



上海實業控股有限公司

SHANGHAI INDUSTRIAL HOLDINGS LIMITED

Stock Code:363

Interim Report 2008

上海



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Corporate Information

Directors

Executive Directors

Mr. Teng Yi Long (*Chairman*)
Mr. Cai Yu Tian
(*Vice Chairman & Chief Executive Officer*)
Mr. Lu Ming Fang
Mr. Ding Zhong De
Mr. Zhou Jie (*Executive Deputy CEO*)
Mr. Qian Shi Zheng (*Deputy CEO*)
Mr. Yao Fang
Mr. Tang Jun

Independent Non-Executive Directors

Dr. Lo Ka Shui
Prof. Woo Chia-Wei
Mr. Leung Pak To, Francis

Board Committees

Executive Committee

Mr. Teng Yi Long (*Committee Chairman*)
Mr. Cai Yu Tian
Mr. Lu Ming Fang
Mr. Zhou Jie
Mr. Qian Shi Zheng
Mr. Yao Fang

Audit Committee

Dr. Lo Ka Shui (*Committee Chairman*)
Prof. Woo Chia-Wei
Mr. Leung Pak To, Francis

Remuneration Committee

Dr. Lo Ka Shui (*Committee Chairman*)
Prof. Woo Chia-Wei
Mr. Leung Pak To, Francis
Mr. Zhang Zhen Bei
Mr. Zhang Jie

Company Secretary

Mr. Leung Lin Cheong

Qualified Accountant

Mr. Lee Kim Fung, Edward

Authorised Representatives

Mr. Cai Yu Tian
Mr. Leung Lin Cheong

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39 Gloucester Road, Wanchai, Hong Kong
Telephone : (852) 2529 5652
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Auditor

Deloitte Touche Tohmatsu

Share Registrar

Tricor Secretaries Limited
26th Floor, Tesbury Centre,
28 Queen's Road East,
Wanchai, Hong Kong
Telephone : (852) 2980 1333
Facsimile : (852) 2861 1465

ADR Depository Bank

The Bank of New York
Investor Relations
P.O. Box 11258, Church Street Station
New York, NY 10286-1258

Company Stock Code

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

Company Website

www.sihl.com.hk

Dividend Notice and Financial Calendar

Dividend Notice

Interim Dividend

The Board of Directors of the Company has resolved to pay an interim dividend for the six months ended 30th June 2008 of HK45 cents (2007: HK37 cents) per share, which will be payable on or about Monday, 6th October 2008 to Shareholders whose names appear on the Register of Members of the Company on Thursday, 25th September 2008.

Closure of Register of Members

The Register of Members of the Company will be closed from Tuesday, 23rd September 2008 to Thursday, 25th September 2008, both days inclusive, during which period no transfer of shares will be effected. Notice of Dividend will be dispatched to Shareholders on or about Monday, 6th October 2008. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Monday, 22nd September 2008.

Financial Calendar

2008 Interim Results	Announced on Tuesday, 2nd September 2008
Closure of Register of Members	To be closed from Tuesday, 23rd September 2008 to Thursday, 25th September 2008, both days inclusive
Record date for 2008 Interim Dividend	Thursday, 25th September 2008
Notice of 2008 Interim Dividend	To be dispatched to Shareholders on or about Monday, 6th October 2008

Chairman's Statement

I am pleased to announce that the Group's unaudited turnover for the six months ended 30th June 2008 increased 60.5% to HK\$6,289 million. Consolidated profit attributable to shareholders reached HK\$1,202 million, representing an increase of 28.9% over the corresponding period last year. Earnings per share increased 16.3% to HK\$1.12. During the period, the Group's overall performance was remarkable, achieving record high for the first half of the year.

The Board of Directors of the Company has resolved to declare an interim dividend for the six months ended 30th June 2008 of HK45 cents (2007: HK37 cents) per share to Shareholders whose names appear on the Register of Members of the Company on Thursday, 25th September 2008. The interim dividend will be paid to Shareholders on Monday, 6th October 2008.

Posting new highs in interim results through steady growth

During the period, all business segments of the Group performed well and became key earnings drivers. The infrastructure facilities segment has maintained steady growth and provided stable recurring income for the Group. The medicine business recorded rapid growth in sales and profit in light of a generally positive environment in the pharmaceutical industry. Excluding the exceptional items last year, the consumer products segment achieved stable profit growth. Starting from 2008, the operating results of the newly acquired real estate business have been consolidated into the Company's accounts, contributing a new stream of earnings to the Group.

To sustain further earnings growth, the Group will continue to focus its efforts on its core businesses, strengthen the operation of each business segment, capitalize on mergers and acquisitions opportunities and enhance the overall quality of its businesses.

Optimizing profit structure to maintain sustainable development momentum

In July 2008, the Group announced the acquisition of the operating concession of the Hu-Hang Expressway (Shanghai Section) for a total consideration of HK\$4,196,312,000 and about 87% equity interests in Four Seasons Hotel Shanghai for a total consideration of HK\$1.35 billion respectively. The Hu-Hang Expressway (Shanghai Section) is the busiest section of the toll road in the Yangtze delta with a total distance of about 47.67 kilometers. Upon completion of the acquisition, the Group will own two toll roads in Shanghai, representing about 40% of the total expressway toll revenue in Shanghai. The Four Seasons Hotel Shanghai is a five-star hotel located in the centre of the city. With this prestige brand, the acquisition of the hotel further consolidates the investment portfolio of the Group's real estate business.

Capitalizing on the opportunity of state-owned assets restructuring, the Group successfully set up its real estate business platform last year. Currently, Shanghai Urban Development holds a variety of quality commercial and residential projects. Of these, villas at Urban Cradle will commence sales shortly and has already received favourable response from the market. The initial planning stage of the Xujiahui project has been well underway and the project is progressing smoothly according to schedule.

The premier assets injected into the infrastructure and real estate businesses are expected to bring stable profit for the Group and enhance its cash flow position. This will also bring about a healthy profit structure for the Group, and add further momentum to its future development.

Enhancing overall asset quality through orderly divesting of non-core businesses

It has been the Group's objective to optimize its investments portfolio and concentrate its resources on businesses that comprise mainly infrastructure, medicine and real estate. For this reason, the Group has divested of non-core businesses where opportunities arise.

To follow through this strategy, the Group announced the disposal of its 20% equity interest in Shanghai Information Investment for HK\$775 million in May 2008 after withdrawing completely from the automobiles and parts business last year. The transaction was completed in the following month, resulting in a disposal gain of approximately HK\$332 million for the period. The proceeds from the sale will help to increase the Group's cash on hand and enable it to acquire valuable assets to enhance its overall asset quality.

Prospects

On the infrastructure business, the Group aims to further elevate its leading position in toll road operation in Shanghai and optimize the capital structure of its water services business, and to step up its efforts to strengthen its infrastructure business platform. This is expected to provide stable growth in profit and recurring cash flow, contributing to the sustainable development of the Group.

As for the medicine business, the Group will further consolidate its resources for quality medicine, enhance its development capability and overall efficiency, and capitalize on favourable opportunities in the restructuring of state-owned assets in Shanghai. To ensure rapid business growth and greater return for Shareholders, the Group will continue its focus on product development, enhance product sales and make greater efforts in mergers and acquisitions.

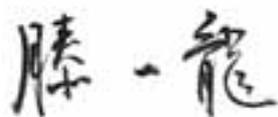
Profit contribution from the consumer products business has provided solid support for the continued development of the Group. Going forward, the Group will proactively expand its distribution network, impose greater cost control and improve operational efficiency and earning capabilities.

For real estate, the Group will focus its effort on Shanghai and gradually spread into other major cities in the country. Through this, the Group will strive to acquire strategically valuable assets with competitive edge, build up a quality brand image, increase land reserve, speed up project development and sales and to ultimately enhance stable growth in the segment's profit contribution to the Group.

Chairman's Statement

Looking ahead, the Group will continue to focus its resources on its infrastructure, medicine and real estate businesses and look for suitable opportunities for acquisition of quality assets. Efforts will be devoted to strengthen its overall capability for stable growth, build up a strong momentum for sustainable development and speed up the divestment of its non-core businesses in an orderly manner. The Group will also strive to optimize its business and capital structure in order to increase its profit contribution and enhance Shareholders' value.

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

The image shows a handwritten signature in black ink on a white background. The signature consists of two large, stylized Chinese characters, '滕' (Teng) and '龍' (Long), with a smaller character '一' (Yi) positioned between them. The strokes are fluid and characteristic of cursive calligraphy.

