上海實業控股有限公司
SHANGHAI INDUSTRIAL HOLDINGS LIMITED

Stock Code: 363

SHANGHAI

Annual Report **2008**

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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. Zhou Jun *(Deputy CEO)*

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. Zhou Jun

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

Registered Office

26th Floor, Harcourt House,
39 Gloucester Road, Wanchai, Hong Kong

Telephone	:	(852) 2529 5652
Facsimile	:	(852) 2529 5067
Email	:	enquiry@sihl.com.hk

Auditor

Deloitte Touche Tohmatsu

ADR Depository Bank

The Bank of New York Mellon
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

INFORMATION FOR SHAREHOLDERS

Shareholder Enquiries

Company Contact Details

Company Secretarial Department
26th Floor, Harcourt House,
39 Gloucester Road,
Wanchai, Hong Kong

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

Share Registrar

Tricor Secretaries Limited
26th Floor, Tesbury Centre,
28 Queen's Road East,
Hong Kong

Telephone : (852) 2980 1333
Facsimile : (852) 2861 1465

Dividend

2008 Interim Dividend of HK45 cents (2007: HK37 cents) per share was paid to Shareholders on 6th October 2008.

2008 Proposed Final Dividend of HK36 cents per share (2007: HK43 cents) will be paid to Shareholders on or about Tuesday, 16th June 2009 subject to Shareholders' approval.

Subject to approval by the Shareholders of the final dividend and together with the interim dividend, the total dividend for the year amounts to HK81 cents per share (2007: HK80 cents per share).

Closure of Register of Members

The Register of Members of the Company will be closed from Wednesday, 3rd June 2009 to Friday, 5th June 2009, both days inclusive, during which period no transfer of shares will be effected. Notice of Dividend will be dispatched to Shareholders on or about Tuesday, 16th June 2009. In order to qualify for the entitlement of the final dividend and be entitled to attend the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar by 4:30 p.m. on Tuesday, 2nd June 2009.

Financial Calendar

2008 Interim Results	Announced on Tuesday, 2nd September 2008
2008 Final Results	Announced on Tuesday, 21st April 2009
Annual Report 2008	To be posted to Shareholders on or before Thursday, 30th April 2009
2009 Annual General Meeting	To be held on Friday, 5th June 2009 at 3:00 p.m.
Closure of Register of Members	To be closed from Wednesday, 3rd June 2009 to Friday, 5th June 2009, both days inclusive
Record date for 2008 Final Dividend	Friday, 5th June 2009
Notice of 2008 Final Dividend	To be despatched to Shareholders on or about Tuesday, 16th June 2009

CHAIRMAN'S STATEMENT

Mr. Teng Yi Long
Chairman

Optimizing businesses to enhance profit growth

The dramatic changes in the global economy during the year have brought varying impacts and challenges to different sectors of the business community. Despite this, the Group has been able to maintain healthy business growth and achieved breakthroughs in key areas. Capitalizing on the restructuring of state-owned assets in Shanghai, the Group has optimized its business structure and built up a solid foundation for its continued development and improvement in profitability.

For the year ended 31st December 2008, the Group recorded a consolidated turnover of HK$12,733 million, an increase of 51.0%. Profits attributable to shareholders amounted to HK$2,102 million, an increase of 7.1%. Earnings per share increased by 1.0% to HK$1.96. As at the end of 2008, the Group's total assets and net assets reached HK$51,648 million and HK$23,401 million respectively, up 8.8% and 3.4% respectively over last year.

During the year, the Group continued to enhance its internal control and made good progress on its major projects, achieving satisfactory performance for all its core business segments. The infrastructure facilities segment achieved steady growth with the acquisition of Hu-Hang Expressway (Shanghai Section) and completion of the expansion and widening of Hu-Ning Expressway (Shanghai Section), bringing a profit contribution of HK$829 million to the Group, up 223.7% over last year. Profit contribution from the medicine segment increased by 51.4% to HK$264 million on the back of a rapid growth of the domestic pharmaceutical industry. Nanyang Tobacco in the consumer products segment continued to deliver stable income. After deducting the disposal item in the previous year, profit contribution from the segment decreased by 26.3% to HK$488 million. The real estate business acquired during the year contributed a profit of HK$440 million to the Group, while the overall property sales of Shanghai Urban Development were favourable.

Apart from effective capital allocation and tight financial risk control, the Company has been able to further strengthen its capital by raising funds and taking advantage of favourable market opportunities. In October and December 2008, syndicated loans amounting to HK$2,200 million and HK$670 million respectively were secured from various domestic and foreign banks under relatively favourable terms.

The Board of Directors has recommended a final dividend of HK36 cents per share. Together with the interim dividend of HK45 cents per share paid during 2008, total dividends for the year amounted to HK81 cents. The dividend payout ratio is 41.3%.

Strengthening core businesses through injection of high-quality assets

In July 2008, the Group announced the acquisition from its parent company of 100% interest of the operating concession of the Hu-Hang Expressway (Shanghai Section) and an equity interest of about 87% in the Four Seasons Hotel Shanghai for a total consideration of approximately HK$5,546 million. Both transactions were completed on 1st December 2008. Currently the Group owns two toll roads in Shanghai, representing about 40% of the total expressway toll revenue in the city. Following these transactions, the Group now fully enjoys the business growth of toll road operations in Shanghai, while the acquisition of the Four Seasons Hotel Shanghai further consolidates and strengthens the investment portfolio of the Group's real estate business.

This large-scale move of capital operation has enabled the Group to acquire high-quality resources of expressway in Shanghai and also represents a major breakthrough for the Group in the course of participating in the strategic restructuring of state-owned assets in Shanghai following the acquisition of Shanghai Urban Development. The newly acquired projects are expected to help enhance the operating and earnings base for the infrastructure facilities and real estate segments, and bring further momentum to the continued development of the Group.

Monitoring market opportunities to step up real estate development

With the acquisition of the Four Seasons Hotel Shanghai, the Group's real estate segment now comprises property development, property investment and hotel operations, featuring both residential and commercial properties. During the year, the real estate segment maintained steady growth and achieved favourable returns despite changes in the domestic economy and the government's implementation of macro-control over the real estate industry in mainland China earlier in the year.

