK$184,049,000 (2020: HK$178,190,000);

(x) land use right with aggregate carrying value of HK$966,000 (2020: HK$1,074,000);

44. RETIREMENT BENEFITS SCHEMES

The Company and its subsidiaries in Hong Kong operate a defined contribution retirement benefits scheme for their qualifying employees pursuant to the Occupational Retirement Schemes Ordinance. To comply with the Mandatory Provident Fund Schemes Ordinance, a Mandatory Provident Fund Scheme was also established. The assets of both schemes are held separately in funds which are under the control of independent trustees. The retirement benefits schemes contributions charged to the consolidated statement of profit or loss represent contributions payable by the Company and its subsidiaries in Hong Kong to the funds at rates specified in the rules of the schemes. When there are employees who leave the defined contribution retirement benefits scheme prior to becoming fully vested in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Company and its subsidiaries in Hong Kong.

The employees employed by the PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

At the end of the reporting period, no forfeited contributions were available to reduce the contribution payable in future years.

The total expense recognised in profit or loss of HK$287,697,000 (2020: HK$188,241,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes.

45. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES

During the year, the Group had significant transactions and balances with related parties, some of which are also deemed to be connected persons pursuant to the Listing Rules.

(I) Related parties and connected persons

(a) Save as disclosed in elsewhere in these consolidated financial statements, the significant connected transactions pursuant to the Listing Rules during the year, and significant balances with them at the end of the reporting period, are as follows:

Related parties and connected persons	Nature of transactions and balances	2021 HK$'000	2020 HK$'000
Transactions			
Ultimate holding company	Expenses relating to short-term leases and leases of low-value assets (Note i)	**1,627**	2,023
Fellow subsidiaries	Expenses relating to short-term leases and leases of low-value assets (Note i)	**51,910**	50,491
Associate	Interest income received by the Group (Notes ii and iii)	**33,846**	32,175
Joint Venture	Interest income received by the Group	**9,511**	3,083
Balance			
Associate	Loan provided by the Group (Notes ii and iii)	**589,000**	689,000
	Interest receivable by the Group	**284**	16,611
Joint Venture	Loan provided by the Group	**99,650**	1,784,398
	Interest receivable by the Group	**164**	3,083
Non-controlling shareholders of subsidiaries:			
Mori Building Shanghai	Loan provided to the Group (Note (v))	**509,448**	493,229
The Xuhui SASAC and entities controlled by the Xuhui SASAC	Non-trade payables by the Group (Note (iv))	**47,649**	233,271

45. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(I) Related parties and connected persons (continued)

(a) (continued)

Notes:

(i) The rentals were charged in accordance with the relevant tenancy agreements and the prevailing rent was equivalent or approximate to the open market rentals as certified by an independent firm of professional property valuers when the tenancy agreements were entered into.

(ii) In January 2016, Hu-Ning Expressway agreed to make a shareholder's loan facility in an aggregate principal amount of up to RMB500,000,000 for the three years from 21 January 2016 to Shanghai Galaxy. The relevant loan amount would be determined on a case-by-case basis, with the maximum amount representing the unutilised portion of the facility. The duration of each term loan would be negotiated on a case-by-case basis and each term loan would expire by the end of the three-year period from 21 January 2016. The interest should be the benchmark interest rate of RMB denominated loans for the same period as announced by the People's Bank of China and be repaid on a semi-annual basis.

In January 2019, Hu-Ning Expressway agreed to extend the above shareholder's loan on substantially the same terms, with the renewed expiry date on 20 January 2022.

In January 2020, an amount of RMB200,000,000 (equivalent to HK$223,713,000) has been repaid and Shanghai Galaxy agreed to borrow an additional shareholder's loan in the amount of RMB210,000,000 (equivalent to HK$234,899,000), the interest rate of such loan is 5% (2020: 5%) per annum.

On 8 November 2021, Hu-Ning Expressway agreed to extend the Shareholder's Loan Facility available to Shanghai Galaxy on substantially the same terms for a further term of three years from 21 January 2022 to 20 January 2025. As at 31 December 2021, the ending balance of loan provided to Shanghai Galaxy included in other receivables set out in note 27 amounted to approximately HK$589 million (2020: approximately HK$570 million), giving rise to interest income amounting to HK$29,142,000 (2020: HK$25,318,000).

(iii) In June 2018, 上海申渝公路建設發展有限公司 ("Shen-Yu Highway"), a bank and Shanghai Galaxy entered into entrusted loan contract ("2018 Entrusted Loan Arrangement"), pursuant to which Shen-Yu Highway entrusted the bank to grant a loan in the principal amount of RMB200,000,000 to Shanghai Galaxy, with a term of 12 months ended June 2019.

In June 2019, Shen-Yu Highway, the bank and Shanghai Galaxy entered into the forth entrusted loan contract, pursuant to which Shen-Yu Highway agreed to extend the 2018 Entrusted Loan Arrangement of Shen-Yu Highway on substantially the same terms with the principal amount of the loan being revised to RMB160,000,000, with a term of 12 months ended June 2020.

In June 2020, Shen-Yu Highway, the bank and Shanghai Galaxy entered into the fifth entrusted loan contract, pursuant to which Shen-Yu Highway agreed to provide a loan with the principal amount of RMB100,000,000, with a term of 12 months ending June 2021. The interest rate of such loan is 5% (2020: 5%) per annum.

As at 31 December 2020, the ending balance of loan provided to Shanghai Galaxy included in other receivables set out in note 27 amounted to approximately HK$119 million, giving rise to interest income amounting to HK$6,857,000. During the year ended 31 December 2021, the balance was repaid in full and the interest income during the period amounting to HK$4,704,000.

(iv) The amounts due to the Xuhui SASAC and entities controlled by the Xuhui SASAC included in note 30(ii) are unsecured. An amount of HK$223,713,000 included in the balance as at 31 December 2019 represented a loan advanced from an entity controlled by the Xuhui SASAC through an entrusted loan agreement administrated by a bank, which carried fixed interest ranging 7.5% to 9% per annum and is repayable in June 2021. During the year ended 31 December 2020, the balance was early repaid in full. The remaining balances are unsecured, non-interest bearing and repayable on demand.

(v) The amount due to 森大廈(上海)有限公司 ("Mori Building Shanghai") included in note 30(ii) is unsecured. The amount represents loan advanced from Mori Building Shanghai through a loan agreement, which carries fixed interest rate of 4.5% per annum.

45. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(I) Related parties and connected persons (continued)

(b) On 8 June 2018, Shen-Yu Highway and a bank entered into an entrusted loan contract, pursuant to which Shen-Yu Highway agreed to entrust a sum of RMB100,000,000 with the bank which should provide loan(s) to designated borrower(s) upon instructions from Shen-Yu Highway. On the same date, the bank and 上海上實金融服務控股股份有限公司 ("SIIC Financial Services") entered into an entrusted loan contract (the "Entrusted Loan Contract of Shen-Yu Highway") in respect of the provision of the loan in the principal amount of RMB100,000,000 to be made pursuant to the Entrusted Loan Contracts of Shen-Yu Highway, through a bank, to SIIC Financial Services.

On 5 June 2019, Shen-Yu Highway, the bank and SIIC Financial Services entered into the second entrusted loan contract, pursuant to which Shen-Yu Highway agreed to extend the Previous Entrusted Loan Arrangement of Shen-Yu Highway on substantially the same terms, with the renewed expiry date on 6 June 2020. The amount was fully settled in June 2020. The interest rate of such loan was 5.5% per annum.

(c) On 26 September 2019, 上海躋沄基礎建設有限公司 ("Shanghai Jiyun"), an indirect wholly owned subsidiary of the Company, 上海上投資產經營有限公司 ("Shangtou Assets") and Shanghai Galaxy entered into a joint venture agreement in relation to the formation of a joint venture company, namely 上實綠色產業投資管理(上海)有限公司 ("SIGIM") in Shanghai, the PRC and SIGIM is accounted for as a joint venture using equity method. SIGIM is principally engaged in the assets and investment management in the PRC.