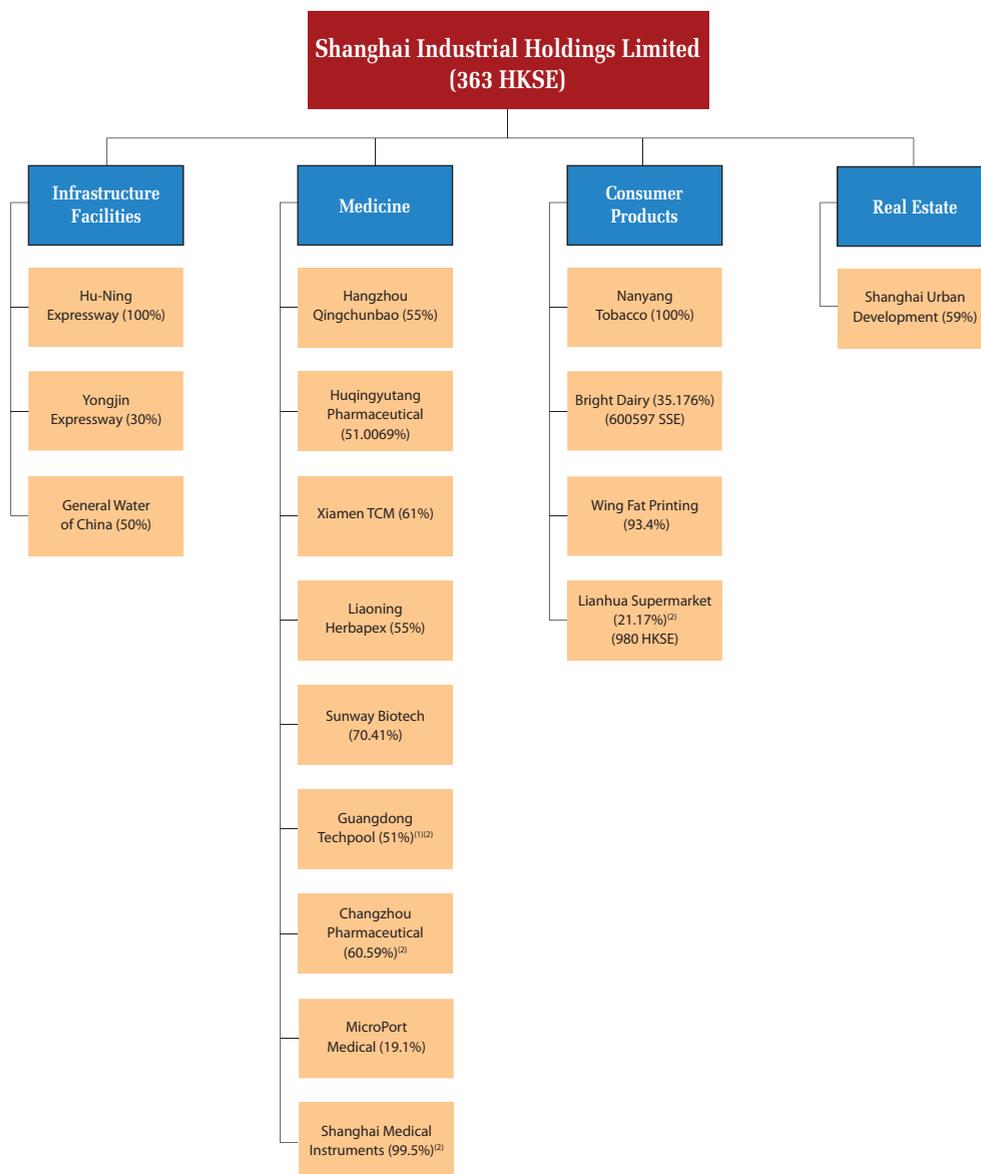
Teng Yi Long

Chairman

Hong Kong, 2nd September 2008

Group Business Structure

As at 30th June 2008



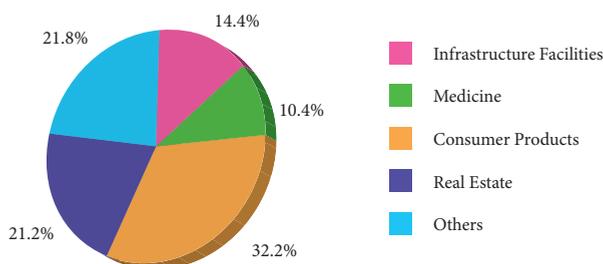
Notes:

- (1) Guangdong Techpool has announced the allotment of new shares raising RMB100 million in March 2008. Upon completion of the transaction, the shareholding held by the Group in Guangdong Techpool will be diluted to 40.8%.
- (2) The said interests are held by SI Pharmaceutical and/or its subsidiaries.

Business Review, Discussion and Analysis

The Group's unaudited turnover for the six months ended 30th June 2008 increased 60.5% to HK\$6,289 million. Profit attributable to shareholders reached HK\$1,202 million, representing an increase of 28.9% over the corresponding period last year. During the period, the Group's overall results were satisfactory, with steady progress in various projects. The Group completed the disposal of 20% equity interest in Shanghai Information Investment in June 2008, and recorded a disposal gain of approximately HK\$332 million.

Net Business Profit of the Group contributed by each business segment



Infrastructure Facilities

During the period, profit contribution from the infrastructure facilities segment reached HK\$170 million, representing an increase of 18.1% as compared with the corresponding period last year and accounting for 14.4% of the Group's Net Business Profit.

The expansion and widening of Shanghai-Nanjing Expressway (Shanghai Section) is proceeding on schedule, and is expected to be completed by the end of 2008. By then, the traffic flow and toll revenue from the expressway will be increased significantly. Notwithstanding the snow storm in the beginning of the year that led to a slight decrease in traffic flow during the Chinese New Year peak season, Shanghai-Nanjing Expressway (Shanghai Section) recorded a toll revenue for the first half of the year of HK\$170 million, with a traffic flow of 9.41 million vehicles. Subsidies for the expansion and widening project of about HK\$90.03 million were received during the period.

Despite the snow storm in the beginning of the year, rising oil prices and other unfavorable factors, Yongjin Expressway (Jinhua Section) maintained its income growth. In the first half of 2008, toll revenue reached HK\$81.43 million, representing an increase of 17.6% over the corresponding period last year. With an average daily full-trip traffic flow of 7,614, traffic volume increased 6.6%. The anticipated commencement of operation of Zhuyong Expressway by the end of 2008 is expected to bring in an increase in traffic flow and revenue of Yongjin Expressway (Jinhua Section).

Business Review, Discussion and Analysis

General Water of China recorded a revenue from principal business of HK\$250 million, representing an increase of 33.0% over the corresponding period last year. Its subsidiary, Bengbu GWC has successfully raised water prices since March 2008, and Xiangtan GWC has been actively striving for a second water price adjustment by the end of 2008. An inauguration ceremony has been held for Wenzhou GWC's 100,000 tonne water sewage treatment BOT project in the eastern part of Wenzhou in March, and currently the project has commenced operation. In May, another ceremony was held for the Huzhou Tiger Lake project to commemorate the retention of water for the reservoir, marking the completion of a two and a half years' construction, and demonstrating a new phase of accomplishment for the project. Steady rise in water prices in the overall market, the commencement of operation of the company's various projects as well as the implementation of an optimized capital structure for the Group's water business, will all help to speed up the development of the company.

Medicine

Despite increasing inflationary pressure and stringent environmental and medicine quality regulations in the first half of 2008, the overall performance of the medicine industry remained positive. During the period, the medicine business of the Group achieved rapid growth as well as economic efficiency in its principal operation, providing a profit contribution of HK\$122 million to the Group. This represented an increase of 70.1% over the corresponding period last year and 10.4% of the Group's Net Business Profit. During the period, SI Pharmaceutical has for the first time been included in the top 100 enterprises in Shanghai, ranking No. 71.

For Chinese medicine and health food, "Dengfeng" series of injection drugs recorded robust sales during the period, among which, sales of "Shen Mai Injection" increased 48.3%. Sales of "Dan Shen Injection" and "Huang Qi Injection" also recorded increases of 15.5% and 11.0% respectively; "Huqingyutang Stomach Rejuvenation Tablets" has been the focus of promotion, with sales increasing 32.4%. Sales of "Herbapex Rupixiao Tablets" increased 33.8%.

Sales of Major Products

Product Name	Type/Indication	Sales (HK\$'000)		Change
		First Half of 2007	First Half of 2008	
"Dengfeng" Shen Mai Injection	Cardiovascular	132,454	196,397	48.3%
"Dengfeng" Dan Shen Injection	Cardiovascular	60,387	69,721	15.5%
"Huqingyutang" Stomach Rejuvenation Tablets	Gastritis	39,883	52,800	32.4%
"Herbapex" Rupixiao Tablets	Gynaecological	51,099	68,368	33.8%
"Dinglu" Xinhuang Tablets	Anti-bacterial, anti-inflammatory, pain relieving	44,512	55,718	25.2%
"Qingchunbao" Anti-ageing Tablets	Immunity strengthening	170,030	182,034	7.1%
"Qingchunbao" Yongzhen Tablets	Health food	25,471	27,344	7.4%
"Qingchunbao" Beauty Capsules	Health food	31,140	30,287	-2.7%
"Huqingyutang" Herba Dendrobium Grain	Health food	22,653	21,408	-5.5%
"Techpool Luonan"	Urinary trypsin enzyme inhibitor	69,730	132,629	90.2%
"Changzhou Pharmaceutical" Captopril Tablets	Anti-hypertension	34,600	38,001	9.8%
"Compound Reserpine Tablets"	Anti-hypertension	34,783	38,149	9.7%

Business Review, Discussion and Analysis

For biomedicines, Guangdong Techpool's new product "Kai Li Kang", a State Category I new drug with 12 years' proprietary R&D, has obtained its own intellectual property. In June this year, "Kai Li Kang" was listed by the National Development and Reform Commission as one of its specialized research items, and the product has so far been awarded five State invention patents. During the period, "Kai Li Kang" and "Techpool Luoan", a product of the company exclusively produced in China, have achieved rapid sales growth. In March 2008, Guangdong Techpool announced the placement of new shares to raise a capital of RMB100 million. Upon completion, SI Pharmaceutical's shareholding in Guangdong Techpool will be reduced to 40.8% but remained as the largest shareholder. The company will strengthen cooperation with the new shareholder on pharmaceutical products.

For chemical drugs, overall sales have been good in the period, with wholesale and retail sales increasing by 30.2%. Changzhou Pharmaceutical's major products such as "Complex Anti-hypertension Tablets", "Captopril Tablets" and "Talidomide Tablets" all recorded significant growth. During the period, Changzhou Pharmaceutical Factory, a subsidiary of Changzhou Pharmaceutical, has been awarded ISO14000 certification in China, reflecting that the company's environmental protection management standards are in line with international standards.

For medical equipment, Shanghai Medical Instruments recorded sales growth of 20.4% in the first half of the year. Of these, sales of major hospital facilities such as the operation tables and shadowless surgical lamps increased 19.1%. Sales of medical and self-made environmental protection consumables increased 2.13 times. During the period, MicroPort Medical has been awarded the licence of foreign medical equipment manufacturer from the Ministry of Health, Labour and Welfare of Japan and became a recognized foreign manufacturer by the medical equipment industry in Japan, a necessary prerequisite for the export of its products to the country.

Consumer Products

Turnover from the consumer products business of the Group reached HK\$1,832 million and recorded a growth of 14.8%. Profits reached HK\$379 million representing a decline of 39.2% as compared with the corresponding period last year, and accounting for 32.2% of the Net Business Profit of the Group. The decline in profits was mainly due to the disposal of the Group's automobiles and parts business during the corresponding period last year which contributed an exceptional gain. After deducting such exceptional gain and related profit contribution, actual profits from the consumer products business increased 18.7%.

Overall sales revenue from the tobacco business of the Group increased 7.4% to HK\$1 billion, with a net profit of HK\$233 million, representing an increase of 15.9%. During the period, Nanyang Tobacco achieved satisfactory results through cost control and adjustment of distribution structure. Sales volume in the Hong Kong market increased 21.5%; steady growth has been achieved in the Macau market with an increase of 19.2% in sales volume; the newly developed canned "Portrait" collection grew 1.98 times in the duty free market; while aggregate sales volume in the China market increased 49.88%. The alteration project of expanded cut tobacco's production line, with a total investment of HK\$63.61 million, is expected to be completed by the end of 2008. This will enlarge Nanyang Tobacco's production capacity thus providing room for sustainable development.

Business Review, Discussion and Analysis

During the first half of 2008, the costs of the dairy products industry have been increasing while prices for certain products have also risen from last year, resulting in an overall decline in consumption in the dairy products market. Despite this, the sales of Bright Dairy outperformed the industry, recording a sales revenue from principal business of RMB3,770 million (equivalent to about HK\$4,165 million). This was mainly due to higher growth in sales of major products of “AB100” and “Delight”. Net profit of RMB140 million (equivalent to about HK\$155 million) was recorded, representing an increase of 38.3%. In late March, the National Development and Reform Commission approved price increases for certain pure milk products. This helped to reduce the company’s cost pressure to a certain extent and is therefore favorable to the overall profitability of the company. The acquisition by the Group of 10.005% equity interests in Bright Dairy held by the Danone Group was completed in March 2008, resulting in an increase of the Group’s shareholding in Bright Dairy from 25.171% to 35.176%.