The "Urban Cradle" project is a modernized and prestigious city complex primely located within the Mid-Ring Road district in Shanghai. With easy access and top international facilities, the project is a self-contained community combining business, entertainment, cultural, educational, commercial and leisure facilities under one roof. The sale of the "Urban Cradle – Royal House" villa project and "Urban Cradle – Lounge City" apartments was launched in the fourth quarter of 2008 and strong sales better than market expectation were recorded. A total of 160 units were sold, generating a satisfactory sales proceed of HK$1,020 million in a single quarter. The sales momentum continued unabated. "Xujiahui Centre" is a premium project located in the heart of Xujiahui, the core business district in Shanghai. With the commencement of the site clearance this year, the initial stage of the development plan has been accelerated and the project is progressing smoothly.

Increasing the scale of infrastructure investments to enhance profitability

The Group has taken active steps to upscale the size of its infrastructural investments. During the year, the Group successfully acquired the operating concession of the Hu-Hang Expressway (Shanghai Section), and completed the alteration and widening of the Hu-Ning Expressway (Shanghai Section) from a four to eight-lane carriageway by the end of the year. The widened expressway commenced operation in early 2009. The widening and alteration of the Hu-Hang Expressway (Xin-Song Section) from Xinzhuang cross bridge to Songjiang cross bridge is expected to reduce traffic congestion at toll plazas, eliminate bottlenecks and improve overall road service standards. Work for the project has already started and is scheduled for completion before the opening of the 2010 Shanghai World Expo. In addition, the commencement of operation of the Group's respective water projects and steady rise in water prices are expected to help further increase the scale of operation and enhance the profitability and competitiveness of its water business.

The Group will continue to acquire toll road projects with earnings potential in Shanghai as well as other provinces and cities with rapid economic growth. The acquisitions are expected to broaden the Group's recurrent income and further consolidate the earnings base of the infrastructure facilities segment. Meanwhile, the Group will optimize the capital structure for its water business and strengthen the development of the company.

Streamlining business structure through orderly divesting of non-core businesses

In May 2008, the Company announced the disposal of its 20% equity interest in Shanghai Information Investment to its parent company for a consideration of HK$775 million. The transaction was completed in June 2008, resulting in a disposal gain of HK$332 million for the Group. In October 2008, the Group disposed of its entire 30% equity interest in Yongjin Expressway, to further cut down non-controlling businesses. The approval of the transaction by the relevant PRC government authorities were completed, bringing in a gain of approximately HK$208 million for the Group during the year. Subsequent to the balance sheet date, SI Pharmaceutical also disposed of its 21.17% shareholding of domestic shares in Lianhua Supermarket. Following this, SI Pharmaceutical has totally withdrawn from chain store supermarket operations and directed its resources to strengthen its medicine business portfolio. The disposal gain will be reflected in the Group's accounts in 2009.

Orderly divesting of non-core businesses will help to streamline the Group's business structure, increase cash flow, and consolidate its resources for the development of the Group's core businesses.

Prospects

Maintaining growth and development through an optimized structure and prudent risk management

During the year, the Group has been able to maintain satisfactory income growth and profitability for its core businesses. Looking ahead, the Group will continue to develop its core businesses and optimize its business structure in order to bring recurrent earnings growth, to exit from non-core businesses and to capitalize on financing resources. The Group will actively participate in the strategic restructuring of state-owned assets in Shanghai to seize development opportunities. Taking advantage of its Shanghai background and continued support from its parent company, the Group is expected to achieve sustainable and stable development and increase earnings contribution to enhance shareholder value.

On the infrastructure facilities business, the Group will continue to acquire toll road projects with earnings prospects while ensuring good traffic flow after the alteration and widening of the Hu-Ning Expressway (Shanghai Section) and smooth progress for the alteration and widening works of the Hu-Hang Expressway (Shanghai Section). The Group will devote greater efforts to its water services projects to increase its competitive edge, enhance operational efficiency and further optimize its capital structure, in order to promote the stable and rapid growth of the company's business.

As for the medicine business, the Group will closely monitor market trends in order to increase market share and profitability. Capitalizing on the opportunities in the restructuring of state-owned assets in Shanghai, the Group will also make effective dispositions to further consolidate its medicine resources and eliminate potential competition with its parent company. This is expected to create better synergy for the businesses and to seek for further breakthroughs.

On the consumer products business, the Group will endeavor to maintain its business growth momentum, strengthen its operations and expand its sales network. Such measures will help increase its level of profitability and ensure steady profit contribution and cash flow for the Group.

CHAIRMAN'S STATEMENT

On the real estate business, the Group will step up its efforts in the planning and execution of its existing projects while seizing every opportunity to acquire premium real estate projects. The Group will also implement investment strategies to optimize its earnings structure and to build up a long-term and stable source of income that will contribute to the sustainable development of its real estate business.

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

滕一龍

Teng Yi Long
Chairman
Hong Kong, 21st April 2009

GROUP BUSINESS STRUCTURE

GROUP BUSINESS STRUCTURE

Infrastructure Facilities

Business	Group's interest held	Company Name	Principal Business
Toll Roads	100%	Shanghai Hu-Ning Expressway (Shanghai Section) Co. Ltd.	Operation of the Hu-Ning Expressway (Shanghai Section)
	100%	Shanghai Luqiao Development Co. Ltd.	Operation of the Hu-Hang Expressway (Shanghai Section)
Water Services	50%	General Water of China Co. Ltd.	Water supply and sewage treatment