On 6 December 2019, SIGIM, SIIC Management (Shanghai) Co., Ltd. ("SIIC Management"), an indirect wholly owned subsidiary of the Company, Shanghai Galaxy and 上海市再擔保有限公司 ("Shanghai FRCL"), a non-wholly owned subsidiary of SIIC entered into a partnership agreement, pursuant to which the partnership is formed to set up a fund namely 上實綠色能源一期股權投資基金(上海)合夥企業(有限合夥) to invest in, including but not limited to, strategic emerging industries such as new energy sources, environmentally-friendly energy and new materials by way of equity investment. SIGIM would act as the general partner while SIIC Management, Shanghai FRCL and Galaxy would act as limited partners. The total capital contribution by all partners to the partnership should be RMB190,000,000 of which RMB63,000,000 should be contributed by SIIC Management, up to 31 December 2020, SIIC Management has made capital contribution of RMB63,000,000.

(d) On 22 January 2020, SI Urban Development entered into a subscription agreement with SIIC Financial Leasing, Shanghai Galaxy, Shanghai Zhenchen Industrial Development Company Limited, Beijing Zhenchen Asset Management Company Limited, Happy Sincere Investment Limited and Mr. Lin Zhen pursuant to which, among other things, 上實城開(上海)城市建設開發有限公司 conditionally agreed to subscribe for 20% of the enlarged registered capital of SIIC Financial Leasing by injecting cash amounting to RMB407,942,000 into SIIC Financial Leasing, as detailed in note 24.

(e) On 21 April 2020, Hu-Ning Expressway entered into the Share Transfer Agreement with Shanghai Galaxy, pursuant to which Hu-Ning Expressway agreed to sell, and Shanghai Galaxy agreed to purchase entire 24% equity interest in an associate, Wufangzhai, at a cash consideration of RMB419,508,000, the transaction has been completed during the year ended 31 December 2020.

(f) On 30 October 2020, SIUD Shanghai Healthcare Management ("SIUD Healthcare"), an indirect non-wholly owned subsidiary of the Company, Shanghai Huashi Asset Management Company Limited and Shanghai Lingfeng Medical Management Company Limited entered into a joint venture agreement in relation to the formation of a joint venture company namely SIIC (Shanghai) Medical Cosmetology Hospital Company Limited ("SIIC Medical Cosmetology"), whereas the main purpose of setting up SIIC Medical Cosmetology to engage in the development and operation of a medical beauty institution. The total amount of investment for the establishment of the Joint Venture is RMB150,000,000, of which the amount of RMB28,500,000 shall be contributed by SIUD Healthcare.

45. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(I) Related parties and connected persons (continued)

(g) On 25 June 2018, Hu-Ning Expressway, Shanghai Luqiao Development Company Limited ("Shanghai Luqiao"), Shanghai Shen-Yu and Shanghai Ji Yun (together the "Relevant Companies" and each "Relevant Company"), each entered into the entrustment agreement (together the "2018 Four Entrustment Agreements") with Shanghai Galaxy on the same terms pursuant to which each Relevant Company entrusted Shanghai Galaxy to manage its assets for a term of three years from the date when Shanghai Galaxy served the written notice to the Relevant Companies requesting for the provision of the initial entrustment fund under the respective entrustment agreements (the "2018 Commencement Date") to the date immediately prior to the third anniversary of the Commencement Date (the "2018 Expiry Date").

On 18 September 2018, each of the above 2018 Four Relevant Companies and Shanghai Galaxy separately entered into the supplementary agreement on the same terms, pursuant to which the scope within which the entrusted funds could be invested under the relevant entrustment agreement was extended. All other existing terms and conditions under the above 2018 Four entrustment agreements remained unchanged and in full force and effect.

On the same date, Wing Fat Printing (Dongguan) Company Limited ("WF Dongguan"), an indirect non-wholly owned subsidiary of the Company, entered into an entrustment agreement (the "2018 Entrustment Agreement 5") with Shanghai Galaxy on the same terms (other than the maximum amount of entrustment fund to be provided by WF Dongguan) as those of the above 2018 Four entrustment agreements (as supplemented and amended by the supplementary agreements).

The 2018 Four Entrustment Agreements and the 2018 Entrustment Agreement 5 are collectively named as the "2018 Entrustment Agreements" and each the "2018 Entrustment Agreement".

The 2018 Four Relevant Companies and WF Dongguan are collectively named as the "2018 Relevant Companies".

The total maximum amount of the entrustment funds to be provided by 2018 Relevant Companies shall be no more than RMB600,000,000, provided that (i) the maximum amount of entrustment fund from each 2018 Four Relevant Company would not exceed RMB200,000,000 (ii) the maximum amount of entrustment fund from WF Dongguan would not exceed RMB400,000,000. The actual amount provided by the Relevant Companies is RMB360,000,000 for the year ended 31 December 2020, of which RMB200,000,000 is provided by Shanghai Luqiao, RMB100,000,000 is provided by WF Dongguan, and RMB60,000,000 is provided by Shanghai Shen-Yu.

Shanghai Galaxy shall pay guaranteed returns calculated on a daily basis at the rate of 5% per annum on the accumulated principal of the entrustment funds. The annual caps for the aggregate amount of guaranteed returns payable to the Relevant Companies by Shanghai Galaxy under the 2018 entrustment agreements were RMB15,863,000 for the period from the 2018 Commencement Date to 31 December 2018, RMB30,000,000 for the period from 1 January 2019 to 31 December 2019, RMB30,000,000 for the period from 1 January 2020 to 31 December 2020 and RMB30,000,000 for the period from 1 January 2021 to the 2018 Expiry Date.

If there was any revenue surplus after making the above distribution and deducting all taxes and expenses, such sum shall be divided between Shanghai Galaxy and the 2018 Relevant Companies on a 50:50 basis. The annual caps for the aggregate amount of revenue surplus payable to the 2018 Relevant Companies or Shanghai Galaxy under the 2018 entrustment agreements were RMB317,260,274 for the period from the Commencement Date to 31 December 2018, RMB600,000,000 for the period from 1 January 2019 to 31 December 2019, RMB600,000,000 for the period from 1 January 2020 to 31 December 2020 and RMB600,000,000 for the period from 1 January 2021 to the 2018 Expiry Date.

45. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(I) Related parties and connected persons (continued)

(h) 2018 Four Entrustment Agreements and 2018 Entrustment Agreement 5 are expired during the year ended 31 December 2021. Hu-Ning Expressway, Luqiao Development, Shen Yu Highway and WF Dongguan (together the " 2021 Relevant Companies" and each the "2021 Relevant Company"), entered into an asset management entrustment agreement (together the "2021 Entrustment Agreements") with Shanghai Galaxy on 19 August 2021 to renew the 2018 Entrustment for a term of three years from the date when Shanghai Galaxy serves a written notice to the 2021 Relevant Companies requesting for the provision of the initial entrustment fund under the 2021 Entrustment Agreements (the " 2021 Commencement Date") to the date immediately prior to the third anniversary of the Commencement Date (the "2021 Expiry Date"). Furthermore, the 2018 Entrustment Agreements lapsed upon expiry of its entrustment term.

Each 2021 Relevant Company should provide at least RMB10,000,000 as the initial entrustment fund. The total maximum amount of the entrustment fund to be provided by all the 2021 Relevant Companies should be no more than RMB500,000,000, provided that: (i) the maximum amount of entrustment fund from each of Hu-Ning Expressway, Luqiao Development and Shen Yu Highway should not exceed RMB500,000,000; and (ii) the maximum amount of entrustment fund from WF Dongguan should not exceed RMB200,000,000. The actual amount provided by the 2021 Relevant Companies is RMB260,000,000 for the year ended 31 December 2021, of which RMB160,000,000 is provided by Shanghai Shen-Yu and RMB100,000,000 is provided by WF Dongguan.

Shanghai Galaxy should pay guaranteed returns calculated on a daily basis at the rate of 5% per annum on the accumulated principal of the entrustment funds. The annual caps for the aggregate amount of guaranteed Returns payable to the 2021 Relevant Companies by Shanghai Galaxy under the 2021 Entrustment Agreements would be RMR9,247,000 for the period form the Commencement Date to 31 December 2021, RMB25,000,000 for the financial year ended 31 December 2022, RMB25,000,000 for the financial year ended 31 December 2023 and RMB25,000,000 for the period from 1 January 2024 to the 2021 Expiry Date .