As the Group’s printing arm primarily engaged in the production and sales of packaging materials and printing products, Wing Fat Printing owns an extensive production and distribution network in Hong Kong and major provinces and cities in China. The company’s overall business performance has been good for the first half of 2008, with a turnover of around HK\$931 million, representing an increase of 19.9%. Among which, sales of container boards and printing products increased 23.8% and 20.3% respectively, with a net profit before deduction of listing expenses of approximately HK\$96.07 million, representing an increase of 8.5%. Due to volatile market conditions, the board of Wing Fat Printing decided to postpone the spin-off for listing during the period, but this may be resumed at a suitable time depending on the market situation.

During the period, Lianhua Supermarket continued with its outlet transformation and implementation of “Strong Outlet” strategy, with significant growth in overall sales of the same store. The company’s revenue grew 19.8% to RMB10,739 million (equivalent to about HK\$11,862 million). Profit attributable to shareholders reached RMB227 million (equivalent to about HK\$251 million), representing an increase of 61.8% over the corresponding period last year. As at the end of June, Lianhua Supermarket had a total of 3,848 outlets including 121 hypermarkets, 1,768 supermarkets, 1,959 convenience stores and 2,228 franchised outlets.

Real Estate

The operating results of Shanghai Urban Development have been consolidated into the accounts of the Company in 2008 following the completion of the acquisition of a total of 59% equity interest in the company in 2007 by the Group. For the first half of 2008, profit contribution from the real estate business for the Group comprising property sales, rental income and increase in fair value upon revaluation of investment properties, amounted to HK\$250 million.

As of the first half of 2008, the Group held a total of eight development projects. During the period, Shanghai Urban Development acquired two parcels of land in Chongqing and Kunshan respectively through open market tender. Newly added gross floor area amounted to approximately 288,692 square meters, with an increase in land reserves of 160,763 square meters, resulting in a permissible total gross floor area of up to 3,332,717 square meters, with projects in six cities along the Yangtze River, namely Shanghai, Chongqing, Hefei, Changsha, Wuxi and Kunshan. During the period, four projects were under construction, while 439,022 square meters of gross floor area were added to the portfolio.

Business Review, Discussion and Analysis

During the period, Shanghai Urban Development pre-sold properties in the amount of about HK\$142.90 million. Sales of Yi Town in Lot E of Urban Cradle commenced last year, with Lot E2 completed and occupied in March 2008. Sales in the first half of the year has been focused on car parks for Lot E2, realizing pre-sale proceeds of approximately HK\$21.99 million. Other property projects put up for sale included Kunshan Kuncheng Dijing Garden and the Changsha Toscana, realizing pre-sale proceeds approximating HK\$78.17 million and HK\$42.71 million respectively, with an aggregate area of approximately 22,075 square meters pre-sold.

During the period, properties held for investment reached an aggregate gross floor area of approximately 76,875 square meters, consisting mainly of Urban Development International Tower, Huimin Commercial Tower and other odd properties. Most of the properties were on long term leases. Rental income for the first half of the year reached around HK\$52.59 million, and stable rental income is expected in the second half of the year.

Set out below is a summary of the main property development projects of Shanghai Urban Development:

Project	Type of Property	Approximate Site Area	Total Gross Floor Area (GFA)	Total GFA pre-sold/ GFA pre-sold in the first half of 2008	Interest attributable to Shanghai Urban Development	Date of Completion
Major Development Properties						
Urban Cradle (萬源城) Minhang District, Shanghai	Residential	Total site area: 943,000 square meters, of which 560,463 square meters residential area situated at Lots B, C, D, E & F	1,307,369 square meters (included basement carpark and public facilities)	128,878.56/ 28,378.56 square meters	90%	2007-2010 in phases
Kuncheng Dijing Garden (琨城帝景園) Kunshan, Jiangsu Province	Hotel, commercial & residential	205,016 square meters	268,020.5 square meters	30,452/16,238 square meters	90%	2007-2009 in phases
Rose City (玫瑰绅城) Hefei, Anhui Province	Commercial & residential	187,060 square meters (included a parcel of land in the northern district)	445,551 square meters	-	100%	2008-2009 in phases
Toscana (托斯卡納) Changsha, Hunan Province	Commercial & residential	180,541 square meters	202,425 square meters	61,852.88/ 5,836.88 square meters	55%	2006-2009 in phases

Business Review, Discussion and Analysis

Project	Type of Property	Approximate Site Area	Total Gross Floor Area	Interest attributable to Shanghai Urban Development
Major Future Development Property				
Xujiahui Centre (徐家匯中心)	Composite	132,000 square meters dividing into 6 parcels of land (35,343 square meters obtained)	629,000 square meters (168,414.75 square meters obtained)	60% obtained the land use right of one parcel of land for composite use
Xuhui District, Shanghai				
Wuxi Lihu Technology Building (無錫蠡湖科技大廈)	Hotel & Commercial	24,041 square meters	191,660 square meters	100%
Wuxi Lihu Economic Development Area				
Ivy International Community (常青藤國際社區)	Residential	126,540 square meters	151,800 square meters	55%
Chongqing				
HuaQiao International Service Business Park Lot C-25 (花橋國際商務城 C-25地段) (unofficial name)	Composite	34,223 square meters	136,892 square meters	52%
Kunshan, Jiangsu Province				

Others

The Group announced the disposal of 20% equity interest in Shanghai Information Investment for HK\$775 million in May 2008. The transaction was completed in June and brought a disposal gain of approximately HK\$332 million to the Group for the period.

During the period, SMIC completely exit the commodity DRAM business, thus causing a reduction in DRAM shipment, with overall revenue decreasing 7.6% from the corresponding period last year to HK\$5,501 million. An impairment loss of HK\$825 million in regard to the long-lived assets of its Beijing facility was recorded.

Financial Review

Key Figures

	2008	2007	Change
	Unaudited		
Results	Six months ended 30th June		
Turnover (HK\$'000)	6,288,665	3,916,952	60.5%
Profit attributable to shareholders (HK\$'000)	1,202,239	932,910	28.9%
Earnings per share – basic	HK\$1.120	HK\$0.963	16.3%
Dividend per share – Interim	HK45 cents	HK37 cents	21.6%
Dividend payout ratio	40.2%	38.4%	
Interest cover (note(1))	23.5 times	22.2 times	
	Unaudited	Audited	
Financial Position	30th June	31st December	
Total assets (HK\$'000)	43,243,344	40,400,006	7.0%
Shareholders' equity (HK\$'000)	22,985,310	22,693,962	1.3%
Net assets per share (HK\$)	21.36	21.18	0.8%
Gearing ratio (note(2))	16.1%	11.3%	
Number of shares in issue (shares)	1,076,230,000	1,071,261,000	

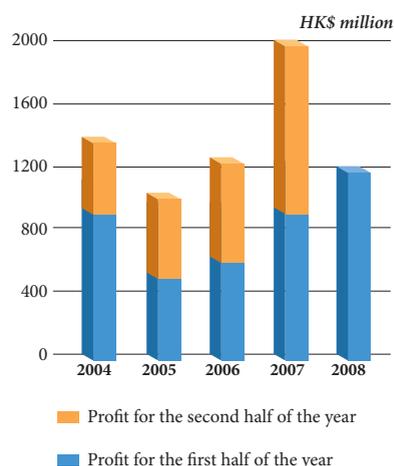
Note (1): (profit before taxation, interest expenses, depreciation and amortization)/interest expenses

Note (2): interest-bearing loans/(shareholders' equity + minority interests + interest-bearing loans)

I Analysis of Financial Results

1 Profit Attributable to Shareholders of the Company

Benefited from the stable growth of various major businesses, the gain from the disposal of non-core business, Shanghai Information Investment, and the acquisition of a 59% equity interest in Shanghai Urban Development completed in last year, resulting in the consolidation of its financial results into the accounts of the Group from 2008, the Group recorded a profit attributable to shareholders of HK\$1,202.24 million for the first half of 2008, an increase of HK\$269.33 million or approximately 28.9% as compared to the same period in 2007.



2 Profit Contribution from Each Business

The profit contribution of each business to the Group during the period and the comparative figures of the corresponding period last year is summarized as follows:

	Unaudited		Change
	Six months ended 30th June		
	2008 HK\$'000	2007 HK\$'000	
Real Estate	250,246	–	N.A.
Infrastructure Facilities	170,281	144,214	18.1%
Medicine	122,210	71,851	70.1%
Consumer Products	379,156	623,634	(39.2%)
Information Technology	256,505	14,552	1,662.7%

During the period, sales of two properties, Yi Town in Lot E of Urban Cradle and Phase One of Changsha Toscana of Shanghai Urban Development have been booked in the accounts upon completion of delivery procedures, together with the completion of Urban Development International Tower which began to provide recurrent rental income and recognition of the gain in fair value after valuation, which made significant profit contribution to real estate business of the Group during the period and became a profit growth center of the Group.

Financial Review

During the period, profit from infrastructure facilities business as a whole has been stable. The snow storm in China at the beginning of the year and the alteration and expansion works of the Hu-Ning Expressway had a negative impact on traffic flow. However, as Hu-Ning Expressway could still enjoy the benefits from the traffic flow compensation arrangement during the year, there was no material impact on the profit of Hu-Ning Expressway. Profit from infrastructure facilities business increased 18.1% as compared to the same period of last year, which was mainly attributable to the government subsidy for water services business.

Medicine business has recovered from the price reduction of medicine products in China and rise in production costs, sales of various medicine enterprises have been increasing, among which, sales of “Shen Mai Injection” of Hangzhou Qingchunbao increased significantly by 48.3%, together with the gain of HK\$8.61 million from the disposal of a jointly controlled medicine enterprise, profit contribution from the medicine business increased significantly by 70.1%.