Medicine

Business	Group's interest held	Company Name	Principal Business
Chinese Medicine and Health Food	55%	Chia Tai Qingchunbao Pharmaceutical Co. Ltd.	Manufacture and sale of Chinese medicine and health food
	51.0069%	Hangzhou Huqingyutang Pharmaceutical Co. Ltd.	Manufacture and sale of Chinese medicine
	61%	Xiamen Traditional Chinese Medicine Co. Ltd.	Manufacture and sale of Chinese medicine
	55%	Liaoning Herbapex Pharmaceutical (Group) Co. Ltd.	Manufacture and sale of Chinese medicine
Biomedicine	70.41%	Shanghai Sunway Biotech Co. Ltd.	Manufacture and sale of biomedicine
	51% (Note)	Guangdong Techpool Biochem Pharma Co. Ltd.	Manufacture and sale of biomedicine
Chemical Medicine	60.59% (Note)	Changzhou Pharmaceutical Co. Ltd.	Manufacture and sale of biomedicine and chemical medicine
Medical Equipment	99.5% (Note)	Shanghai Medical Instruments Co. Ltd.	Manufacture and sale of medical equipment
	19.09%	MicroPort Medical (Shanghai) Co. Ltd.	Manufacture and sale of medical equipment

Consumer Products

Business	Group's interest held	Company Name	Principal Business
Tobacco	100%	Nanyang Brothers Tobacco Co. Ltd.	Manufacture and sale of cigarettes
Dairy	35.176%	Bright Dairy and Food Co. Ltd. (600597 SSE)	Manufacture and sale of dairy products
Printing	93.44%	The Wing Fat Printing Co. Ltd.	Manufacture and sale of packaging materials and printed products

Real Estate

Business	Group's interest held	Company Name	Principal Business
Real Estate	59%	Shanghai Urban Development (Holdings) Co. Ltd.	Property Development and Investment
Hotel Operation	87%	Shanghai SIIC South Pacific Hotel Co. Ltd.	Operation of the Four Seasons Hotel Shanghai

Others

Business	Group's interest held	Company Name	Principal Business
Information Technology	8.21%	Semiconductor Manufacturing International Corporation (981 HKSE)	Manufacture and sale of semiconductor products

Note: The said interests are held by SI Pharmaceutical and/or its subsidiaries.

BUSINESS REVIEW, DISCUSSION AND ANALYSIS

For the year ended 31st December 2008, the Group achieved satisfactory results with stable earnings growth. Turnover increased 51.0% to HK$12,733 million and profits attributable to shareholders rose 7.1% to HK$2,102 million.

Infrastructure Facilities

In 2008, profit contribution from the Group's infrastructure facilities segment reached HK$829 million, accounting for approximately 37.2% of the Group's Net Business Profit and representing an increase of 223.7%. During the year, active steps were taken to acquire infrastructure projects and to expand the scale of the investment in the segment. The acquisition of the Hu-Hang Expressway (Shanghai Section) was completed in early December 2008, further strengthening the Group's stable income base.

Toll Roads

A11 Hu-Ning Expressway (Shanghai Section)   *A8 Hu-Hang Expressway (Shanghai Section)*

Hu-Ning Expressway (Shanghai Section)

The alteration and widening of the Hu-Ning Expressway (Shanghai Section) from a four-lane to an eight-lane carriageway was completed by the end of 2008 and the section commenced operation on 1st January 2009. With a total length of approximately 26 km, the Hu-Ning Expressway (Shanghai Section) now consists of an eight-lane dual carriageway. Traffic flow from the expressway is expected to increase rapidly in 2009, driving growth in toll revenue.

Affected by the severe snow storm at the beginning of 2008 and the full-scale construction of the alteration and widening projects during the year, annual traffic flow declined to 19.56 million vehicles, of which passenger vehicles and goods vehicles accounted for approximately 82.43% and 17.57% respectively. Total revenue for the year was approximately HK$527 million, including a toll revenue of approximately HK$313 million and government subsidies for the alteration and widening project of about HK$214 million. Benefiting from the increase of the RMB exchange rate, Hu-Ning Expressway recorded a profit of approximately HK$408 million for 2008, up 12.7% over last year.

Hu-Hang Expressway (Shanghai Section)

The Hu-Hang Expressway (Shanghai Section) is an integral part of the key national highways system which is connected to the Hu-Hang-Yong Expressway in the Zhejiang province to form the Hu-Hang-Yong Expressway with a total length of 247.6 km. The Hu-Hang Expressway (Shanghai Section) runs for a total length of 47.67 km with nine toll plazas starting from the east between Xinzhuang in the Minhang District in southwest Shanghai and ending at the west at Fengjing in the Jinshan District in Shanghai. The expressway transcends three districts – Minhang, Songjiang and Jinshan, of which the Xinzhuang-Songjiang Section and the Songjiang-Fengjing Section each covers a length of 20.1 km and 27.6 km respectively.

In 2008, Luqiao Development recorded a toll revenue of HK$657 million with a traffic flow of 29.65 million vehicles, of which passenger vehicles and goods vehicles accounted for approximately 77% and 23% respectively. Net profit for the year was HK$206 million. The acquisition of the operating concession of Hu-Hang Expressway (Shanghai Section) was completed in early December 2008. In order to cope with the anticipated increase in traffic flow, Luqiao Development commenced the alteration and widening works for the expressway in January 2009 within the Minhang-Songjiang district. Of the total investment cost of approximately RMB2,167 million required for the works, the Group is responsible for an aggregate amount of RMB1,200 million. A compensation of no less than RMB251.60 million for the reduction of traffic flow caused by the alteration and widening project will be received from the government in 2009. The project is expected to be completed by March 2010. By then, the passage capacity of the Xinsong section will be greatly enhanced. This will in turn increase traffic flow and toll revenue.

Yongjin Expressway (Jinhua Section)

Since the completion of the construction of the expressway, the growth in the traffic flow of Yongjin Expressway (Jinhua Section) was below expectation. In October 2008, the Group decided to sell its entire 30% stake in Yongjin Expressway for a consideration of RMB360 million after reviewing the outlook and management condition of the project. The disposal was approved by the relevant authorities and completed in December 2008, and a disposal gain of approximately HK$208 million was recorded in 2008.