If there is any revenue surplus after making the above distribution and deducting all taxes and expenses, such sum shall be divided between Shanghai Galaxy and the Relevant companies on a 50:50 basis. 50% of the revenue surplus should be distributed among the 2021 Relevant Companies based on the amount of entrustment funds entrusted and the duration of entrustment. The annual caps for the aggregate amount of revenue surplus payable to the 2021 Relevant companies or Shanghai Galaxy under the 2021 Entrustment Agreements will be RMB9,247,000 for the period from the commencement Date to 31 December 2021, RMB25,000,000 for the financial year ended 31 December 2022. RMB25,000,000 for the financial year ended 31 December 2023 and RMB25,000,000 for the period from 1 January 2024 to the 2021 Expiry Date.

(i) On 11 January 2021 and 22 December 2021, Nanyang Brothers Tobacco Company, Limited ("Nanyang Tobacco"), an indirect wholly-owned subsidiary of the Company as tenant, entered into the lease agreements (i.e. the Tuen Mun Lease Agreement relating to a 16-storey property at No. 9 Tsing Yeung Circuit, Tuen Mun, New Territories, Hong Kong), with Nanyang Enterprises Properties Limited ("Nanyang Enterprises"), as landlord, with a term commencing from 1 January 2021 to 31 December 2021 (both days inclusive) and 1 January 2022 to 31 December 2022 (both days inclusive) to renew the previous lease agreements, both of which expired by 31 December 2021 and 22 December 2022, for the operation of the Group.

The monthly rentals (exclusive of rates, management fee and other outgoings) under the Tuen Mun Lease Agreement was HK$2,750,000 both for the period from 1 January 2021 to 31 December 2021 and the period from 1 January 2022 to 31 December 2022. The annual caps, which represented the sum of the rental payable by Nanyang Tobacco to Nanyang Enterprises under the Tuen Mun Lease Agreement for both the period from 1 January 2021 to 31 December 2021 and the period from 1 January 2022 to 31 December 2022 amounting HK$33,000,000, respectively.

45. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(I) Related parties and connected persons (continued)

(j) On 11 January 2021 and 22 December 2021, the Company, as tenant, entered into the lease agreements (i.e. the Harcourt Tenancy Agreement relating to a property at the whole of 26th Floor and a portion of 27th Floor of Harcourt House, 39 Gloucester Road, Wanchai Hong Kong), with International Hope Limited ("Interactional Hope"). as landlord, with a term commencing from 1 January 2021 to 31 December 2021 (both days inclusive) and 1 January 2022 to 31 December 2022 (both days inclusive) to renew the previous lease agreements, both of which expired by 31 December 2021 and 22 December 2022, for the operation of the Group.

The monthly rentals (exclusive of rates, management fee and other outgoings) under the Harcourt Tenancy Agreement was HK$937,400 for both the period from 1 January 2021 to 31 December 2021 and for the period from 1 January 2022 to 31 December 2022. The annual caps, which represented the sum of the rental payable by the Company to International Hope under the Harcourt Tenancy Agreement for both the period from 1 January 2021 to 31 December 2021 and the period from 1 January 2022 to 31 December 2022 amounting HK$11,248,000, respectively.

(k) On 19 January 2021, The Wing Fat Printing Company, Limited ("Wing Fat Printing"), an indirect non-wholly owned subsidiary of the Company, entered into a procurement framework agreement (the "Procurement Framework Agreement") with 上海医药集团股份有限公司 ("Shanghai Pharmaceuticals Holding"), an associate of SIIC and a connected person of the company, for a term of one year commencing from 1 January 2021 and ending on 31 December 2021. Pursuant to the Procurement Framework Agreement, any members of Wing Fat Printing and its subsidiaries from time to time (the "Wing Fat Group") might enter into an individual procurement agreement(s) (the "Individual Agreements") with any members of Shanghai Pharmaceuticals Holding and its subsidiaries and 30%- controlled companies from time to time (the "Shanghai Pharmaceuticals Holding Group") to supply printed packaging materials for pharmaceutical products, subject to the annual cap of the procurement amount.

The annual cap for the total procurement amount payable by the Shanghai Pharmaceuticals Holding Group to the Wing Fat Group with respect to the transactions contemplated under the Procurement Framework Agreement for the financial year ending 31 December 2021 is RMB60,000,000.

The actual amount of sales for the year ended 31 December 2021 amounted to a total of RMB48,323,391.

Details of amounts due to certain fellow subsidiaries are set out in note 30.

(II) Related parties, other than connected persons

Other than transactions and balances with connected persons, the significant transactions with other related parties during the year, and significant balances with them at the end of the reporting period, are as follows:

Related parties	Nature of transactions and balances	2021 HK$'000	2020 HK$'000
Associates:			
上海城開地產經紀有限公司	Property agency fees paid by the Group	**12,400**	17,736
(Shanghai Urban Development Real Estate Agency Co., Ltd.)	Trade payables by the Group	**9,160**	15,685

Details of amounts due from (to) associates are set out in notes 27 and 30, respectively.

46. MATERIAL TRANSACTIONS AND BALANCES WITH GOVERNMENT RELATED ENTITIES (continued)

(III) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2021 HK$'000	2020 HK$'000
Short-term benefits	**25,740**	26,403

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

46. MATERIAL TRANSACTIONS AND BALANCES WITH GOVERNMENT RELATED ENTITIES

The Group itself is part of a larger group of companies under SIIC, which is controlled by the PRC government. The directors consider that the Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predenominated by entities controlled, jointly controlled or significantly influenced by the PRC government. Apart from the transactions with SIIC, other connected persons and related parties disclosed in note 45, the Group also conducts business with other government related entities in the ordinary course of business. In the opinion of the directors of the Company, these transactions are considered as individually and collectively insignificant to the operation of the Group. The directors consider those government-related entities are independent third parties so far as the Group's business transactions with them are concerned.

47. GOVERNMENT GRANTS

Save as disclosed in note 32, during the year ended 31 December 2021, (i) business and other taxes refund from local tax authorities of approximately HK$161.8 million (2020: HK$185.8 million) were received; (ii) an amount of approximately HK$118.8 million (2020: HK$114.6 million) was received as incentives for investments in certain provinces in the PRC. These amounts have been included in other income.

48. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2021 and 2020 are as follows:

Name of subsidiaries	Place of incorporation or establishment/ operations	Nominal value of issued and fully paid share capital/registered capital	Percentage of issued share/ registered capital held by the Company/subsidiaries 2021	2020	Principal activities
SI Development (Note i)	The PRC	A shares – RMB1,844,562,892	**48.60% (note 4)**	48.60% (note 4)	Property development and investment
SI Urban Development (Note ii)	Bermuda/The PRC	Ordinary shares – HK$192,253,000	**42.89% (note 4)**	42.89% (note 4)	Property development and investment
SUD (Note viii)	The PRC	RMB3,200,000,000	**59%**	59%	Property development and investment
Shanghai Hu-Ning Expressway (Note iii)	The PRC	RMB3,000,000,000	**100%**	100%	Holding of the right to operate a toll road
上海路橋發展有限公司 (Shanghai Luqiao Development Co., Ltd.) (Note iii)	The PRC	RMB1,600,000,000	**100%**	100%	Holding of the right to operate a toll road

48. PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiaries	Place of incorporation or establishment/ operations	Nominal value of issued and fully paid share capital/registered capital	Percentage of issued share/ registered capital held by the Company/subsidiaries 2021	2020	Principal activities
Shen-Yu Highway (Note iii)	The PRC	RMB1,200,000,000	**100%**	100%	Holding of the right to operate a toll road
SIIC Environment (Note iv)	The Republic of Singapore/The PRC	Ordinary shares – RMB5,947,420,000	**49.25% (note 4)**	48.74% (note 4)	Waste water treatment and water supply
S.I. Infrastructure Holdings Limited ("S.I. Infrastructure")	The British Virgin Islands/Hong Kong	Ordinary share – US$1	**100%**	100%	Investment holding
SIHL Treasury Limited ("SIHL Treasury")	Hong Kong	Ordinary shares – HK$2	**100%**	100%	Investment
Nanyang Tobacco (Marketing) Company, Limited	The British Virgin Islands/PRC and Macau	Ordinary shares – US$1 – HK$100,000,000	**100%**	100%	Sale and marketing of cigarettes and raw materials sourcing
Nanyang Brothers Tobacco Company, Limited	Hong Kong	Ordinary shares – HK$2	**100%**	100%	Manufacture and sale of cigarettes
		Non-voting deferred shares (Note vi) – HK$8,000,000	**–**	–	
The Wing Fat Printing	Hong Kong	Ordinary shares – HK$83,030,000	**94.29%**	94.29%	Manufacture and sale of packaging materials and printed products

Notes:

(i) This company is listed on the A Shares Market of the Shanghai Stock Exchange.