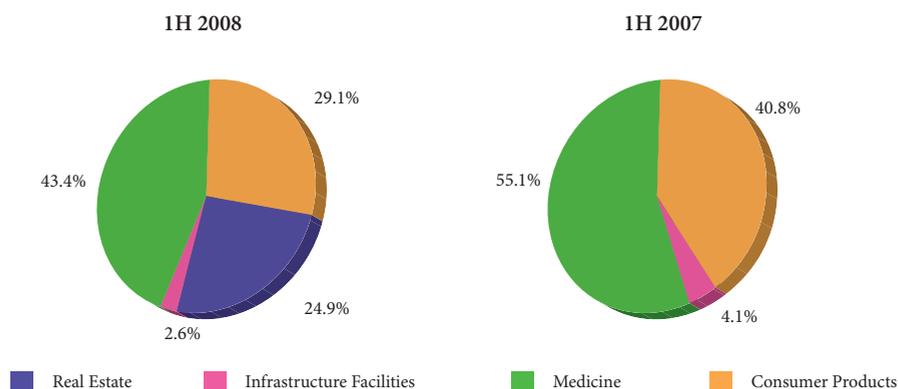
The results for the same period of last year included operating profit contribution from and gain from disposal of automobiles business, attributing to the fall in profit contribution from consumer products business in this period. However, excluding the financial impact of such disposal, profit from consumer products business increased HK\$59.71 million as compared to the same period of last year, mainly due to the completion of increase of equity interest in Bright Dairy of approximately 10% to 35.176% in March 2008, and the recognition of compensation upon termination of trade mark and technology license from Compagnie Gervais Danone by Bright Dairy, thus causing a significant increase in profit attributable from Bright Dairy. Results of Nanyang Tobacco have been driven by increase in sales which exceeded HK\$1,000 million for the period, with the profit up HK\$32.03 million from the same period of last year to HK\$233.07 million.

In the first half of 2008, the Group completed the disposal of Shanghai Information Investment and part of its strategic investments and recorded remarkable disposal gains. However, during the period, losses from SMIC increased as prices of DRAM products continued to fall, and as SMIC reached an agreement with customers to exit the commodity DRAM business in the first quarter, impairment provisions of approximately US\$45 million and US\$105 million have been made for relevant inventories and long-lived assets respectively, widening the loss attributable to the Group, which partially offset the increase in disposal gains.

Details of the operating performances and progress of each business segment for the first half of 2008 are set out in the section headed “Business Review, Discussion and Analysis”.

3 Turnover

	Unaudited		Increase
	Six months ended 30th June		
	2008	2007	
	HK\$'000	HK\$'000	
Real Estate	1,565,362	-	N.A.
Infrastructure Facilities	164,849	162,653	1.4%
Medicine	2,725,964	2,157,476	26.3%
Consumer Products	1,832,490	1,596,823	14.8%
	6,288,665	3,916,952	60.5%



Benefited mainly from the completion of the acquisition of a 59% equity interest in Shanghai Urban Development last year, resulting in the consolidation of its turnover into the accounts of the Group from 2008, and the growth in turnover of various businesses, the Group recorded an increase of approximately 60.5% in turnover as compared to the same period of last year.

During the period, sales of two properties, Yi Town in Lot E of Urban Cradle and Phase One of Changsha Toscana of Shanghai Urban Development have been booked in the accounts upon completion of delivery procedures, marking contribution to the turnover of real estate business.

The snow storm in China at the beginning of the year and the alteration and expansion works of the Hu-Ning Expressway had a negative impact on traffic flow during the period, however, the appreciation of Renminbi contributed to a slight increase in toll revenue denominated in Hong Kong dollars after currency translation.

Financial Review

Although the medicine business continued to be affected by price surge of raw materials and more stringent regulatory measures by various medicine regulators over the quality of medicine products, there were signs of improvement in the operating environment of the pharmaceutical industry as a whole, turnover of each medicine enterprise recorded satisfactory increases, resulting in the growth in turnover of the Group's medicine business by 26.3%.

Benefited from the growth in volume of duty free tobacco and export sales, as well as the rise in average unit price, turnover of Nanyang Tobacco increased by 7.4% as compared to the same period of last year. Sales of container boards and printed products of Wing Fat Printing increased, with turnover expanding by about 19.9% compared with the same period of last year, thus resulted in an increase of 14.8% in turnover of consumer products business in the period.

4 Profit before Taxation

(1) Gross Profit Margin

The gross profit margin for the period was 31.4%, declined by 6.5 percentage points against gross profit margin of 37.9% in the same period last year. The decrease in gross profit margin was due to the turnover of real estate comprised mainly 2007 pre-sale properties, and their cost of sales have accounted for their valuation adjustments at the time of equity acquisition of Shanghai Urban Development.

(2) Net Investment Income

The decrease in net investment income was mainly attributable to the significant fluctuation in investment markets and the decrease in interest income caused by the significant fall in interest rates compared with the same period of last year.

(3) Other Income

Other income was mainly generated from the toll revenue deficiency compensation from Hu-Ning Expressway and the increase in exchange gains due to the appreciation of Renminbi.

(4) Share of Results of Jointly Controlled Entities

Without the profit contribution of HK\$126.34 million to the Group from the disposed Huizhong Automotive last year, share of profit of jointly controlled entities decreased in the period.

(5) Share of Results of Associates

The share of loss of associates was mainly attributable to the increased losses from SMIC as prices of DRAM products continued to fall during the period, and as SMIC reached an agreement with customers to exit the commodity DRAM business in the first quarter, impairment provisions of approximately US\$45 million and US\$105 million have been made for relevant inventories and long-lived assets respectively, thus resulted in a share of loss rather than a share of profit in the same period of last year.

(6) Net Gain on Disposal of Interests in Subsidiaries, Jointly Controlled Entities and Associates

The Group completed the disposal of non-core business, Shanghai Information Investment, and a jointly controlled medicine enterprise during the period, and recorded remarkable disposal gains.

5 Dividends

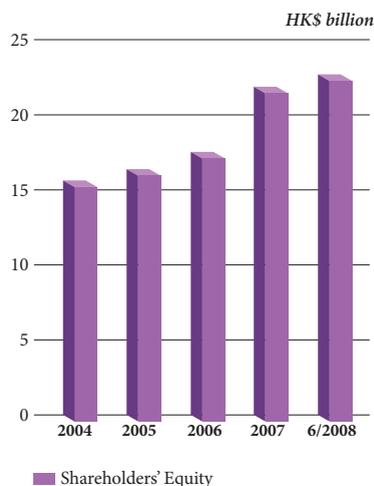
The Board of Directors has declared an interim dividend of HK45 cents per share. The dividend payout ratio is 40.2%. This represented increases of 21.6% and 1.8 percentage points as compared to the interim dividend of HK37 cents per share and payout ratio of 38.4% respectively for 2007.

II Financial Position of the Group

1 Capital and Shareholders' Equity

As at 30th June 2008, the Group had a total of 1,076,230,000 shares in issue, which was increased by 4,969,000 shares, as compared with the 1,071,261,000 shares in issue at the end of 2007, attributable to the exercise of share options by the staff during the period.

The Group's financial position remained strong. Shareholders' equity increased by approximately HK\$291.35 million to approximately HK\$22,985.31 million as at 30th June 2008, which was attributable to both increases in net profits and number of shares after deducting the dividend actually paid during this period.



Financial Review

2 Indebtedness

(1) Borrowings

In 2006, the Group obtained a five-year term and revolving syndication loan facilities of HK\$3 billion through a wholly-owned subsidiary, SIHL Finance Limited. This facility was retained as a stand-by facility at an attractive interest rate level for the Group.

As at 30th June 2008, the total borrowings of the Group amounted to approximately HK\$5,570.83 million (31st December 2007: HK\$3,630.49 million), of which 63.8% (31st December 2007: 64.6%) was unsecured credit facilities.

(2) Pledge of assets

As at 30th June 2008, the following assets were pledged by the Group in order to secure general banking facilities granted to the Group:

- (a) investment properties with a carrying value of approximately HK\$1,480,925,000 (31st December 2007: HK\$125,962,000);
- (b) plant and machinery with a carrying value of approximately HK\$7,319,000 (31st December 2007: HK\$40,044,000);
- (c) leasehold land and buildings with a carrying value of approximately HK\$336,573,000 (31st December 2007: HK\$258,610,000);
- (d) motor vehicles with a carrying value of approximately HK\$843,000 (31st December 2007: HK\$843,000);
- (e) properties under development held for sale with a carrying value of approximately HK\$1,050,893,000 (31st December 2007: HK\$1,584,019,000);
- (f) properties held for sale with a carrying value of approximately HK\$23,990,000 (31st December 2007: HK\$23,675,000);
- (g) finished goods with a carrying value of approximately HK\$39,006,000 (31st December 2007: Nil);
- (h) trade receivables with a carrying value of approximately HK\$17,025,000 (31st December 2007: Nil);
and
- (i) bank deposits of approximately HK\$712,092,000 (31st December 2007: HK\$13,026,000).

(3) Contingent liabilities

As at 30th June 2008, the Group has given guarantees to banks in respect of banking facilities utilized by an entity controlled by Shanghai Xuhui District State-owned Assets Administrative Committee, its jointly controlled entity, associates and a third party of approximately HK\$1,267.73 million (31st December 2007: HK\$1,065.38 million) in total.

3 Capital Commitments

As at 30th June 2008, the Group had capital commitments mainly contracted for business development and investments in fixed assets of HK\$2,481.74 million (31st December 2007: HK\$1,984.68 million). The Group had sufficient internal resources and borrowing capacity to finance its capital expenditures.

4 Bank Deposits and Short-term Investments

As at 30th June 2008, bank balances and short-term investments held by the Group amounted to HK\$7,955.42 million (31st December 2007: HK\$6,725.61 million) and HK\$3,229.66 million (31st December 2007: HK\$3,136.22 million) respectively. The proportions of US dollars, Renminbi and HK dollars in the bank balances were 20%, 74% and 6% (31st December 2007: 23%, 64% and 13%) respectively. Short-term investments mainly consisted of investments such as structured deposits, equity linked notes, bonds and Hong Kong listed shares.

At present, the Group is in a net cash position, with sufficient working capital and a healthy interest cover. However, the Group will review the market situation from time to time and seek opportunities to optimize its capital structure after taking into account the development of the Company.

5 Available-for-sale investments

The Group has changed the investment strategies towards SMIC, and adjustment has been made in this period to reclassify the carrying value of SMIC as at May 2008 from “Interests in Associates” to “Available-for-sale investments” as required by the relevant accounting standard. In accordance with the accounting policy that the Group has consistently applied towards available-for-sale investments, the changes in its fair value are recognized in equity, until the available-for-sale investments is disposed of or is determined to be impaired, at which time, recognized in profit or loss.

III Management Policies for Financial Risk

1 Exchange Rate Risk

The Group mainly operates in China and the Hong Kong Special Administrative Region and the exposure in exchange rate risks mainly arises from fluctuations in the US dollar, HK dollar and Renminbi exchange rates. Exchange rate fluctuations and market trends have always been the concern of the Group. As the HK dollar and Renminbi are both under managed floating systems, the Group, after reviewing its exposure for the time being, did not enter into any derivative contracts for the purpose of mitigating exchange rate risks during the period.