Water Services

As at 31st December 2008, General Water of China had total assets of RMB5.2 billion, comprising 14 water projects and 19 water supply facilities, 17 sewage treatment facilities, two reservoirs and a pipe network of 1,841.27 km to serve a population of tens of millions. Since its inception, the company has been ranked by H2O-China.com as one of the Top Ten Influential Water Service Companies for six consecutive years. During 2008, General Water of China recorded a revenue from principal business and a net profit of HK$587 million and HK$53.28 millon, up 23.3% and 1.87 times respectively over last year. Annual accumulated sales of water volume, total volume of sewage treatment and COD discharge were 358 million tonnes, 264 million tonnes and 71,000 tonnes respectively.

In December 2008, the two shareholders of General Water of China each made a capital injection of RMB250 million respectively in the company with a view to maintain its financial strength, expand the scale of operation, improve operating competitiveness and consolidate its position in the industry. The company will also strive to optimize the capital structure for its water business. With the commencement of operation of the respective new projects, it is anticipated that the enterprise will gradually achieve greater economy of scale.

Project name	Project type	Daily Production Capacity	Interest attributable to General Water of China	Project Progress
1. Project on reservoir and water induction works in Tiger Lake, Huzhou, Zhejiang	Water supply	200,000 tonnes	100%	Water retention ceremony for the reservoir took place in May 2008. At the end of the year, the water level and volume reached 42.18 meters and 41.04 million tonnes respectively. The construction works are expected to be completed by May 2009.
2. Sewage treatment project in eastern Wenzhou, Zhejiang	Sewage treatment	100,000 tonnes	100%	The project is currently in operation subsequent to its inauguration ceremony in March 2008.
3. Sewage treatment project in central Wenzhou, Zhejiang	Sewage treatment	200,000 tonnes	70%	The project is in operation.
4. Sewage treatment project in the new district of eastern Huzhou, Zhejiang	Sewage treatment	50,000 tonnes	100%	The project is in operation.
5. Water supply project in Xiangtan, Hunan	Water supply	425,000 tonnes	70%	• The project is in operation. • During the year, the company has started a second round of water price adjustment, which is expected to be effective from September 2009.
6. Sewage treatment project in river east of Xiangtan, Hunan	Sewage treatment	100,000 tonnes	100%	The water sewage project started its trial run in November 2008 and is expected to commence operation by late April 2009.
7. Water supply and sewage treatment project in Chongqing Changshou Chemical Industrial Zone, Chongqing	Water supply	240,000 tonnes	100%	The project is expected to be completed by June 2009 and will commence trial operation in July 2009.
	Sewage treatment	40,000 tonnes	100%	The first production line is currently under trial run and is expected to commence operation by end of April 2009. The second production line is expected to be completed also by late April 2009 and will commence trial operation in May.
8. Water generation project in Xiamen, Fujian	Water generation	1,200,000 tonnes	45%	The project is in operation.
9. Sewage treatment project in Xiamen, Fujian	Sewage treatment	818,000 tonnes	55%	The project is in operation.
10. Water supply project in Bengbu, Anhui	Water supply	430,000 tonnes	60%	• The project is in operation. • During the year, the company has started a second round of water price adjustment, which is expected to take place from September 2009.
11. Project on sewage treatment plant in Longhua, Shenzhen, Quangdong	Sewage treatment	150,000 tonnes	90%	• The project is expected to be completed by late April 2009 and will commence operation in May.
12. "Yinshi Guo Wei" water supply project In Xianyang, Shaanxi	Water supply	180,000 tonnes	50%	The company is in preparatory stage.
13. Water generation project in Xianyang, Shaanxi	Water supply	300,000 tonnes	100%	The project is expected to be completed by October 2009 and will be in trial operation by late 2009.
14. City water supply project in Suifenhe, Heilongjiang	Water supply	110,000 tonnes	100%	• The first and the second water plants are in operation. • Construction works of the third water plant and the Wuhuashan reservoir project are scheduled to commence by August 2009 and are expected to be completed and start operation by late 2011.

Medicine

Profit from the medicine business for the year amounted to HK$264 million, accounting for approximately 11.9% of the Group's Net Business Profit, up 51.4%. Turnover for the year was HK$5,280 million, increased by 22.2% over last year. During the year, SI Pharmaceutical continued to increase the scale of investment in the medicine business and focus on its core business, orderly divesting from non-medicine business. The move is intended to take advantage of the favourable opportunities that may arise in the next round of medical assets restructuring. For the year ended 31st December 2008, SI Pharmaceutical recorded a turnover of RMB3,208 million (equivalent to approximately HK$3,644 million), up 12.6% over last year. The company has for the first time been included in the top 100 enterprises in Shanghai, ranking No. 71, and was again included in the top 100 enterprises in the medicine industry in the PRC, ranking No. 39.

Chinese Medicine and Health Food

In 2008, Hangzhou Qingchunbao achieved satisfactory sales growth, of which the major brand "Dengfeng" Shen Mai Injection recorded an increase of 33.4%; other products such as "Nimodipine Tablets", "Niaoganning Pellets" and "Shengmai Capsules" all achieved stable increase in sales; sales of health food were relatively slow as a result of the macroeconomic impact.

The annual turnover for Huqingyutang Pharmaceutical increased 14.1% mainly due to growth in drug sales. The company's flagship product, "Huqingyutang Stomach Rejuvenation Tablets" accounted for approximately 40% of its total sales, representing an increase in sales of 22.2% over last year.

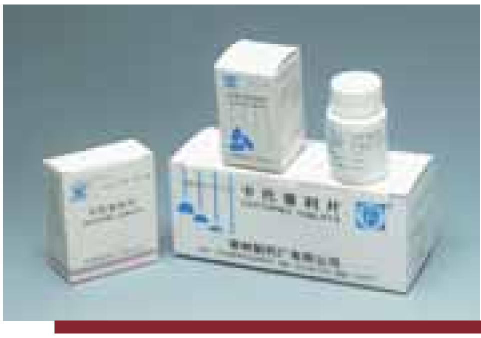
Xiamen TCM recorded an increase in sales of 23.6% with sales of its principal product, "Xinhuang Tablets" growing by 21.2%, reaching over a hundred million Hong Kong dollars for the first time; "Haizhu Chuanxiding Tablets", "Babaodan Capsules" and "Shenshu Pellets" grew by 27.2%, 42.2% and 38.0% respectively. Relocation of the new production plant and construction of the production facilities for modern Chinese herbal medicine were generally completed during the year.