(ii) This company is listed on the Main Board of the Stock Exchange.

(iii) These companies were established in the PRC as wholly foreign owned enterprises.

(iv) This company is dual listed on the Main Board of the SGX-ST and Main Board of the Stock Exchange.

(v) Except for S.I. Infrastructure and SIHL Treasury, all the above subsidiaries are indirectly held by the Company.

(vi) None of the deferred shares are held by the Group. The deferred shares carry no rights to receive notice of or to attend or vote at any general meeting of the respective companies and have practically no rights to dividends or to participate in any distributions on winding up.

(vii) The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

(viii) This company was established in the PRC as sino-foreign owned enterprise.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in Hong Kong. These subsidiaries are mainly dormant companies or subsidiaries principally engaged in investment holding.

None of the subsidiaries had issued any debt securities at the end of the year except for those disclosed in note 33.

48. PRINCIPAL SUBSIDIARIES (continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation/ principal place of business	Proportion of ownership interest and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2021	2020	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
SI Development	The PRC	**51.40%**	51.40%	**15,900**	487,281	**8,104,678**	8,955,686
SI Urban Development	Bermuda/The PRC	**57.11%**	57.11%	**326,857**	287,396	**8,354,749**	7,870,710
SUD	The PRC	**41%**	41%	**212,237**	143,986	**4,095,329**	6,772,321
SIIC Environment	The Republic of Singapore/The PRC	**50.75%**	51.26%	**426,592**	361,443	**4,648,507**	4,152,930
Individually immaterial subsidiaries with non-controlling interests				**(614,125)**	424,160	**8,714,984**	10,636,970
				367,461	1,704,266	**33,918,247**	38,388,617

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	SI Development (Consolidated)		SI Urban Development (Consolidated, including SUD)		SUD (Consolidated)		SI Environment (Consolidated)	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
Current assets	**41,697,259**	42,314,012	**43,613,745**	40,481,612	**24,555,650**	27,053,288	**9,793,448**	8,587,653
Non-current assets	**11,447,525**	12,498,095	**28,261,083**	26,944,306	**10,859,545**	11,059,836	**36,598,871**	33,063,635
Current liabilities	**(28,562,605)**	(22,189,677)	**(36,356,973)**	(24,464,076)	**(16,682,374)**	(8,888,550)	**(14,302,346)**	(15,705,943)
Non-current liabilities	**(13,284,860)**	(13,854,845)	**(12,806,433)**	(17,448,380)	**(8,202,416)**	(11,145,100)	**(17,029,731)**	(12,635,581)
Equity attributable to owners of the Company	**2,033,348**	8,737,884	**6,859,137**	6,495,621	**5,893,280**	9,745,536	**4,878,691**	4,293,179
Non-controlling interests	**8,104,678**	8,955,686	**8,354,749**	7,870,710	**4,095,329**	6,772,321	**4,648,507**	4,152,930
Non-controlling interests of Group's subsidiaries	**1,159,293**	1,074,015	**7,497,536**	11,147,131	**541,796**	1,561,617	**5,533,044**	4,863,655

48. PRINCIPAL SUBSIDIARIES (continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

	SI Development (Consolidated)		SI Urban Development (Consolidated, including SUD)		SUD (Consolidated)		SI Environment (Consolidated)	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
Revenue	**12,771,893**	8,876,315	**11,015,088**	6,356,732	**5,823,023**	2,984,644	**8,759,240**	7,048,772
(Loss) profit for the year	**(404,974)**	986,149	**898,684**	740,964	**573,090**	392,355	**1,194,099**	1,034,644
Other comprehensive (expense) income for the year	**(19,778)**	(794,177)	**207,660**	360,879	**513,670**	878,197	**247,294**	341,913
Total comprehensive (expenses) income for the year	**(424,752)**	191,972	**1,106,344**	1,101,843	**1,086,760**	1,270,552	**1,441,393**	1,376,557
Profit for the year attributable to the owners of the Company	**15,034**	460,736	**245,471**	234,369	**305,420**	207,199	**330,473**	354,320
Profit for the year attributable to the non-controlling interests	**15,900**	487,281	**326,857**	287,396	**212,237**	143,986	**426,592**	361,443
(Loss) profit for the year attributable to the non-controlling interests of Group's subsidiaries	**(435,908)**	38,132	**326,356**	219,199	**55,433**	41,170	**437,034**	318,881
Total comprehensive income for the year attributable to the owners of the Company	**5,422**	74,766	**342,245**	397,218	**564,676**	751,012	**457,181**	527,239
Total comprehensive income for the year attributable to the non-controlling interests	**5,734**	79,074	**445,452**	493,494	**425,277**	329,503	**552,094**	536,708
Total comprehensive income for the year attributable to the non-controlling interests of Group's subsidiaries	**(435,908)**	38,132	**318,647**	211,131	**96,807**	190,037	**432,118**	312,610
Dividends paid to non-controlling interests	**177,855**	103,993	**116,792**	111,361	**123,494**	230,389	**76,227**	74,210
Net cash inflow (outflow) from operating activities	**(4,280,903)**	915,301	**(1,338,376)**	3,248,565	**(3,598,659)**	503,849	**380,259**	171,830
Net cash outflow from investing activities	**892,962**	(393,750)	**3,379,914**	(1,405,025)	**4,790,857**	(1,447,808)	**(1,044,669)**	(241,929)
Net cash (outflow) inflow from financing activities	**1,226,680**	(470,968)	**2,354,106**	(1,950,054)	**2,435,127**	459,119	**817,525**	403,877
Net cash inflow (outflow)	**(2,161,261)**	50,583	**4,395,644**	(106,514)	**3,627,325**	(484,840)	**153,115**	333,778

49. PRINCIPAL JOINT VENTURE

Particulars of the Group's principal joint venture at 31 December 2021 and 2020 are as follows:

Name of joint venture	Place of establishment/ operations	Percentage of registered capital attributable to the Group		Principal activities
		2021	2020	
General Water	The PRC	**45%**	45%	Joint investment and operation of water-related and environment protection businesses in the PRC
Shanghai Nuozhuo Limited	The PRC	**29.5%**	29.5%	Integrated management service
Yangtze River Delta	The PRC	**50%**	50%	Joint investment in a company operating waste-to-energy plants in the PRC

Notes:

(i) The above joint ventures are indirectly held by the Company and are accounted for as joint ventures because the subsidiary of the Company and the joint venture partner have contractual arrangements to jointly control the strategic financial and operating policies pursuant to its Articles of Association.

(ii) The above table lists the joint venture of the Group which, in the opinion of the directors, principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other joint ventures would, in the opinion of the directors, result in particulars of excessive length.

50. PRINCIPAL ASSOCIATES

Particulars of the Group's principal associates at 31 December 2021 and 2020, which are all established in the PRC, are as follows:

Name of associate	Form of entity	Percentage of registered capital attributable to the Group		Principal activities
		2021	2020	
Shanghai Shentian	Sino-foreign joint venture	**8.86% (Note i)**	8.86% (Note i)	Property development
Hangzhou Bay Bridge	Sino-foreign joint venture	**23.06%**	23.06%	Holding a right to operate a road bridge
Canvest Environmental	Limited liability company	**19.48%**	19.48%	Provision of municipal solid waste handling services and operation and management of waste-to-energy plants in the PRC
Shanghai Galaxy (Note iii)	Limited Liability company	**45%**	45%	Operation photovoltaic related business in the PRC and provision of asset management services

50. PRINCIPAL ASSOCIATES (continued)

Notes:

(i) This is a 35% owned associate of SUD, in which the Group indirectly owns 59% equity interest through SI Urban Development, a 42.89% (2020: 42.89%) owned listed subsidiary.

(ii) The above associates are indirectly held by the Company.

(iii) The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

51. 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, are as follows:

Infrastructure facilities – investment in toll road projects and water-related businesses

Real estate – property development and investment and hotel operation

Consumer products – manufacture and sale of cigarettes, packaging materials and printed products

Infrastructure facilities, real estate and consumer products also represent the Group's reportable segments.