Financial Review

2 Interest Rate Risk

In order to exercise prudent management against interest rate risk, the Group has entered into interest swap option contract with bank to hedge interest rate risk of its syndicated loans. The Group will continue to review the market trend, as well as its business operation needs and its financial position, so as to arrange with prudence the interest rate hedging means as appropriate.

3 Credit Risk

The Group's principal financial assets are bank balances and cash, equity and debt investments, trade and other receivables. The Group's trade and other receivables presented in the balance sheet as at the end of the period are net of allowances for doubtful receivables. An allowance for impairment is made according to the Group's accounting policy or where there is an identified loss event, based on previous experience, is an evidence of a reduction in the recoverability of cash flows.

With respect to the credit risk of the Group's treasury operations, the Group's bank balances and cash, securities and debt investments must be placed and entered into with financial institutions of good reputation. There are strict requirements and restrictions as to the outstanding amount and credit ratings on equity and debt investments to be held, so as to minimize the credit risk the Group is exposed to from its financial investments.

IV Post Balance Sheet Events

The following significant events took place after the balance sheet date:

- (a) On 21st July 2008 and 5th August 2008, the Company entered into a sale and purchase agreement and a supplemental agreement with South Pacific Hotel Holdings Limited ("South Pacific"), a wholly-owned subsidiary of SIIC, to acquire 100% equity interest in Good Cheer Enterprises Limited ("Good Cheer") and to take assignments of the non-interest bearing inter-company loans due from certain members of Good Cheer and its subsidiaries to SIIC and/or South Pacific, at an aggregate consideration of HK\$1,350,000,000. Good Cheer holds a majority interest in Shanghai SIIC South Pacific Hotel Co., Ltd. through its subsidiaries, which in turn owns and operates the Four Seasons Hotel Shanghai.
- (b) On 21st July 2008 and 5th August 2008, S.I. Infrastructure Holdings Limited, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement and a supplemental agreement with SIIC CM Development Limited ("SIIC CM"), a wholly-owned subsidiary of SIIC, to acquire 100% equity interest in S.I. Hu-Hang Development Limited ("Hu-Hang") and to take an assignment of the non-interest bearing shareholder's loan due from Hu-Hang and/or its subsidiaries, at an aggregate consideration of HK\$4,196,312,000. Hu-Hang holds 100% equity interest in Shanghai Road-Bridge Development Co., Ltd. through its subsidiaries, which in turn owns concession for operation rights of Hu-Hang Expressway (Shanghai Section) till 31 August 2030.

Report on Review of Interim Financial Information

TO THE BOARD OF DIRECTORS OF SHANGHAI INDUSTRIAL HOLDINGS LIMITED

(incorporated in Hong Kong with limited liability)

Introduction

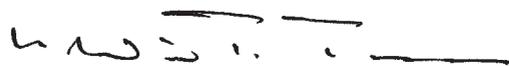
We have reviewed the interim financial information set out on pages 24 to 44, which comprises the condensed consolidated balance sheet of Shanghai Industrial Holdings Limited as of 30th June 2008 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.



Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
2nd September 2008

Condensed Consolidated Income Statement

For the six months ended 30th June 2008

	NOTES	Six months ended 30th June	
		2008	2007
		HK\$'000 (unaudited)	HK\$'000 (unaudited)
Turnover	3	6,288,665	3,916,952
Cost of sales		(4,315,456)	(2,431,075)
Gross profit		1,973,209	1,485,877
Net investment income		105,533	211,680
Other income		324,386	102,642
Increase in fair value of properties under development upon transfer to investment properties		497,073	-
Selling and distribution costs		(756,756)	(550,402)
Administrative expenses		(590,648)	(396,453)
Finance costs		(87,336)	(64,105)
Share of results of jointly controlled entities		24,592	138,330
Share of results of associates		(46,413)	103,376
Net gain on disposal of interests in subsidiaries, jointly controlled entities and associates		343,102	159,482
Discount on acquisition of interest in a subsidiary		902	2,563
Profit before taxation		1,787,644	1,192,990
Income tax expenses	4	(212,648)	(133,441)
Profit for the period	5	1,574,996	1,059,549
Attributable to			
– Equity holders of the Company		1,202,239	932,910
– Minority interests		372,757	126,639
		1,574,996	1,059,549
Dividends	6	462,431	290,718
Earnings per share	7		
– Basic		HK\$1.120	HK\$0.963
– Diluted		HK\$1.116	HK\$0.959

Condensed Consolidated Balance Sheet

At 30th June 2008

	NOTES	30th June 2008 HK\$'000 (unaudited)	31st December 2007 HK\$'000 (audited)
Non-Current Assets			
Investment properties	8	1,997,146	540,268
Property, plant and equipment	8	4,082,661	3,547,125
Prepaid lease payments – non-current portion		303,884	299,995
Toll road operating right		1,907,988	1,821,142
Other intangible assets		153,480	145,329
Goodwill	9	1,450,374	1,378,261
Interests in jointly controlled entities		1,081,502	1,498,470
Interests in associates	10	2,230,429	3,828,644
Available-for-sale investments	10	1,089,242	442,208
Loan receivables – non-current portion		3,084	3,323
Deposits paid on acquisition of property, plant and equipment		1,156,300	808,526
Deposit paid on acquisition of additional interest in an associate		–	484,802
Restricted bank deposits		72,968	68,272
Deferred tax assets		37,512	71,796
		15,566,570	14,938,161
Current Assets			
Inventories		13,122,409	12,937,974
Trade and other receivables	11	3,256,946	2,341,347
Prepaid lease payments – current portion		29,067	27,367
Loan receivables – current portion		68,252	32,051
Financial assets at fair value through profit or loss	12	3,229,660	3,136,221
Taxation recoverable		15,017	57,388
Pledged bank deposits		712,092	13,026
Short-term bank deposits		1,922,212	627,040
Bank balances and cash		5,321,119	6,085,544
		27,676,774	25,257,958
Assets classified as held for sale		–	203,887
		27,676,774	25,461,845

Condensed Consolidated Balance Sheet

At 30th June 2008

	NOTES	30th June 2008 HK\$'000 (unaudited)	31st December 2007 HK\$'000 (audited)
Current Liabilities			
Trade and other payables	13	5,631,117	5,636,628
Taxation payable		498,519	388,706
Bank and other borrowings	14	2,411,512	1,414,450
		8,541,148	7,439,784
Net Current Assets			
		19,135,626	18,022,061
Total Assets Less Current Liabilities			
		34,702,196	32,960,222
Capital and Reserves			
Share capital		107,623	107,126
Share premium and reserves		22,877,687	22,586,836
Equity attributable to equity holders of the Company			
		22,985,310	22,693,962
Minority interests		6,131,834	5,733,627
Total Equity			
		29,117,144	28,427,589
Non-Current Liabilities			
Bank and other borrowings	14	3,152,321	2,207,992
Deferred tax liabilities		2,432,731	2,324,641
		5,585,052	4,532,633
Total Equity and Non-Current Liabilities			
		34,702,196	32,960,222

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June 2008

	Attributable to equity holders of the Company												
	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000	Capital redemption reserve HK\$'000	Other revaluation reserve HK\$'000 (note i)	Other reserve HK\$'000 (note ii)	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	PRC statutory reserves HK\$'000 (note iii)	Accumulated profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1st January 2007 (audited)	96,850	10,147,375	18,481	1,071	8,144	-	4,002	451,039	478,914	6,299,505	17,505,381	2,225,614	19,730,995
Fair value adjustment on available-for-sale investments and net income recognised directly in equity	-	-	-	-	-	-	97,194	-	-	-	97,194	-	97,194
Profit for the period	-	-	-	-	-	-	-	-	-	932,910	932,910	126,639	1,059,549
Realised on disposal of interests in jointly controlled entities	-	-	-	-	-	-	-	(78,769)	(199,627)	199,627	(78,769)	-	(78,769)
Realised on disposal of interest in an associate	-	-	-	-	-	-	-	(9,021)	(21,962)	21,962	(9,021)	-	(9,021)
Realised on disposal of interests in subsidiaries	-	-	-	-	-	-	-	(2,714)	-	-	(2,714)	-	(2,714)
Total recognised income and expense for the period	-	-	-	-	-	-	97,194	(90,504)	(221,589)	1,154,499	939,600	126,639	1,066,239
Issue of shares upon exercise of share options	103	15,188	-	-	-	-	-	-	-	-	15,291	-	15,291
Release of share options reserve on exercise of share options	-	1,256	(1,256)	-	-	-	-	-	-	-	-	-	-
Expenses incurred in connection with the issue of new shares	-	(15)	-	-	-	-	-	-	-	-	(15)	-	(15)
Recognition of equity-settled share-based payment expenses	-	-	3,091	-	-	-	-	-	-	-	3,091	-	3,091
Transfers	-	-	-	-	-	-	-	74,284	(74,284)	-	-	-	-
Dividends paid to minority interests	-	-	-	-	-	-	-	-	-	-	(104,068)	(104,068)	(104,068)
Disposal of subsidiaries	-	-	-	-	(519)	-	-	(1,904)	2,423	-	(18,713)	(18,713)	(18,713)
Dividends paid (note 6)	-	-	-	-	-	-	-	-	(290,718)	(290,718)	-	(290,718)	(290,718)
At 30th June 2007 (unaudited)	96,953	10,163,804	20,316	1,071	7,625	-	101,196	360,535	329,705	7,091,425	18,172,630	2,229,472	20,402,102