In 2008, sales of Liaoning Herbapex increased 22.7% over last year. Benefiting from the price-stabilizing policy and intensive market distribution, sales of "Herbapex Rupixiao" recorded good results with an increase of 25.6%. The gradual infusion of medical insurance in villages contributed to a larger market for generic drug products and resulted in an overall increase in sales.

Biomedicine

Guangdong Techpool is currently one of the largest producers for human urine protein products in terms of output capacity in PRC. The company's principal products include "Kai Li Kang", a State Category I new drug, "Ulinastatin", an exclusive brand in the domestic market, as well as certain raw pharmaceuticals for overseas markets. In 2008, Guangdong Techpool achieved rapid growth in sales through adjustment of sales policies and injection of additional resources into several key districts. The company recorded an increase in sales of 32.1% over last year with its principal products, "Ulinastatin" and "Kai Li Kang" recording an increase in sales of 47.4% and 2.06 times respectively.

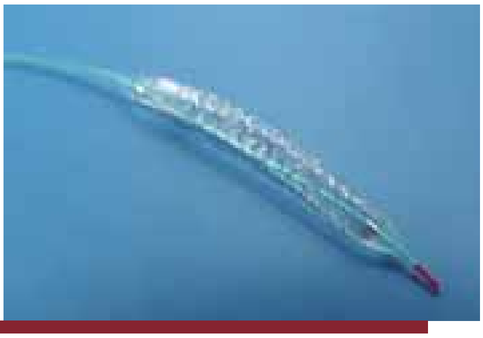
Chemical Medicine



Changzhou Pharmaceutical is a well-known local pharmaceutical enterprise and its subsidiary, Changzhou Pharmaceutical Factory, is the first batch of enterprises designated for the production of basic pharmaceuticals used in urban communities and villages. Major products include "Captopril Tablets" and its raw pharmaceuticals, "Compound Reserpine Tablets", "Thalidomide Tablets" and "Compound Dihydralazine Sulfate Tablets". During the year, Changzhou Pharmaceutical achieved an increase of 23.2% in consolidated turnover, while "Captopril Tablets", "Thalidomide Tablets" and "Compound Dihydralazine Sulfate Tablets" each recorded an increase in sales of 30.9%, 49.7% and 28.7% respectively due to market expansion.

Sales of Major Products

Product Name	Type/Indication	Sales (HK$'000) 2007	2008	Change
"Dengfeng" Shen Mai Injection	Cardiovascular	300,355	**400,556**	33.4%
"Dengfeng" Dan Shen Injection	Cardiovascular	125,257	**138,125**	10.3%
"Huqingyutang" Stomach Rejunvenation Tablets	Gastritis	87,790	**107,316**	22.2%
"Herbapex" Rupixiao Tablets	Gynaecological	119,976	**150,633**	25.6%
"Dinglu" Xinhuang Tablets	Anti-bacterial, anti-inflammatory, pain relieving	90,215	**109,302**	21.2%
"Qingchunbao" Anti-ageing Tablets	Immunity strengthening	251,996	**277,054**	9.9%
"Qingchunbao" Yongzhen Tablets	Health food	38,996	**43,126**	10.6%
"Qingchunbao" Beauty Capsules	Health food	48,838	**46,887**	-4.0%
"Huqingyutang" Herba Dendrobium Grain	Health food	36,474	**34,189**	-6.3%
"Techpool Luoan"	Urinary trypsin enzyme inhibitor	197,949	**291,741**	47.4%
"Changzhou Pharmaceutical" Captopril Tablets	Anti-hypertension	62,152	**81,365**	30.9%
"Compound Reserpine Tablets"	Anti-hypertension	55,013	**66,367**	20.6%



Medical Equipment

During 2008, overall sales of Shanghai Medical Instruments remained stable with an increase of 9.0%, of which tooth filling materials and operating table each recorded an increase in sales of 32.1% and 16.8% respectively. Annual total sales of MicroPort Medical grew by 29.1%. Sales of its major product, Drug Stent System rose by 25.7%. Following their successful expansion into the overseas market, Coronary Stent System and Balloon Catheter each recorded an increase in sales of 29.2% and 2.46 times respectively.

Consumer Products

In 2008, profit contribution from the consumer products business was HK$488 million, accounting for approximately 21.9% of the Group's Net Business Profit. The decline in profit of 49.5% was mainly due to a gain recorded during 2007 arising from the disposal of the Group's automobiles and parts business and the relatively large operating loss incurred by Bright Dairy in the third quarter of 2008. After deducting such disposal gain and related profit contributions, profit from the consumer products business dropped 26.3% over last year. Nanyang Tobacco continued to contribute stable income and cash flows to the Group, providing considerable support for sustainable business growth.

Tobacco

In the face of the worldwide economic downturn, Nanyang Tobacco maintained a growth in turnover of HK$1,976 million in 2008, up 3.1% over last year, and recorded a net profit of HK$445 million, up 4.7% over last year. The increase in profit was mainly due to the adjustments in the distribution structure during the year and the rise in sales for high-margin brand cigarettes. In relation to this, "Double Happiness Classic Deluxe" and canned "Portrait" recorded an increase in sales of 75% and 3.6 times respectively over last year.

During the year, the company took active measures to open up new distribution channels, gearing up brand promotion, improving distribution systems and capturing market share. As a result, sales in the Hong Kong and Macau markets increased 15.0% and 6.2% respectively; sales in the duty-free market and China market increased 12.2% and 26.5% respectively; overseas markets declined by 7.5% over last year due to structural adjustments of distribution channels. Looking ahead, the company will seek further expansion into new markets such as Thailand and Singapore in order to further explore market potentials.

The extension project of Nanyang Tobacco's expanded cut tobacco production lines was completed at the end of 2008. The project is currently under trial production with a view to increasing its daily production capacity to 4,000 kg through further refinement. The new technology can expand cut tobacco capacity, thereby reducing the use of cut tobacco, tar and other harmful substances. Production will also become more economical, and this will in turn enhance the quality of production.