Segment revenues and results

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

For the year ended 31 December 2021

	Infrastructure facilities HK$'000	Real estate HK$'000	Consumer products HK$'000	Unallocated HK$'000	Consolidated 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/interests 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

51. SEGMENT INFORMATION (continued)

Segment revenues and results (continued)

For the year ended 31 December 2020

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3.

51. SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

At 31 December 2021

	Infrastructure facilities HK$'000	Real estate HK$'000	Consumer products HK$'000	Unallocated HK$'000	Consolidated 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**

At 31 December 2020

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

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than corporate bank balances and cash, certain investments and some other unallocated assets; and
- all liabilities are allocated to operating segments other than corporate tax liabilities, corporate bank borrowings and some other unallocated liabilities.

51. SEGMENT INFORMATION (continued)

Other segment information

2021

	Infrastructure facilities HK$'000	Real estate HK$'000	Consumer products HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measurement of segment profit or loss or segment assets:					
Additions to non-current assets (Note)	**1,150,769**	**9,816,433**	**225,322**	**5,078**	**11,197,602**
Depreciation and amortisation	**1,202,364**	**244,133**	**269,570**	**2,764**	**1,718,831**
Fair value changes on investment properties	**–**	**(877,970)**	**–**	**–**	**(877,970)**
Impairment loss on account receivables	**9,813**	**246,352**	**(2,345)**	**–**	**253,820**
Impairment loss on other receivables	**6,770**	**2,203,028**	**5,407**	**–**	**2,215,205**
Impairment on goodwill	**–**	**265,052**	**–**	**–**	**265,052**
Impairment loss on properties under development held for sale	**–**	**909,692**	**–**	**–**	**909,692**
Impairment loss on contract assets	**–**	**368,047**	**–**	**–**	**368,047**
Reversal of impairment loss on properties held for sale	**–**	**(30,781)**	**–**	**–**	**(30,781)**
Interest income	**(216,428)**	**(144,338)**	**(23,426)**	**(39,141)**	**(423,333)**
Interests in joint ventures	**3,042,416**	**3,036,492**	**–**	**–**	**6,078,908**
Interests in associates	**5,421,929**	**2,835,979**	**–**	**–**	**8,257,908**

2020

	Infrastructure facilities HK$'000	Real estate HK$'000	Consumer products HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measurement of segment profit or loss or segment assets:					
Additions to non-current assets (Note)	1,056,217	5,269,858	453,135	7,597	6,786,807
Depreciation and amortisation	1,067,203	273,648	280,171	2,950	1,623,972
Fair value changes on investment properties	–	185,792	–	–	185,792
Impairment loss on account receivables	1,172	8,226	91,249	–	100,647
Impairment on other receivables	6,047	83,150	645	–	89,842
Impairment on toll road operating rights	322,123	–	–	–	322,123
Impairment on goodwill	–	–	79,555	–	79,555
Impairment loss on properties held for sale	–	100,212	–	–	100,212
Impairment loss on properties under development held for sale	–	23,739	–	–	23,739
Interest income	(134,163)	(210,094)	(49,539)	(84,083)	(477,879)
Interests in joint ventures	2,850,276	2,625,125	–	–	5,475,401
Interests in associates	4,958,814	1,940,599	–	–	6,899,413

Note: Non-current assets excluded financial instruments and deferred tax assets.

51. SEGMENT INFORMATION (continued)

Geographical information

The Group's operations are mainly located in Hong Kong (place of domicile) and the PRC.

The Group's revenue from external customers by geographical location of customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers	
	2021	2020
	HK$'000	HK$'000
PRC	**36,156,004**	24,791,539
Asia areas, other than Hong Kong and the PRC	**1,264,538**	720,786
Hong Kong (place of domicile)	**711,285**	723,444
Other areas	**616,124**	901,832
	38,747,951	27,137,601

	Non-current assets (note)	
	2021	2020
	HK$'000	HK$'000
PRC	**72,280,713**	64,307,680
Asia areas, other than Hong Kong and the PRC	**19,719**	19,727
Hong Kong (place of domicile)	**1,238,865**	1,315,587
	73,539,297	65,642,994

Note: Non-current assets excluded financial instruments and deferred tax assets.

Information about major customers

No individual customer contributed to over 10% of the total revenue of the Group for both years.

52. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes borrowings disclosed in note 33, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, retained profits and other reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues, repurchase of shares as well as the issue of new debt or the redemption of existing debt.

53. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2021 HK$'000	2020 HK$'000
Financial assets		
FVTPL		
Mandatorily measured at FVTPL		
– Held for trading	**414,889**	615,162
– Others	**635**	49,002
Equity instruments at FVTOCI	**456,062**	700,620
Financial assets at amortised cost (including cash and cash equivalents)	**74,054,706**	62,703,205
Financial liabilities		
Amortised cost	**81,003,623**	72,871,939

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, equity instruments at FVTOCI, trade and other receivables, receivables under service concession arrangements, pledged bank deposits, short-term bank deposits, bank balances and cash, trade and other payables and bank and other borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group mainly operates in the PRC and Hong Kong and the exposure in exchange rate risks mainly arises from fluctuations in United States dollar, Hong Kong dollar and Renminbi exchange rates. The management monitors foreign currency exposure, especially in view of the current depreciation risk for Renminbi. The management will also consider hedging significant foreign currency exposure and adopting suitable measures where necessary in order to mitigate impacts due to the depreciation of the Renminbi to the Group.

The carrying amounts of the Group's monetary assets and monetary liabilities at the reporting date that are denominated in currencies other than the functional currency of the group entities ("foreign currency") are as follows:

	Assets		Liabilities	
	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000
Renminbi (against Hong Kong dollar)	**653,077**	287,595	**7,311**	6,573
United States dollar (against Hong Kong dollar and Renminbi)	**7,283,522**	3,652,614	**6,778,572**	3,033,706
Hong Kong dollar (against Renminbi)	**2,040,132**	1,822,156	**2,928,240**	2,072,543

53. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

The above foreign currency denominated monetary assets and monetary liabilities mainly represent the Group's trade and other receivables, pledged bank deposits, short-term bank deposits, bank balances and cash, trade and other payables and bank and other borrowings.

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2020: 5%) increase and decrease in the functional currency of each group entity against the above foreign currency. 5% (2020: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items, and adjusts their translation at the year end for a 5% (2020: 5%) increase in foreign currency rates. The sensitivity analysis also includes inter-company balances where the denomination of balances are in currencies other than the functional currency of the respective group companies. A positive (negative) number below indicates an increase (a decrease) in profit after taxation where the above foreign currency strengthens 5% against the functional currency of each group entity.

	2021 HK$'000	2020 HK$'000
Increase in profit after taxation	**10,552**	23,151

(ii) Interest rate risk

The Group's fair value and cash flow interest rate risks mainly relate to fixed and variable rates borrowings and lease liabilities respectively. The Group's receivables under service concession arrangements, pledged bank deposits, fixed-rate amounts due to certain fellow subsidiaries/associates, loan to a joint venture/an associate, amounts due to non-controlling shareholders and fixed-rate bank and other borrowings have exposure to fair value interest rate risk due to the fixed interest rate on these instruments. The Group's bank balances and variable-rate bank and other borrowings also have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate.

In order to exercise prudent management against interest rate risks, the Group continues to review market trends against its business operations and financial position in order to arrange the most interest rate risk management tools.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates.

53. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for its variable-rate bank balances and short-term bank deposits (collectively referred to as the "Bank Deposits") and variable-rate borrowings at the end of the reporting period. The sensitivity analysis does not consider the effect of interest expenses qualified for capitalisation.

For variable-rate borrowings and Bank Deposits, the analysis is prepared assuming that the amount of asset/liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis points and 10 basis points (2020: 50 basis points and 10 basis points), respectively, increase or decrease are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rate.

If interest rates had been 50 basis points and 10 basis points (2020: 50 basis points and 10 basis points) higher/lower for bank borrowings and bank deposits respectively, and all other were variables were held constant, the Group's profit after taxation for the year would decrease/increase by HK$174,851,000 (2020: HK$149,269,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate Bank Deposits and borrowings.