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June 2008

	Attributable to equity holders of the Company												
	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000	Capital redemption reserve HK\$'000	Other revaluation reserve HK\$'000 (note i)	Other revaluation reserve HK\$'000 (note ii)	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	PRC statutory reserves HK\$'000 (note iii)	Accumulated profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1st January 2008 (audited)	107,126	13,198,450	15,241	1,071	61,730	122,496	169,319	918,947	354,065	7,745,517	22,693,962	5,733,627	28,427,589
Exchange difference arising from translation of financial statements	-	-	-	-	-	-	-	786,278	-	-	786,278	228,974	1,015,252
Share of exchange difference arising from translation of financial statements of jointly controlled entities	-	-	-	-	-	-	-	94,369	-	-	94,369	-	94,369
Share of exchange difference arising from translation of financial statements of associates	-	-	-	-	-	-	-	101,219	-	-	101,219	-	101,219
Fair value adjustment on available-for-sale investments	-	-	-	-	-	-	(1,359,993)	-	-	-	(1,359,993)	-	(1,359,993)
Net expense recognised directly in equity	-	-	-	-	-	(1,359,993)	-	981,866	-	-	(378,127)	228,974	(149,153)
Profit for the period	-	-	-	-	-	-	-	-	-	1,202,239	1,202,239	372,757	1,574,996
Realised on disposal of interests in jointly controlled entities	-	-	-	-	-	-	-	(1,795)	-	-	(1,795)	-	(1,795)
Realised on disposal of interest in a subsidiary	-	-	-	-	-	(122,496)	-	(63,692)	(16,964)	139,460	(63,692)	-	(63,692)
Transfer to profit or loss on disposal of available-for-sale investments	-	-	-	-	-	-	(83,391)	-	-	-	(83,391)	-	(83,391)
Total recognised income and expense for the period	-	-	-	-	-	(122,496)	(1,443,384)	916,379	(16,964)	1,341,699	675,234	601,731	1,276,965
Issue of shares upon exercise of share options	497	76,873	-	-	-	-	-	-	-	-	77,370	-	77,370
Release of share options reserve on exercise of share options	-	6,955	(6,955)	-	-	-	-	-	-	-	-	-	-
Expenses incurred in connection with the issue of new shares	-	(67)	-	-	-	-	-	-	-	-	(67)	-	(67)
Recognition of equity-settled share-based payment expenses	-	-	1,242	-	-	-	-	-	-	-	1,242	-	1,242
Transfers	-	-	-	-	-	-	-	-	76,940	(76,940)	-	-	-
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(27,090)	(27,090)
Capital contributions by minority interests	-	-	-	-	-	-	-	-	-	-	-	34,854	34,854
Dividends paid to minority interests	-	-	-	-	-	-	-	-	-	-	-	(211,288)	(211,288)
Dividends paid (note 6)	-	-	-	-	-	-	-	-	-	(462,431)	(462,431)	-	(462,431)
At 30th June 2008 (unaudited)	107,623	13,282,211	9,528	1,071	61,730	-	(1,274,065)	1,835,326	414,041	8,547,845	22,985,310	6,131,834	29,117,144

Notes:

- (i) Other revaluation reserve represents fair value adjustment on acquisition of subsidiaries relating to interests previously held by the Group as associates/jointly controlled entity.
- (ii) Other reserve represented share of deemed contribution from a shareholder of a jointly controlled entity resulted from transfer of an entity by that shareholder to the jointly controlled entity at a consideration below the fair value of the identifiable assets and liabilities of that entity. During the period, the reserve was released upon disposal of a subsidiary which holds that entity.
- (iii) The People's Republic of China, other than Hong Kong (the "PRC") statutory reserves are reserves required by the relevant PRC laws applicable to the Group's PRC subsidiaries, jointly controlled entities and associates.

Condensed Consolidated Cash Flow Statement

For the six months ended 30th June 2008

	NOTES	Six months ended 30th June	
		2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)
Net cash (used in) from operating activities		(258,333)	633,762
Net cash (used in) from investing activities:			
Increase in bank deposits		(1,998,934)	(149,957)
Purchase of property, plant and equipment		(856,544)	(464,301)
Acquisition of additional interest in a subsidiary		(27,090)	-
Acquisition of a subsidiary (net of cash and cash equivalents acquired)	17	(3,576)	(10,000)
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	18	387,499	89,738
Proceeds from disposal of assets held for sale		203,887	-
Proceeds from disposal of available-for-sale investments		117,137	-
Proceeds from disposal of jointly controlled entities		23,917	885,000
Deposit paid on acquisition of a jointly controlled entity		-	(225,662)
Other investing cash flows		189,477	137,045
		(1,964,227)	261,863
Net cash from (used in) financing activities:			
Borrowings raised		2,655,297	79,350
Capital contributions by minority interests		34,854	-
Repayment of bank and other borrowings		(834,834)	(123,174)
Dividends paid		(462,431)	(290,718)
Dividends paid to minority interests		(211,288)	(104,068)
Other financing cash flows		(8,982)	(47,573)
		1,172,616	(486,183)
Net (decrease) increase in cash and cash equivalents		(1,049,944)	409,442
Cash and cash equivalents at 1st January		6,085,544	6,102,154
Effect of foreign exchange rate changes		285,519	-
Cash and cash equivalents at 30th June, represented by bank balances and cash		5,321,119	6,511,596

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June 2008

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments, which are measured at fair values.

The accounting policies adopted in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December 2007.

In the current interim period, the Group has applied, for the first time, the following new interpretations (“new Interpretations”) issued by the HKICPA, which are effective for the Group’s financial year beginning 1st January 2008.

HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new Interpretations had no material effect on the results or financial position for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new or revised standards, amendments or interpretation that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC)-Int 13	Customer Loyalty Programmes ³
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate ¹
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation ⁴

¹ Effective for annual periods beginning on or after 1st January 2009

² Effective for annual periods beginning on or after 1st July 2009

³ Effective for annual periods beginning on or after 1st July 2008

⁴ Effective for annual periods beginning on or after 1st October 2008

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June 2008

2. PRINCIPAL ACCOUNTING POLICIES (continued)

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the application of the other new or revised standards, amendments or interpretation will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION BY BUSINESS

For management purposes, the Group is organised into four operating businesses – real estate, infrastructure facilities, medicine and consumer products. These businesses are the basis on which the Group reports its primary segment information.

Principal businesses are as follows:

Real estate	–	property development and investment
Infrastructure facilities	–	investment in toll road projects and water-related business
Medicine	–	manufacture and sale of medicine and health food; medical equipment
Consumer products	–	manufacture and sale of cigarettes, packaging materials, printed products, dairy products, commercial vehicles, automobile components and spare parts

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June 2008

3. SEGMENT INFORMATION BY BUSINESS (continued)

For the six months ended 30th June 2008

	Real estate HK\$'000	Infrastructure facilities HK\$'000	Medicine HK\$'000	Consumer products HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
TURNOVER						
External sales	1,565,362	164,849	2,725,964	1,832,490		6,288,665
Segment results	518,485	181,919	304,636	398,541		1,403,581
Net unallocated corporate income						149,216
Finance costs						(87,336)
Share of results of jointly controlled entities	-	(13,744)	30,260	56	8,020	24,592
Share of results of associates	2,047	-	12	118,816	(167,288)	(46,413)
Net gain on disposal of interests in a subsidiary, jointly controlled entities and an associate						343,102
Discount on acquisition of interest in a subsidiary						902
Profit before taxation						1,787,644
Income tax expenses						(212,648)
Profit for the period						1,574,996

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June 2008

3. SEGMENT INFORMATION BY BUSINESS (continued)

For the six months ended 30th June 2007

	Real estate HK\$'000	Infrastructure facilities HK\$'000	Medicine HK\$'000	Consumer products HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
TURNOVER						
External sales	-	162,653	2,157,476	1,596,823		3,916,952
Segment results	-	165,122	215,120	361,051		741,293
Net unallocated corporate income						112,051
Finance costs						(64,105)
Share of results of jointly controlled entities	-	(17,933)	22,182	127,051	7,030	138,330
Share of results of associates	-	-	3,176	95,452	4,748	103,376
Net gain on disposal of interests in subsidiaries, jointly controlled entities and associates						159,482
Discount on acquisition of interest in a subsidiary						2,563
Profit before taxation						1,192,990
Income tax expenses						(133,441)
Profit for the period						1,059,549

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June 2008

4. INCOME TAX EXPENSES

	Six months ended 30th June	
	2008	2007
	HK\$'000	HK\$'000
The charge (credit) comprises:		
Current tax		
– Hong Kong	44,810	50,557
– Other regions in the PRC	124,522	83,652
	169,332	134,209
(Over) under provision in prior years		
– Hong Kong	(294)	(1,493)
– Other regions in the PRC	(5,056)	3,829
	(5,350)	2,336
Deferred taxation	48,666	(3,104)
	212,648	133,441

Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the period. On 26th June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profit tax rate by 1% to 16.5% effective from the year of assessment 2008-2009. The effect of such decrease has been reflected in measuring the current and deferred tax for the six months ended 30th June 2008. The estimated weighted average annual tax rate used is 16.5% (2007: 17.5%) for the six months ended 30th June 2008.

On 16th March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the “New Law”) by Order No. 63 of the President of the PRC. On 6th December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. For companies that were qualified under old law or regulations for incentive tax rate of 15%, the tax rate will progressively increase to 18%, 20%, 22%, 24% and 25% in year 2008, 2009, 2010, 2011 and 2012, respectively. For companies that were still entitled to certain exemption and reliefs (“Tax Benefit”) from PRC income tax, the New Law and Implementation Regulations allow the companies to continue to enjoy the Tax Benefit and the tax rate will change to 25% afterwards. For companies that were subject to tax rate of 33%, the New Law and Implementation Regulations have changed the tax rate from 33% to 25% from 1st January 2008.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June 2008

5. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging (crediting):

	Six months ended 30th June	
	2008 HK\$'000	2007 HK\$'000
Amortisation of toll road operating right (included in cost of sales)	30,130	36,557
Amortisation of other intangible assets (included in administrative expenses)	3,634	3,949
Depreciation and amortisation of property, plant and equipment	127,111	119,704
Release of prepaid lease payments	14,533	3,306
Dividend income from investments (included in net investment income)	(3,463)	(1,884)
Gain on disposal of property, plant and equipment	(980)	(3,909)
Gain on disposal of available-for-sale investments (included in net investment income)	(83,391)	-
Interest income (included in net investment income)	(135,959)	(157,807)
Change in fair value of financial assets at fair value through profit or loss (included in net investment income)	140,285	(16,699)
Exchange gain (included in other income)	(151,120)	(1,612)
Share of PRC enterprise income tax of jointly controlled entities (included in share of results of jointly controlled entities)	11,062	4,843
Share of PRC enterprise income tax of associates (included in share of results of associates)	14,968	10,917

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June 2008

6. DIVIDENDS

	Six months ended 30th June	
	2008 HK\$'000	2007 HK\$'000
2007 final dividend paid of HK43 cents (2006 final dividend: HK30 cents) per share	462,431	290,718

The directors have determined that an interim dividend of HK45 cents (2007 interim dividend: HK37 cents) per share will be paid to shareholders of the Company whose names appear on the Register of Members on 25th September 2008.

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the equity holders of the Company for the six months ended 30th June 2008 is based on the following data:

	Six months ended 30th June	
	2008 HK\$'000	2007 HK\$'000
Earnings:		
Profits for the purposes of basic earnings per share (profit for the period attributable to equity holders of the Company)	1,202,239	932,910
Effect of dilutive potential ordinary shares – adjustment to the share of results of a jointly controlled entity based on potential dilution of its earnings per share	(545)	(1,080)
Earnings for the purposes of diluted earnings per share	1,201,694	931,830
	Six months ended 30th June	
	2008	2007
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,073,295,775	968,733,138
Effect of dilutive potential ordinary shares – share options	3,105,565	2,819,462
Weighted average number of ordinary shares for the purposes of diluted earnings per share	1,076,401,340	971,552,600

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June 2008

8. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred costs for construction in progress of approximately HK\$421 million and acquired buildings at a cost of approximately HK\$41 million, plant and machinery at a cost of approximately HK\$27 million, motor vehicles at a cost of approximately HK\$6 million and furniture, fixtures and equipment at a cost of approximately HK\$14 million for the purpose of expanding the Group's business.