Dairy

Bright Dairy achieved a rapid sales growth of more than 30% for the first eight months of the year, but the outbreak of the "melamine" event in September dampened the entire dairy industry. The dairy product market suffered a big blow as a result, adversely affecting the business of the company. Through stronger control over milk source, brand promotion and terminal management, the company recovered its sales gradually during the fourth quarter of 2008. The annual turnover for the company amounted to RMB7,379 million (equivalent to approximately HK$8,381 million) with a net loss of RMB286 million (equivalent to approximately HK$325 million). In 2009, market recovery will remain the priority for the company. It will focus on regional and product category promotion, maintain product quality and safety measures, and build brand assets and improve profitability.

In March 2008, the Group's acquisition of a 10.005% stake in Bright Dairy from Danone Group was approved by the relevant PRC authorities. The Group currently holds a 35.176% equity interest in Bright Dairy.

Printing

In 2008, Wing Fat Printing recorded a turnover of HK$1,777 million, up 9.9% over last year. The company's earnings performance was affected as the sales market shrank during the second half of the year amidst the depressed global economy while raw material price and operating cost continued to rise. The company recorded a net profit of HK$102 million, declining by approximately 44% compared to last year. In view of the volatile global market conditions, the board of Wing Fat Printing decided to postpone the proposed listing in March 2008, but this may be resumed later depending on market situations.

The new sixth production line of Hebei Yongxin Paper, a subsidiary of Wing Fat Printing, has entered the final stage of construction. In December 2008, the Group made a total capital contribution of approximately HK$80 million to increase its equity interest in Hebei Yongxin Paper by 12.13%, from 66% to 78.13%. The injection of the new capital has helped resolve the company's fund raising problem and ensured the timeliness of the project. The production line is expected to commence operation by mid 2009.

Looking ahead, Wing Fat Printing will concentrate its resources in the printing business which will focus on the printing of cigarette, wine and medicine packaging. The company will seek strategic partners and leverage on acquisition and merger opportunities to strengthen its competitive edge and to further consolidate and expand its market presence.

Supermarket Chains

During the year, Lianhua Supermarket recorded a turnover of RMB20,702 million (equivalent to approximately HK$23,514 million), up 14.46%, and a profit attributable to shareholders of RMB388 million (equivalent to approximately HK$441 million), up 44.74%. Subsequent to the balance sheet date, the Group announced the disposal of its equity interest of 21.17% in Lianhua Supermarket for a consideration of approximately RMB1,056 million (equivalent to approximately HK$1,199 million) to further cut down non-core businesses and to streamline the investment portfolio of the Group. The transaction was completed in March 2009. SI Pharmaceutical is expected to receive an investment gain before tax of approximately HK$622 million for the year 2009.

Real Estate

During 2008, the real estate business contributed a profit of approximately HK$440 million to the Group through property sales, hotel operations, rental income and revaluation of investment properties, accounting for approximately 19.8% of the Group's Net Business Profit. The operating results of Shanghai Urban Development have been consolidated into the accounts of the Company in 2008 and a net profit of HK$704 million was recorded. During the year, the Group acquired from the parent company an equity interest of about 87% in the Four Seasons Hotel Shanghai for a consideration of HK$1,350 million and further injected high-quality assets for the investment portfolio of its real estate business.

Land Reserve

As at 31 December 2008, the Group had a total of eight real estate development projects. As a result of the macro control measures implemented in mainland China against the real estate industry earlier in the year, an increasingly prevalent "wait-and-see" sentiment was common among home buyers in the market. The outbreak of the global financial crisis in the second half of 2008 further intensified the severe situation of the real estate market. In view of this, Shanghai Urban Development has adopted a prudent strategy to focus on a project's value-added potential and the consumption capacity of the market when seeking quality acquisition projects. On such premise for controlling land reserve, the company acquired two parcels of land during the year.

In the first quarter of 2008, Shanghai Urban Development acquired two parcels of land in Chongqing and Kunshan respectively through open market tender. Newly added permissible gross floor area amounted to approximately 215,977 square meters (based on adjusted plot ratios), with an increase in land reserve of 160,763 square meters, resulting in a permissible total gross floor area of up to 3,260,000 square meters

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

Major Development Properties

Project	Type of Property	Approximate Site Area	Total Gross Floor Area (GFA)	Total GFA pre-sold/ GFA Pre-sold in 2008	Interest attributable to Shanghai Urban Development	Date of Completion	Approximate Completion Progress
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)	162,982.47 square meters/ 62,825.18 square meters	90%	2007-2012 in phases	47%
Kuncheng Dijing Garden (琨城帝景園) Kunshan, Jiangsu Province	Hotel, commercial & residential	205,016 square meters	268,020.5 square meters	36,938 square meters/ 22,724 square meters	90%	2007-2010 in phases	70%
Rose City (玫瑰紳城) Hefei, Anhui Province	Commercial & residential	187,060 square meters (included a parcel of land in the northern district)	445,551 square meters	23,620.44 square meters/ 23,620.44 square meters	100%	2008-2010 in phases	48%
Toscana (托斯卡納) Changsha, Hunan Province	Commercial & residential	180,541 square meters	202,425 square meters	67,414.19 square meters/ 11,397.73 square meters	55%	2006-2010 in phases	70%

Major Future Development Properties

Project	Type of Property	Approximate Site Area	Total GFA	Interest attributable to Shanghai Urban Development	Anticipated Project Commencement and Completion Date
Xujiahui Centre (徐家匯中心) Xuhui District, Shanghai	Composite	132,000 square meters dividing into six parcels of land (35,343 square meters obtained)	629,000 square meters (320,700 square meters obtained)	60%, (obtained the land use right of one parcel of land for composite use)	2009-2017 (works commenced subject to the progress of site clearance)
Wuxi Lihu Technology Building (無錫蠡湖科技大厦) Wuxi Lihu Economic Development Area	Hotel & commercial	24,041 square meters	191,660 square meters	100%	2009-2012
Ivy International Community (常青藤國際社區) Chongxing	Residential	126,540 square meters	79,085 square meters (figures arrived after adjustment of plot ratios)	55%	2009-2011
Huaqiao International Service Business Park Lot C-25 (花橋國際商務城C-25地塊) (unofficial name) Kunshan, Jiangsu Province	Composite	34,223 square meters	136,892 square meters	52%	2009-2011