(iii) Price risk

The Group is exposed to price risk through its listed investments classified as either financial assets at FVTPL or equity instruments at FVTOCI. The management strictly monitors this exposure by maintaining a portfolio of investments with different levels of risks. The Group's price risk is mainly concentrated on equity instruments quoted in the Stock Exchange and the Shanghai Stock Exchange, and corporate bonds listed on Singapore Exchange Limited. In addition, a special team has been appointed by the management to monitor the price risk and hedging against such risk exposures will be made should the need arises.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks on quoted equity instruments and listed corporate bonds held by the Group at the reporting date:

If the prices of the respective quoted equity instruments had been 5% (2020: 5%) higher/lower:

- profit after taxation for the year would increase/decrease by HK$17,322,000 (2020: HK$24,995,000) as a result of the changes in fair value of financial assets at FVTPL; and

- investment revaluation reserve would increase/decrease by HK$3,374,000 (2020: HK$4,071,000) as a result of the changes in fair value of financial assets at FVTOCI.

53. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and other receivables, receivables under services concession arrangements, pledged bank deposit, short-term bank deposits and bank and bank balances. The Group's maximum exposure to credit risk which will cause a financial loss due to failure to discharge an obligation by the counterparties and financial guarantees provided is arising from the amount of liabilities in relation to financial guarantee issued by the Group as disclosed in note 42.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group recognises lifetime ECL as prescribed by HKFRS 9 under simplified approach on trade receivables and contract assets; and recognises 12m ECL on receivables under service concession arrangements and other receivables. To measure the ECL of trade receivables and contract assets, they are assessed collectively using provision matrix based on shared characteristics including historical credit loss experience, industry specific factors to the debtors, general economic conditions and the available and supportive forward-looking information, including time value of money where appropriate. To measure the ECL of receivables under service concessions and other receivables, they are assessed individually on the recoverability based on historical settlement records, past experience, and also the available and supportive forward-looking information.

Except for the credit-impaired trade receivables, other receivables and contract assets of HK$484,621,000, HK$2,412,910,000 and HK$368,047,000, respectively, on which full impairment were recognised as disclosed in Note 10(ii), the management of the Group believes that there is no material credit risk inherent in the Group's outstanding balance of trade and other receivables, and contract assets.

With respect to the credit risk of the Group's treasury operations, all bank balances, securities and debt investments of the Group must be placed and entered into with sound and reputable financial institutions. Strict requirements and restrictions in relation to the outstanding amount and credit ratings on securities and debt investments to be held are followed in order to minimise the Group's credit risk exposures.

The credit risk arising from receivables under service concession arrangements is limited as these receivables are guaranteed by the relevant governmental authorities in the PRC.

The Group's concentration of credit risk by geographical locations of customers are mainly in the PRC and Hong Kong which accounted for 93% (2020: 92%) and 7% (2020: 8%), respectively, of the trade receivables as at 31 December 2021.

The Group's credit risk on bank balances and bank deposits is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group has concentration of credit risk in relation to amounts due from associates and joint ventures which account for 16% (2020: 37%) of other receivables. These counterparties have a sound financial background at the end of the reporting period by reference to their financial position and business prospects. The Group's credit risk position is monitored closely by the management.

53. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The tables below detail the credit risk exposures of the Group's trade and other receivables, contract assets, receivables under service concession arrangements, pledged/short-term bank deposits and bank balances, which are subject to ECL assessment:

	Notes	12-month or Lifetime ECL	**31 December 2021 Gross carrying amount**		31 December 2020 Gross carrying amount	
			HK$'000	**HK$'000**	HK$'000	HK$'000
Financial assets at amortised cost						
Trade receivables (note 27)	(ii)	Lifetime ECL – not credit-impaired	**3,727,945**		3,522,802	
	(ii)	Lifetime ECL – credit-impaired	**484,621**	**4,212,566**	230,801	3,753,603
Other receivables (note 27)	(i)	12-month ECL	**1,687,661**		2,179,318	
	(i)	Lifetime ECL – not credit-impaired	**975,406**		50,650	
	(i), (ii)	Lifetime ECL – credit-impaired	**2,412,910**	**5,075,977**	197,705	2,427,673
Amounts due from related parties	(i)	12-month ECL		**1,361,641**		3,667,983
Receivables under service concession arrangements (note 23)	(i)	12-month ECL		**26,774,142**		23,978,851
Pledged bank deposits (note 29)	(iii)	12-month ECL		**709,526**		806,864
Short-term deposits (note 29)	(iii)	12-month ECL		**668,643**		142,382
Bank balances (note 29)	(iii)	12-month ECL		**38,149,742**		28,354,355
Other items						
Contract assets (note 28)	(ii)	Lifetime ECL – not credit-impaired		**116,869**		403,204
	(ii)	Lifetime ECL – credit-impaired		**368,047**		–
Financial guarantees	(iv)	12-month ECL		**9,897,526**		8,665,509

Notes:

(i) For other receivables, amount due from related parties and receivables under service concession arrangements, the Group measures the loss allowance equal to 12m ECL. The Group applies internal credit risk management to assess whether credit risk has increased significantly since initial recognition, in which case the Group recognises lifetime ECL. Except for other receivables of HK$2,412,910,000 (2020: HK$197,705,000) which are credit-impaired and ECL has been provided amounting of HK$2,215,205,000 (2020: HK$89,842,000) as at 31 December 2021, the credit risk on other receivables and receivables under service concession arrangements are limited because the counterparties have no historical default record and the ECL on these items are considered insignificant.

(ii) For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired that are assessed individually, the Group determines the expected credit losses on these items using a provision matrix, grouped by past due status.

During the year ended 31 December 2021, full impairment of HK$253,820,000 (2020: HK$100,647,000), HK$2,215,205,000 (2020: Nil) and HK$368,047,000 (2020: Nil) were made on credit impaired trade receivables, other receivables and contract assets, respectively. No impairment was recognised because the Group considers that the amount is not significant.

53. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Notes: (continued)

(ii) (continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables, other receivables and contract assets.

	Account receivables lifetime ECL (credit-impaired) HK$'000	Other receivables lifetime ECL (credit-impaired) HK$'000	Contract assets lifetime ECL (credit-impaired) HK$'000
As at 1 January 2020	130,154	107,863	–
Changes due to financial instruments recognised and at 1 January 2020:			
– Impairment losses recognised	100,647	89,842	–
As at 31 December 2020	230,801	197,705	–
Changes due to financial instruments recognised and at 1 January 2021:			
– Impairment losses recognised	253,820	2,215,205	368,047
As at 31 December 2021	**484,621**	**2,412,910**	**368,047**

(iii) Pledged bank deposits, short term deposits and bank balances that are deposited with state-owned banks or financial institutions with high credit rating to be low credit risk financial assets. The management of the Group considers these assets are short-term in nature and the probability of default is negligible on the basis of high-credit-rating issuers, and accordingly, no loss allowance was recognised during the year.

(iv) For financial guarantee contracts, the gross carrying amount representing the maximum amount the Group has guaranteed under the respective contracts. Further details are set out in note 42.

Liquidity risk

The Group's liquidity position are monitored closely by management. The following tables detail the contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate %	Less than 1 month or on demand HK$'000	1 - 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2021 HK$'000
2021							
Non–interest bearing	–	16,175,690	–	–	–	16,175,690	16,175,690
Fixed interest rate instruments	4.18	41,841	79,634	10,198,200	5,324,997	15,644,672	15,139,869
Variable interest rate instruments	3.36	150,477	285,941	15,280,038	37,918,268	53,634,724	49,688,064
		16,368,008	365,575	25,478,238	43,243,265	85,455,086	81,003,623
Financial guarantee contracts	–	9,897,526	–	–	–	9,897,526	–
Lease liabilities	4.68	8,773	17,550	78,974	155,631	260,928	249,253
		9,906,299	17,550	78,974	155,631	10,158,454	249,253

53. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	Weighted average interest rate %	Less than 1 month or on demand HK$'000	1 - 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2020 HK$'000
2020							
Non-interest bearing	–	15,377,072	–	–	–	15,377,072	15,377,072
Fixed interest rate instruments	4.18	46,329	88,175	3,631,240	10,852,218	14,617,962	13,697,051
Variable interest rate instruments	4.11	153,336	291,315	12,146,085	34,158,631	46,749,367	43,797,816
		15,576,737	379,490	15,777,325	45,010,849	76,744,401	72,871,939
Financial guarantee contracts	–	8,665,509	–	–	–	8,665,509	–
Lease liabilities	4.74	9,883	19,766	88,948	332,910	451,507	431,075
		8,675,392	19,766	88,948	332,910	9,117,016	431,075

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Interest rate benchmark reform

As at 31 December 2021, the Group's HIBOR bank and other borrowings amounting to approximately HK$5,896 million and USD LIBOR bank and other borrowings amounting to approximately HK$1,496 million will be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

For HIBOR bank and other borrowings, the Group has confirmed with the relevant counterparties HIBOR will continue to maturity. For USD LIBOR bank loans, of which approximately HK$1,396 million will mature in January 2024 and approximately HK$100 million will mature in March 2022, the Group is in the process of communication with the banks and specific changes have yet been agreed.