During the period, a property under development held for sale with fair value of approximately HK\$1,381 million was transferred to investment property. The resulting increase in fair value of property under development upon transfer to investment property of approximately HK\$497 million has been recognised directly in the condensed consolidated income statement. The investment property was fair valued by Messrs. Debenham Tie Leung Limited, an independent firm of qualified professional valuers not connected with the Group, at 30th June 2008. The valuation, which conforms to the Valuation Standards on Properties of the Hong Kong Institute of Surveyors, was arrived at by reference to market evidence of recent transaction prices for similar properties.

The directors have considered the Group's remaining investment properties are carried at fair values at 30th June 2008.

9. GOODWILL

At 30th June 2008, included in goodwill is an amount of approximately HK\$1,035 million (31st December 2007: HK\$972 million) related to the acquisition of Shanghai Urban Development (Holdings) Co. Ltd. ("Shanghai Urban Development") in December 2007. As the fair values to be assigned to the identifiable assets, liabilities or contingent liabilities of Shanghai Urban Development can only be determined provisionally, the acquisition has been accounted for using those provisional values. The goodwill amount may be adjusted upon the completion of the initial accounting.

10. INTERESTS IN ASSOCIATES AND AVAILABLE-FOR-SALE INVESTMENTS

In May 2008, the Group has reclassified its investment in Semiconductor Manufacturing International Corporation ("SMIC") from interests in associates to available-for-sale investments as the Group ceased to have significant influence over SMIC which was in line with the management's view that their investment strategies towards SMIC had changed. The carrying amount of the investment in SMIC at that date of HK\$2,116 million was reclassified to available-for-sale investments and subsequently measured at fair value. The change in fair value of the investment in SMIC of HK\$1,309 million is recognised in the investment revaluation reserve.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June 2008

11. TRADE AND OTHER RECEIVABLES

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.

At 30th June 2008, included in trade and other receivables are trade receivables of HK\$1,347,965,000 (31st December 2007: HK\$1,040,554,000) and their aged analysis, net of allowance for the doubtful debts, is as follows:

	30th June 2008 HK\$'000	31st December 2007 HK\$'000
Trade receivables:		
Within 30 days	548,710	467,663
Within 31-60 days	373,873	237,088
Within 61-90 days	194,099	123,924
Within 91-180 days	129,540	117,179
Within 181-365 days	66,442	75,284
Over 365 days	35,301	19,416
	1,347,965	1,040,554

12. MOVEMENTS IN FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

During the period, the Group acquired financial assets at fair value through profit or loss of approximately HK\$3,811 million and disposed financial assets at fair value through profit or loss with carrying amount of approximately HK\$3,586 million.

13. TRADE AND OTHER PAYABLES

At 30th June 2008, included in trade and other payables are trade payables of HK\$1,154,396,000 (31st December 2007: HK\$1,108,029,000) and their aged analysis is as follows:

	30th June 2008 HK\$'000	31st December 2007 HK\$'000
Trade payables:		
Within 30 days	840,260	787,235
Within 31-60 days	121,800	115,920
Within 61-90 days	70,983	74,490
Within 91-180 days	52,175	59,390
Within 181-365 days	50,784	34,759
Over 365 days	18,394	36,235
	1,154,396	1,108,029

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June 2008

14. BANK AND OTHER BORROWINGS

During the period, the Group obtained new borrowings in the amount of approximately HK\$2,655 million. The borrowings bear interest at market rates and are in average repayable within 1 to 2 years. The Group also repaid borrowings of approximately HK\$835 million during the period.

15. CAPITAL COMMITMENTS

	30th June 2008 HK\$'000	31st December 2007 HK\$'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of		
– toll road construction costs	299,829	572,709
– investments in PRC jointly controlled entities	–	18,162
– investments in overseas jointly controlled entity	–	3,767
– acquisition of property, plant and equipment	499,401	624,166
– additions in construction in progress	116,054	111,410
– additions in properties under development	1,566,456	654,464
	2,481,740	1,984,678
Capital expenditure authorised but not contracted for in respect of		
– acquisition of property, plant and equipment	–	168,177
– additions in properties under development	–	133,547
	–	301,724

16. CONTINGENT LIABILITIES

At 30th June 2008, the guarantees given to banks by the Group in respect of banking facilities utilised by an entity controlled by Xuhui District State-owned Assets Administrative Committee, associates, a jointly controlled entity and a third party amounted to approximately HK\$1,268 million (31st December 2007: HK\$1,065 million).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June 2008

17. ACQUISITION OF A SUBSIDIARY

In February 2008, the Group acquired an additional 51% equity interest in 四川科美紙業有限公司, a company engaged in manufacturing and sales of tipping paper, for a consideration of approximately HK\$4,872,000. After the acquisition, the Group held 100% equity interest in it. The acquisition has been accounted for using the purchase method of accounting. The amount of discount arising as a result of the acquisition was HK\$902,000.

The net assets acquired in the transaction, and the discount arising on acquisition, are as follows:

	Acquiree's carrying amount before combination and fair value HK\$'000
Net assets acquired:	
Property, plant and equipment	16,025
Prepaid lease payments	2,276
Inventories	2,935
Trade and other receivables	6,061
Taxation recoverable	206
Bank balances and cash	1,296
Trade and other payables	(14,273)
Bank and other borrowings	(3,206)
	<hr/>
	11,320
Discount arising on acquisition	(902)
	<hr/>
	10,418
	<hr/>
Satisfied by:	
Cash consideration paid	4,872
Share of net assets of an associate	5,546
	<hr/>
	10,418
	<hr/>
Net cash outflow arising on acquisition:	
Cash consideration paid	(4,872)
Cash and cash equivalents acquired	1,296
	<hr/>
	(3,576)
	<hr/>

The subsidiary acquired during the period did not have any significant contribution to the Group's turnover or results for the period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June 2008

18. DISPOSAL OF A SUBSIDIARY

In May 2008, the Group disposed of its entire interest in Active Services Group Limited to a fellow subsidiary. The net assets of the subsidiary at the date of disposal were as follows:

	HK\$'000
Net assets disposed of:	
Interest in a jointly controlled entity	506,714
Bank balances and cash	1
	<hr/>
Translation reserve realised	506,715 (63,692)
	<hr/>
Gain on disposal of interest in a subsidiary	443,023 331,977
	<hr/>
Consideration	775,000
	<hr/>
Satisfied by:	
Cash consideration received	387,500
Consideration receivable included in trade and other receivables	387,500
	<hr/>
	775,000
	<hr/>
Net cash inflow arising on disposal:	
Cash consideration received	387,500
Bank balances and cash disposed of	(1)
	<hr/>
	387,499
	<hr/>

The subsidiary disposed of during the period did not have any significant contribution to the Group's turnover or results for the period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June 2008

19. RELATED PARTY TRANSACTIONS

- (i) During the period, the Group had the following significant transactions with related parties:

Related party	Nature of transactions	Six months ended 30th June	
		2008 HK\$'000	2007 HK\$'000
Ultimate holding company	Rentals paid on premises	4,320	3,180
Fellow subsidiaries	Rentals paid on premises	11,342	9,572
	Disposal of interest in a subsidiary (note 18)	775,000	-
Associate	Printing service income received	9,808	8,967

- (ii) Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	Six months ended 30th June	
	2008 HK\$'000	2007 HK\$'000
Short-term benefits	10,576	10,517
Share-based payments	527	1,237

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June 2008

20. MATERIAL TRANSACTIONS AND BALANCES WITH OTHER STATE-CONTROLLED ENTERPRISES (continued)

In view of the nature of the Group's toll road operating business and consumer business, the directors are of the opinion that, except as disclosed above, it is impracticable to ascertain the identity of the counterparties and accordingly whether the transactions were with other state-controlled-entities.

In addition, the Group has entered into various transactions, including deposits placements, borrowings and other general banking facilities, with certain banks and financial institutions which are state-controlled entities in its ordinary course of business. In view of the nature of those banking transactions, the directors are of the opinion that separate disclosure would not be meaningful.

Except as disclosed above, the directors are of the opinion that transactions with other state-controlled entities are not significant to the Group's operations.

21. POST BALANCE SHEET EVENTS

The following significant events took place after the balance sheet date:

- (a) On 21st July 2008 and 5th August 2008, the Company entered into a sale and purchase agreement and a supplemental agreement with South Pacific Hotel Holdings Limited ("South Pacific"), a wholly-owned subsidiary of SIIC, to acquire 100% equity interest in Good Cheer Enterprises Limited ("Good Cheer") and to take assignments of the non-interest bearing inter-company loans due from certain members of Good Cheer and its subsidiaries to SIIC and/or South Pacific, at an aggregate consideration of HK\$1,350,000,000. Good Cheer holds a majority interest in Shanghai SIIC South Pacific Hotel Co., Ltd. through its subsidiaries, which in turn owns and operates the Four Seasons Hotel Shanghai. Details of these transactions are included in published announcements of the Company on 21st July 2008 and 5th August 2008.

The transactions are not yet completed at the date of this report.

- (b) On 21st July 2008 and 5th August 2008, S.I. Infrastructure Holdings Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement and a supplemental agreement with SIIC CM Development Limited ("SIIC CM"), a wholly-owned subsidiary of SIIC, to acquire 100% equity interest in S.I. Hu-Hang Development Limited ("Hu-Hang") and to take an assignment of the non-interest bearing shareholder's loan due from Hu-Hang and/or its subsidiary to SIIC CM and/or SIIC, at an aggregate consideration of HK\$4,196,312,000. Hu-Hang holds 100% equity interest in Shanghai Road-Bridge Development Co., Ltd. through its subsidiaries, which in turn owns concession for operation rights of Hu-Hang Expressway (Shanghai Section) till 31st August 2030. Details of these transactions are included in published announcements of the Company on 21st July 2008 and 5th August 2008.

The transactions are not yet completed at the date of this report.

Directors' Interests in Shares, Underlying Shares and Debentures

As at 30th June 2008, the interests and short positions of the Directors and Chief Executive 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 required to be kept under 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

(a) Ordinary shares

Name of Director	Capacity	Nature of interests	Number of issued shares held	Percentage of total issued share capital
Cai Yu Tian	Beneficial Owner	Personal	520,000	0.05%
Lu Ming Fang	Beneficial Owner	Personal	1,467,000	0.14%
Ding Zhong De	Beneficial Owner	Personal	685,000	0.06%
Zhou Jie	Beneficial Owner	Personal	307,000	0.03%
Qian Shi Zheng	Beneficial Owner	Personal	479,000	0.04%
Yao Fang	Beneficial Owner	Personal	248,000	0.02%
Tang Jun	Beneficial Owner	Personal	30,000	0.003%

All interests stated above represented long positions.