Property Development

During the year, Shanghai Urban Development pre-sold properties in the amount of about HK$1,397 million, comprising a gross floor area of approximately 120,500 square meters. This included Lot E2 of Urban Cradle which was completed and occupied in March 2008. "Urban Cradle – Royal House" villa project and "Urban Cradle – Lounge City" high-rise apartments made debut on the market in November 2008 and soon became the focus of the market with a total of 160 units sold by year end, generating a total pre-sale proceed of HK$1,020 million, a very satisfactory result amidst the slumping property market environment.

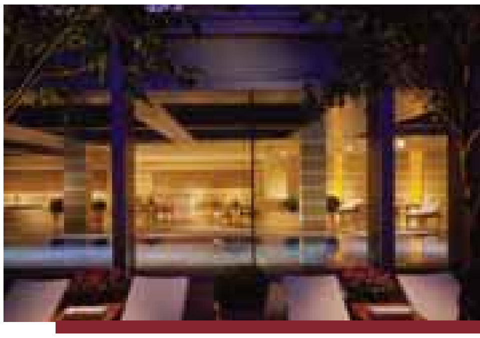
Other property projects under Shanghai Urban Development including Kunshan Kuncheng Dijing Garden, Hefei Rose City and Changsha Toscana recorded a pre-sale amount of HK$349 million with a total gross floor area of approximately 57,700 square meters presold. Looking ahead, the company will continue to invest in development projects and sell them in a timely manner when appropriate, with a view to maintaining steady cash flow and creating greater values.

Property Investment

As at the end of 2008, properties held for investment under Shanghai Urban Development reached a total gross floor area of approximately 76,870 square meters, realizing a total rental income of HK$114 million during the year. The properties, mostly on long term leases, consisted mainly of Urban Development International Tower, Huimin Commercial Tower and other odd properties. Urban Development International Tower is a modern grade A office building conveniently located at the heart of Xujiahui business centre. The tower which has been for rent in the market since late 2007 has achieved satisfactory rental returns. Huimin Commercial Tower is a commercial property with restaurants, food and entertainment located at the heart of Xujiahui business circle with high traffic flow.

In addition to exploring property development projects, the company will monitor the market closely to acquire suitable high-quality and potential value-added property for investment to maintain a solid rental income.

Hotel Operations



In July 2008, the Company announced its acquisition from its parent company of an equity interest of about 87% in the Four Seasons Hotel Shanghai for a consideration of HK$1,350 million. The Four Seasons Hotel Shanghai is a prestigious five-star hotel located in downtown Shanghai and the shopping, entertainment and business hub of Nanjing Road and Huaihai Road. The hotel consists of 421 guest rooms and provides conference and banquet facilities, a fitness centre and spa, as well as a food and beverage hall, etc. The acquisition was completed in early December 2008.

The hotel industry faced considerable challenges in 2008 as a result of changes in the global economy, the appreciating RMB as well as rising operating costs. Under the circumstances, SIIC South Pacific Hotel has taken active steps to develop effective sales strategies to control costs and to explore new sources for hotel guests. For the year 2008, the company recorded an operating income of HK$324 million with an average revenue per room per day (RevPAR) of approximately RMB1,094. The alteration works for the spa facilities commenced last year is scheduled for completion by mid 2009. While meeting the needs of hotel guests, the premium services offered under the hotel's brand will also be further enhanced by then. Looking ahead, the company will keep a close eye on market conditions, implement effective operating measures and maintain its high-quality brand services in order to increase its competitiveness in the market.

Major Development Properties

Urban Cradle (萬源城)

The Urban Cradle Project, located at southwest of Shanghai adjacent to the Shanghai Mid-Ring Road, is the largest residential development project in the city. The Wan Yuan residential area is located at the heart of Gumei district next to Lianhua Road on the east, Hechuan Road to the west, Gudai Road to the south, and reaching Pingnan Road on the north. The project is designated into six lots from A to F. Lot B is earmarked as an independent low-density residential community while Lots C, D, E and F will consist of high-rise apartments with related community facilities.

Kuncheng Dijing Garden (琨城帝景園)

Located at the Northern Block Center in Kunshan City adjacent to the 660 acre Kunshan Ecological Park, Kuncheng Dijing Garden has a good ecological environment. Conveniently located 14 km from the Hu-Ning Expressway on the south and two km from Su-Kun-Tai Expressway on the north, the development project will consist of 92 detached villas and 18 high-rise buildings, comprising a total of 1,304 suites.

Rose City (玫瑰紳城)

Located at the junction of Nanfeihe Road and Dangtu Road of Baohe District in Hefei City, Rose City will be developed into English style joint-row villas, sky villas, high-rise apartments and serviced apartments. Carrying the themes of "rose" and "English culture", the landscaping of the development project will include an open area of English urban square, an English rose garden zone, and an English small town.

Toscana (托斯卡納)

Toscana is located on the southwest side of the junction of Xiangfu Road and Wanjiali Road in the southeasten part of Changsha City. Facing Hunan Forest Botanical Garden on the south and the scenic zone of Kuitang River on the northwest side, the development project is about a two minute drive from the provincial government.

Major Future Development Properties

Xujiahui Centre (徐家滙中心)

The Shanghai Xujiahui Centre project is located at the heart of Xujiahui business circle, extending from the Grand Gateway on the east, Hongqiao Road on the southeast facing the Orient Shopping Centre, and Guangyuan Road West on the north adjacent to Shanghai Jiao Tong University. The project consists of international grade A offices, a super-five-star hotel, an international business centre as well as cultural and entertainment facilities. Subway Route 9 and Route 11 will pass through the development site adjoining Route 1 to form a solid and diversified urban hub.