The management anticipates that the interest rate benchmark reform will have limited material impact on the Group's risk exposure.

53. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurement of financial instruments

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	**Fair value as at 31 December 2021 HK$'000**	Fair value as at 31 December 2020 HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input(s)
Financial assets at FVTPL					
Listed equity securities	**395,523**	465,657	Level 1	Quoted bid prices in an active market	N/A
Corporate bonds	**19,366**	149,505	Level 2	Quoted prices in the over-the-counter markets	N/A
Funds	**–**	17,591	Level 2	Quoted prices in the over-the-counter markets	N/A
Unlisted equity securities	**635**	31,411	Level 3	Adjusted net asset value method under cost approach	Discount factor of lack of control, the higher the discount factor, the lower the fair value.
Financial assets at FVTOCI					
Listed equity security	**88,063**	106,882	Level 1	Quoted bid prices in an active market	N/A
Unlisted equity securities	**367,999**	593,738	Level 3	Adjusted net asset value method under cost approach	Discount factor of lack of control, the higher the discount factor, the lower the fair value

There was no transfer amongst Levels 1, 2 and 3 in both periods.

53. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurement of financial instruments (continued)

Reconciliation of Level 3 fair value measurements of financial assets

	Unlisted equity instruments at FVTPL HK$'000	Unlisted equity instruments at FVTOCI HK$'000	Total HK$'000
At 1 January 2020	31,375	547,915	579,290
Fair value gain in other comprehensive income	–	8,867	8,867
Disposals of subsidiary	–	(17,353)	(17,353)
Refund of capital	–	(7,741)	(7,741)
Exchange gain	36	62,050	62,086
At 31 December 2020	31,411	593,738	625,149
Fair value gain in other comprehensive income	–	(243,327)	(243,327)
Fair value gain in profit or loss	(30,795)	–	(30,795)
Acquisition	–	18,405	18,405
Refund of capital	–	(19,374)	(19,374)
Exchange gain	19	18,557	18,576
At 31 December 2021	**635**	**367,999**	**368,634**

Fair value measurements and valuation processes

The directors of the Company have closely monitored and determined the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Group engages third party qualified valuers to perform the valuation. Management of the Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model on a regular basis, or when needs arise and will report the significant results and findings to the board of directors of the Company. The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments.

54. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease Liabilities HK$'000	Bank and other borrowings HK$'000 (Note)	Dividend payable to non-controlling interests (included in other payables) HK$'000	Interests payable (included in other payables) HK$'000	Dividend payable (included in other payables) HK$'000	Amount due to a related parties (included in other payables) HK$'000	Amounts due to fellow subsidiaries (included in other payables) HK$'000	Total HK$'000
At 1 January 2020	362,792	54,427,588	–	196,426	–	955,147	1,363	55,943,316
Financing cash flows	(137,564)	(107,859)	(699,989)	(2,867,205)	(804,536)	316,167	–	(4,300,986)
Non-cash changes								
Dividend declared (note 12)	–	–	–	–	963,269	–	–	963,269
Dividend declared to non-controlling interests	–	–	699,989	–	–	–	–	699,989
Disposal of subsidiary	–	13,691	–	–	–	–	–	13,691
Finance costs (including amounts capitalised in properties under development held for sale) (note 7)	– 17,556	–	–	2,916,753	–	–	–	2,934,309
Dividend in form of distribution in specie of subsidiary shares	–	–	–	–	(158,733)	–	–	(158,733)
New leases entered/lease modified	165,277	–	–	–	–	–	–	165,277
Exchange difference	23,014	2,608,726	–	15,006	–	81,273	85	2,728,104
At 31 December 2020	431,075	56,942,146	–	260,980	–	1,352,587	1,448	58,988,236
Financing cash flows	(137,589)	7,927,229	(438,516)	(2,528,188)	(1,087,212)	217,283	134,134	4,087,141
Non-cash changes								
Dividend declared (note 12)	–	–	–	–	1,087,212	–	–	1,087,212
Dividend declared to non-controlling interests	–	–	2,401,988	–	–	–	–	2,401,988
Addition from acquisition of a subsidiary	621	–	–	–	–	–	–	621
Disposal of subsidiary	(8,013)	(2,123,105)	–	–	–	–	–	(2,131,118)
Finance costs (including amounts capitalised in properties under development held for sale) (note 7)	15,241	–	–	2,534,323	–	–	–	2,549,564
New leases entered/lease modified	(37,335)	–	–	–	–	–	–	(37,335)
Exchange difference	(14,747)	1,510,865	–	113	–	43,766	2,469	1,542,466
At 31 December 2021	249,253	64,257,135	1,963,472	267,228	-	1,613,636	138,051	68,488,775

Note: The cash flows from bank and other borrowings comprise the net amount of new bank and other borrowings raised and repayment of bank and other borrowings.

55. EVENTS AFTER THE REPORTING PERIOD

On 24 January 2022, SIIC Environment listed its proposed sales of 100% equity interest in Dazhou Jiajing Environment Renewable Resource Co., Ltd. on the website of Shanghai United Assets and Equity Exchange for the purpose of public invitation for bidding. The proposed consideration amounting to not less than RMB283,281,000 (equivalent to HK$347,584,000) was based on the fair value assessment performed by independent valuer as of 31 March 2021. Up to the date of approving these financial statements, the disposal is yet to complete.

56. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021 **HK$'000**	2020 HK$'000
Non-Current Assets		
Property, plant and equipment	**4,106**	4,963
Investments in subsidiaries	**735,055**	735,055
	739,161	740,018
Current Assets		
Deposits, prepayments and other receivables	**6,637**	6,044
Amounts due from subsidiaries	**33,231,186**	33,682,093
Short-term deposit	**131,986**	–
Bank balances and cash	**3,626,681**	2,082,209
	36,996,490	35,770,346
Current Liabilities		
Other payables and accrued charges	**19,777**	23,365
Amounts due to subsidiaries	**2,682,030**	2,735,552
Taxation payable	**165,145**	162,647
	2,866,952	2,921,564
Net Current Assets	**34,129,538**	32,848,782
Total Assets less Current Liabilities	**34,868,699**	33,588,800
Capital and Reserves		
Share capital	**13,649,839**	13,649,839
Reserves	**21,218,860**	19,938,961
Total Equity	**34,868,699**	33,588,800

Zhou Jun
Chief Executive Officer

Xu Bo
Deputy Chief Executive Officer

57. RESERVES OF THE COMPANY

	Capital reserve HK$'000 (Note ii)	Retained profits HK$'000	Total HK$'000
At 1 January 2020	1,137,728	17,918,691	19,056,419
Profit for the year	–	1,845,811	1,845,811
Dividends paid (note 12)	–	(963,269)	(963,269)
At 31 December 2020	1,137,728	18,801,233	19,938,961
Profit for the year	–	2,367,111	2,367,111
Dividends paid (note 12)	–	(1,087,212)	(1,087,212)
At 31 December 2021	**1,137,728**	**20,081,132**	**21,218,860**

Notes:

(i) The Company's reserves available for distribution to shareholders as at 31 December 2021 comprised of retained profits of approximately HK$20,081 million (2020: HK$18,801 million).

(ii) The Company's capital reserve which arose in year 1997 upon reduction of share premium as confirmed by the Order of the High Court of Hong Kong was not realised profits and is an undistributable reserve.