Other Information

(b) Share options

Name of Director	Capacity	Date of grant	Exercise price per share HK\$	Number of share options held	Percentage of total issued share capital
Cai Yu Tian	Beneficial Owner	2.5.2006	17.10	520,000	0.05%
Lu Ming Fang	Beneficial Owner	2.9.2005	14.89	480,000	0.04%
Ding Zhong De	Beneficial Owner	2.5.2006	17.10	400,000	0.04%
Zhou Jie	Beneficial Owner	2.9.2005	14.89	220,000	0.20%
Qian Shi Zheng	Beneficial Owner	2.9.2005	14.89	200,000	0.02%
Tang Jun	Beneficial Owner	2.9.2005	14.89	220,000	0.02%

(II) Interests in shares of SI Pharmaceutical

Name of Director	Capacity	Nature of interests	Number of issued shares held	Percentage of total issued share capital
Lu Ming Fang	Beneficial Owner	Personal	23,400	0.01%
Ding Zhong De	Beneficial Owner	Personal	23,400	0.01%

All interests stated above represented long positions.

Save as disclosed above, none of the Directors nor Chief Executive of the Company had any other interests or short positions in the 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 30th June 2008.

Share Options

(I) SIHL Scheme

The SIHL Scheme shall be valid and effective for a period of 10 years commencing on the date of adoption of the scheme. During the period under review, the movements in the share options to subscribe for the Company's shares under the SIHL Scheme were as follows:

	Date of grant	Exercise price per share HK\$	Number of shares issuable under the share options			
			Outstanding at 1.1.2008	Reclassified during the period	Exercised during the period	Outstanding at 30.6.2008
Category 1: Directors						
Cai Lai Xing ^{Note}	2.9.2005	14.89	800,000	(800,000)	-	-
Cai Yu Tian	2.5.2006	17.10	940,000	-	(420,000)	520,000
Lu Ming Fang	2.9.2005	14.89	480,000	-	-	480,000
Ding Zhong De	2.5.2006	17.10	700,000	-	(300,000)	400,000
Zhou Jie	2.9.2005	14.89	220,000	-	-	220,000
Qian Shi Zheng	2.9.2005	14.89	200,000	-	-	200,000
Tang Jun	2.9.2005	14.89	220,000	-	-	220,000
Total for Directors			3,560,000	(800,000)	(720,000)	2,040,000
Category 2: Employees						
	2.9.2005	14.89	1,700,000	-	(1,319,000)	381,000
	2.5.2006	17.10	1,050,000	(140,000)	(390,000)	520,000
Total for employees			2,750,000	(140,000)	(1,709,000)	901,000
Category 3: Others						
	2.9.2005	14.89	1,524,000	800,000	(2,120,000)	204,000
	2.5.2006	17.10	840,000	140,000	(420,000)	560,000
Total for others			2,364,000	941,000	(2,540,000)	764,000
Total for all categories			8,674,000	-	(4,969,000)	3,705,000

Note: Mr. Cai Lai Xing honorably retired by rotation as a Director of the Company on 30th May 2008.

Other Information

Share options granted in September 2005 under the SIHL Scheme are exercisable during the period from 2nd March 2006 to 1st March 2009 in three batches, being:

- 2nd March 2006 to 1st March 2007 (up to 30% of the share options granted are exercisable)
- 2nd March 2007 to 1st March 2008 (up to 60% of the share options granted are exercisable)
- 2nd March 2008 to 1st March 2009 (all share options granted are exercisable)

Share options granted in May 2006 under the SIHL Option Scheme are exercisable during the period from 2nd November 2006 to 1st November 2009 in three batches, being:

- 2nd November 2006 to 1st November 2007 (up to 30% of the share options granted are exercisable)
- 2nd November 2007 to 1st November 2008 (up to 60% of the share options granted are exercisable)
- 2nd November 2008 to 1st November 2009 (all share options granted are exercisable)

During the period, the weighted average closing price of the Company's shares immediately before the respective dates on which the share options under the SIHL Scheme were exercised was HK\$29.15.

(II) Mergen Biotech Scheme

The Mergen Biotech Scheme shall be valid and effective for a period of 10 years commencing on the date of adoption of the scheme. The following table discloses details of the options granted to Mergen Biotech's employees and qualified participants under the Mergen Biotech Scheme during the period:

Date of grant	Exercise price per share	Outstanding at 1.1.2008 and 30.6.2008
31st December 2004	US\$8.22	63,400 ^{Note}

Note: 39,000 share options of which were granted to Mr. Hu Fang, director and president of Mergen Biotech.

As at 30th June 2008, all options under the Mergen Biotech Scheme were unexercised. No options was granted or exercised under the Mergen Biotech Option Scheme during the period.

Pursuant to the offer letter issued by Mergen Biotech on 31st December 2004, 55% of the share options granted are exercisable since 30th June 2005. Subject to the fulfillment of certain performance targets as determined by the board of directors of Mergen Biotech by the grantees, the rest of the 45% share options granted are exercisable in three batches, in particular, every six months interval from 1st January 2005 an additional 15% of the share options granted are exercisable until 30th May 2014.

Interests of Substantial Shareholders and Other Persons in Shares and Underlying Shares

As at 30th June 2008, the interests and short positions of the substantial shareholders of the Company 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 ordinary shares held	Percentage of total issued share capital
<i>(a) Long Positions</i>				
SIIC	Interests held by controlled corporations	Corporate	546,944,371 <i>(note (i))</i>	50.82%
Morgan Stanley	Interests held by controlled corporations	Corporate	58,292,504	5.42%
JPMorgan Chase & Co.	Beneficial owner	Corporate	1,058,000	0.10%
	Investment manager	Corporate	3,667,000	0.34%
	Custodian corporation/ approved lending agent	Corporate	60,116,644	5.59%
<i>(b) Short Positions</i>				
SIIC	Interests held by controlled corporations	Corporate	86,218,331 <i>(note (ii))</i>	8.01%
Morgan Stanley	Interests held by controlled corporations	Corporate	12,236,350	1.14%
JPMorgan Chase & Co.	Beneficial owner	Corporate	400,000	0.04%

Notes:

- (i) SIIC through its wholly-owned subsidiaries, namely Shanghai Investment Holdings Limited, SIIC Capital (B.V.I.) Limited, SIIC Trading Company Limited, SIIC Asset Management Company Limited, Billion More Investments Limited, SIIC Treasury (B.V.I.) Limited and SIIC CM Development Limited held 466,644,371, 80,000,000, 150,000, 50,000, 50,000, 40,000 and 10,000 shares of the Company respectively, and was accordingly deemed to be interested in the respective shares held by the aforementioned companies.
- (ii) SIIC was taken to have short positions in respect of 86,218,331 underlying shares of the Company under certain listed equity derivatives pursuant to the Zero Coupon Guaranteed Exchangeable Bonds issued by Shanghai Industrial Investment Treasury Co. Ltd. due March 2009 unconditionally and irrevocably guaranteed by SIIC and exchangeable into ordinary shares of the Company.

Other Information

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 30th June 2008.

Employees

There have been no material changes to the information disclosed in the Company's annual report 2007 in respect of the number and remuneration level of employees, remuneration policies and staff training programmes of the Group.

Review of Report

The Audit Committee has reviewed the Company's interim report for the six months ended 30th June 2008.

Corporate Governance

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules throughout the six months ended 30th June 2008.

Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct regarding Directors' and relevant employees' securities transactions of listed companies on terms no less exacting than the required standard set out in the Model Code, and all Directors have confirmed that they have complied with the Model Code and the Company's own code during the period under review.

Purchase, Sale or Redemption of Listed Securities

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Glossary of Terms

Term used	Brief description
Bengbu GWC	General Water of China (Bengbu) Co. Ltd.
Bright Dairy	Bright Dairy and Food Co. Ltd. (SSE stock code: 600597)
Changzhou Pharmaceutical	Changzhou Pharmaceutical Co. Ltd.
General Water of China	General Water of China Co. Ltd.
Guangdong Techpool	Guangdong Techpool Biochem Pharma Co. Ltd.
Hangzhou Qingchunbao	Chia Tai Qingchunbao Pharmaceutical Co. Ltd.
Hu-Ning Expressway	Shanghai Hu-Ning Expressway (Shanghai Section) Co. Ltd.
Huizhong Automotive	Shanghai Huizhong Automotive Manufacturing Co. Ltd.
Huqingyutang Pharmaceutical	Hangzhou Huqingyutang Pharmaceutical Co. Ltd.
Lianhua Supermarket	Lianhua Supermarket Holdings Co. Ltd. (HKSE stock code: 980)
Liaoning Herbapex	Liaoning Herbapex Pharmaceutical (Group) Co. Ltd.
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange
Mergen Biotech	Mergen Biotech Ltd.
Mergen Biotech Scheme	A share option scheme adopted by Mergen Biotech as approved by the Shareholders at the extraordinary general Meeting held on 28th May 2004
MicroPort Medical	MicroPort Medical (Shanghai) Co. Ltd.
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules
Nanyang Tobacco	Nanyang Brothers Tobacco Co., Ltd.
Net Business Profit	Net profit excluding net corporate income

Glossary of Terms

Term used	Brief description
SFO	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
Shanghai Information Investment	Shanghai Information Investment Inc.
Shanghai Medical Instruments	Shanghai Medical Instruments Co. Ltd.
Shanghai Urban Development	Shanghai Urban Development (Holdings) Co. Ltd.
SI Pharmaceutical	Shanghai Industrial Pharmaceutical Investment Co. Ltd. (SSE stock code: 600607)
SIHL Scheme	A share option scheme adopted by the Company as approved by the Shareholders at the extraordinary general Meeting held on 31st May 2002
SIIC	Shanghai Industrial Investment (Holdings) Co. Ltd.
SMIC	Semiconductor Manufacturing International Corporation (HKSE stock code: 981)
SSE	Shanghai Stock Exchange
Stock Exchange or HKSE	The Stock Exchange of Hong Kong Ltd.
Sunway Biotech	Shanghai Sunway Biotech Co. Ltd.
Wenzhou GWC	General Water of China (Wenzhou) Co. Ltd.
Wing Fat Printing	The Wing Fat Printing Co., Ltd.
Xiamen TCM	Xiamen Traditional Chinese Medicine Co. Ltd.
Xiangtan GWC	General Water of China (Xiangtan) Co. Ltd.
Yongjin Expressway	Zhejiang Jinhua Yongjin Expressway Co. Ltd.

For the purposes of the “Business Review, Discussion and Analysis” of this Interim Report, the exchange rate of HK\$1.00 = RMB0.8791 has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amounts has been, could have been or may be exchanged at any particular rate on the date or dates in question or any other date.