	Year ended 31 December				
	2017 HK$'000	2018 HK$'000	2019 HK$'000	2020 HK$'000	**2021** **HK$'000**
RESULTS					
Revenue	29,520,325	30,412,883	32,345,473	27,137,601	**38,747,951**
Profit before taxation	9,371,656	8,523,183	8,906,201	6,917,061	**10,746,014**
Income tax expense	(4,236,931)	(3,429,512)	(3,572,645)	(2,993,918)	**(6,633,048)**
Profit for the year	5,134,725	5,093,671	5,333,556	3,923,143	**4,112,966**
Profit for the year attributable to					
– Owners of the Company	3,135,182	3,333,020	3,349,531	2,218,877	**3,745,505**
– Non-controlling interests	1,999,543	1,760,651	1,984,025	1,704,266	**367,461**
	5,134,725	5,093,671	5,333,556	3,923,143	**4,112,966**
	HK$	HK$	HK$	HK$	**HK$**
Earnings per share					
– Basic	2.884	3.066	3.081	2.014	**3.429**
– Diluted	2.882	3.065	3.081	2.014	**3.429**

	As at 31 December				
	2017 HK$'000	2018 HK$'000	2019 HK$'000	2020 HK$'000	**2021** **HK$'000**
ASSETS AND LIABILITIES					
Total assets	174,382,141	167,419,445	174,942,290	194,882,370	**207,710,535**
Total liabilities	(103,194,201)	(97,916,477)	(102,137,730)	(112,814,987)	**(126,352,834)**
	71,187,940	69,502,968	72,804,560	82,067,383	**81,357,701**
Equity attributable to owners of the Company	41,742,566	41,275,296	40,239,812	43,678,766	**47,439,454**
Non-controlling interests	29,445,374	28,227,672	32,564,748	38,388,617	**33,918,247**
	71,187,940	69,502,968	72,804,560	82,067,383	**81,357,701**

PARTICULARS OF MAJOR PROPERTIES HELD FOR INVESTMENT PURPOSES

Details of the Group's major properties held for investment purposes as at 31 December 2021 are as follows:

Location	Term of lease	Type of use	Group's interest
1. Urban Development International Tower(城開國際大廈) No. 355 Hongqiao Road, Xuhui District, Shanghai, the PRC	Held under a land use right for a term expiring on 7 October 2053	Commercial	25.31%
2. YOYO Tower(城開YOYO) No. 111 and 123 Tianyaoqiao Road, Xuhui District, Shanghai. the PRC	Held under a land use right with an unspecified term	Commercial	25.31%
3. ShanghaiMart (上海世貿商城) No. 2299 Yanan Road West, Changning District, Shanghai, the PRC	Held under a land use right for a term expiring on 20 October 2049	Commercial, Office and Expo	21.87%
4. Phase 2 of Shanghai Youth City(上海青年城) No. 1519 Husong Road, Jiuting Town, Songjiang District, Shanghai, the PRC	Held under a land use right for a term expiring on 8 July 2055	Commercial	42.89%
5. Lot No. B2, Phase I of Top City(城上城) No. 1 Aoti Road, Yuanjiagang, Jiulongpo District, Chongqing, the PRC	Held under a land use right for a term expiring in February 2044	Commercial and Car Park Spaces	42.89%
6. The commercial building at Phase 3 of Youngman Point, No. 2 Gan Lu Yuan Zhong Li, Qingnian Road, Chaoyang District, Beijing, the PRC	Held under a land use right for a term expiring on 5 February 2044	Commercial	42.89%
7. The retail, office and basement car park portion of Changning United 88(長寧八八中心) No. 88 Changning Road, Changning District, Shanghai, the PRC	Held under a land use right for a term expiring on 14 August 2052	Composite	48.60%
8. Several levels of Golden Bell Plaza(金鐘廣場) No. 98 Huahai Road Central, Huangpu District, Shanghai, the PRC	Held under a land use right for a term expiring on 18 November 2043	Commercial and Office	43.74%
9. Several levels of commercial and Cultural Complex of Hi Shanghai(海上海) Lane 568 Feihong Road and Nos. 950, 970 and 990 Dalian Road, Yangpu District, Shanghai, the PRC	Held under a land use right for a term expiring on 19 September 2052	Composite	48.60%
10. Retail and commercial office portions of Haishanghui, 2529 Huyi Road, Jiading District, Shanghai, the PRC	Held under a land use right for a term expiring on 13 April 2054	Commercial	48.60%

Location	Term of lease	Type of use	Group's interest
11. Tower 3 of Shanghai Industrial Investment Center(上實中心) No. 195 Xianggang East Road, Laoshan District, Qingdao, the PRC	Held under a land use right for a term expiring on 8 September 2054	Commercial and Office	48.60%
12. Gaoyang Commercial Centre(高陽商務中心) No. 815 Dongdaming Road, Hongkou District, Shanghai, the PRC	Held under a land use right for a term expiring on 5 March 2053	Commercial and Office	48.60%
13. Commercial units of Huangpu Estate (黃浦新苑) No. 1130 and Nos. 1-2, Lane 1108, Tibet Road South, Huangpu District, Shanghai, the PRC	Held under a land use right for a term expiring on 8 November 2050	Commercial	48.60%

GLOSSARY OF TERMS

Term used	Brief description
Baowu Group	Baowu Group Environmental Resources Technology Co., Ltd.
Canvest Environmental	Canvest Environmental Protection Group Company Limited (HKSE stock code: 1381)
CCASS	The Central Clearing And Settlement System
Chelsea Securities	Chelsea Securities Limited
Companies Ordinance	Companies Ordinance (Chapter 622 of the laws of Hong Kong)
Company	Shanghai Industrial Holdings Limited (HKSE stock code: 363)
Director(s)	director(s) of the Company
Distribution in Specie	the distribution of an interim special dividend by the Company in the from of a distribution in specie of the SIUD Shares held by the Group to the Qualifying Shareholders in proportion to their respective shareholdings in the Company on the basis of an entitlement to 1 SIUD Share for every 5 Shares held by each Qualifying Shareholder as at 29 September 2020
Galaxy Energy	SIIC Aerospace Galaxy Energy (Shanghai) Co., Ltd.
General Water of China	General Water of China Co., Ltd.
Group	the Company and its subsidiaries
Hunan Qianshuiwan	Hunan Qianshuiwan Xiangya Garden Co., Ltd.
Jinan Quanyong	Jinan Quanyong Printing Co., Ltd.
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules
Nanyang Tobacco	Nanyang Brothers Tobacco Company, Limited
Net Business Profit	Net profit excluding net corporate expenses
PRC	The People's Republic of China
Qualifying Shareholder(s)	Shareholder(s) qualifying for the Distribution in Specie
SFO	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
SGX	Singapore Stock Exchange
Shanghai Dongyi Property	Shanghai Dongyi Property Co., Ltd.
Shanghai Galaxy	Shanghai Galaxy Investment Co., Ltd.
Shanghai Huanyu	Shanghai Huanyu Urban Investment and Development Co., Ltd.
Shanghai Urban Development	Shanghai Urban Development (Holdings) Co., Ltd.

Term used	Brief description
Share(s)	ordinary share(s) of the Company
Shareholder(s)	shareholder(s) of the Company
SI Development	Shanghai Industrial Development Co., Ltd. (SSE stock code: 600748)
SI Urban Development or SIUD	Shanghai Industrial Urban Development Group Limited (HKSE stock code: 563)
SI Urban Development Scheme	A share option scheme adopted by SI Urban Development at the annual general meeting held on 16 May 2013
Sichuan Kemei	Sichuan Kemei Paper Co., Ltd.
SIHL Scheme	A share option scheme adopted by the Company at the extraordinary general meeting held on 25 May 2012
SIIC	Shanghai Industrial Investment (Holdings) Company Limited
SIIC Dongtan	SIIC Dongtan Investment & Development (Holdings) Co., Ltd.
SIIC Environment	SIIC Environment Holdings Ltd. (SGX stock code: BHK; HKSE stock code: 807)
SIIC Environment Scheme	A share option scheme adopted by SIIC Environment at the extraordinary general meeting held on 27 April 2012
SIIC Longchuang	SIIC Longchuang Smart Energy Technology Company Limited
SIUD Share(s)	ordinary share(s) of SI Urban Development
SSE	Shanghai Stock Exchange
Stock Exchange or HKSE	The Stock Exchange of Hong Kong Limited
SUS Environment	Shanghai SUS Environment Co., Ltd.
Wing Fat Printing	The Wing Fat Printing Company, Limited
Wufangzhai	Zhejiang Wufangzhai Industrial Co., Ltd.

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