Wuxi Lihu Technology Building (無錫蠡湖科技大廈)

Located at the junction of Taihu Avenue (key road designated by Wuxi Municipal Government) and Yinxiu Road (district major artery), the Wuxi Lihu Technology Building Project is situated at the core of the Wuxi Lihu Economic Development Area approximately 300 meters from Lake Tai. The project is planned to be a large scale premium commercial complex comprising a five-star hotel, serviced apartments, high-end offices and shops.

Ivy International Community (常青藤國際社區)

Located in southwest Chongqing at the end of Zhongliang Mountain, Ivy International Community is situated in Taojia Town on the southwestern part of Jiulongpo, adjacent to Baipeng Road on the east, the northern extension line planned under the Mid-Ring Road to the west, Daxi River to the south, and Huafu Road to the north. The project is earmarked as a large-scale and high-class international community combining low-density residential areas with detached villas, joint-row villas and houses and high-rise residential apartments.

Kunshan Huaqiao International Service Business Park (昆山花橋國際商務城)

Kunshan Huaqiao International Service Business Park is positioned as an urban complex for the young with Ludi Avenue on its south and Xugongqiao Road on its west. The project represents a perfect combination of work, leisure, and entertainment for the young community.

Others

In the first quarter of 2008, SMIC decided to exit the commodity DRAM business and divert its production capacity to logic wafer production, which has a greater market demand. An impairment loss of US$105.80 million (equivalent to approximately HK$825 million) on long-lived assets was recorded. For the year ended 31st December 2008, sales of SMIC decreased by 12.7% from US$1,549.80 million (equivalent to approximately HK$12,088 million) for 2007 to US$1,353.70 million (equivalent to approximately HK$10,559 million), primarily due to the transition of DRAM production to logic production to its Beijing fab and the sharp market downturn experienced in the fourth quarter. However, non-DRAM revenue has grown by 14.3% over last year. Looking ahead, SMIC will continue to focus on non-DRAM businesses and explore opportunities with its Chinese customers. For the year ended 2008, the Group shared an operating loss of HK$167 million from SMIC, which included impairment losses on related inventory and long-lived assets in regard to SMIC's exit from the DRAM market.

In November 2008, SMIC made a placement of 3,699,094,300 ordinary shares to a strategic investor, representing 19.9% of the then issued shares of SMIC. As a result of the placement, the Group's stake in SMIC was diluted to 8.21%. Prior to the balance sheet date, the Group held shares of SMIC conferring a right to vote of up to 10.09% through its direct shareholding and from voting rights conferred by its parent company.

The Company announced its disposal of 20% equity interest in Shanghai Information Investment for a consideration of HK$775 million in May 2008 which was to follow through its strategy to orderly divest its non-core businesses. The transaction was completed in June and brought a disposal gain of approximately HK$332 million to the Group in 2008.

FINANCIAL SUMMARY

	Year ended 31st December				
	2004 HK$'000	2005 HK$'000	2006 HK$'000	2007 HK$'000 (restated)	**2008** **HK$'000**
RESULTS					
Turnover	3,428,939	6,025,285	6,851,023	8,432,300	**12,732,652**
Profit before taxation	1,685,401	1,449,603	1,736,712	2,576,239	**3,391,587**
Income tax expenses	(186,152)	(194,042)	(236,442)	(295,130)	**(533,821)**
Profit for the year	1,499,249	1,255,561	1,500,270	2,281,109	**2,857,766**
Attributable to					
– Equity holders of the Company	1,377,660	1,027,940	1,257,778	1,963,023	**2,101,546**
– Minority interests	121,589	227,621	242,492	318,086	**756,220**
	1,499,249	1,255,561	1,500,270	2,281,109	**2,857,766**
Earnings per share					
– Basic	HK$1.45	HK$1.07	HK$1.30	HK$1.94	**HK$1.96**
– Diluted	HK$1.42	HK$1.06	HK$1.29	HK$1.93	**HK$1.95**

	As at 31st December				
	2004 HK$'000	2005 HK$'000	2006 HK$'000	2007 HK$'000 (restated)	**2008** **HK$'000**
ASSETS AND LIABILITIES					
Total assets	20,606,861	21,972,155	23,658,128	47,488,947	**51,647,982**
Total liabilities	(3,515,634)	(3,764,126)	(3,927,133)	(17,404,073)	**(19,766,970)**
	17,091,227	18,208,029	19,730,995	30,084,874	**31,881,012**
Equity attributable to equity holders of the Company	15,614,861	16,375,892	17,505,381	22,625,731	**23,401,358**
Minority interests	1,476,366	1,832,137	2,225,614	7,459,143	**8,479,654**
	17,091,227	18,208,029	19,730,995	30,084,874	**31,881,012**

Note: The Company has accounted for the Acquisition, as defined in note 2 to the consolidated financial statements, in accordance with the Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants to prepare the consolidated financial statements, assuming that the current group structure had been in existence throughout the years presented.

In view of immaterial amount involved for year 2004 to 2006, no prior year figures have been restated.

FINANCIAL REVIEW

Key Figures

	2008	2007 (restated)	Change
Results			
Turnover (HK$'000)	**12,732,652**	8,432,300	51.0%
Profit attributable to shareholders (HK$'000)	**2,101,546**	1,963,023	7.1%
Earnings per share – basic (HK$)	**1.96**	1.94	1.0%
Dividend per share (HK cents)	**81**	80	
– Interim (paid)	**45**	37	
– Final (proposed)	**36**	43	
Dividend payout ratio	**41.3%**	41.2%	
Interest cover (note (1))	**13.4 times**	20.0 times	
Financial Position			
Total assets (HK$'000)	**51,647,982**	47,488,947	8.8%
Shareholders' equity (HK$'000)	**23,401,358**	22,625,731	3.4%
Net assets per share (HK$)	**21.74**	21.12	2.9%
Gearing ratio (note (2))	**23.25%**	16.74%	
Number of shares in issue (share)	**1,076,435,000**	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)

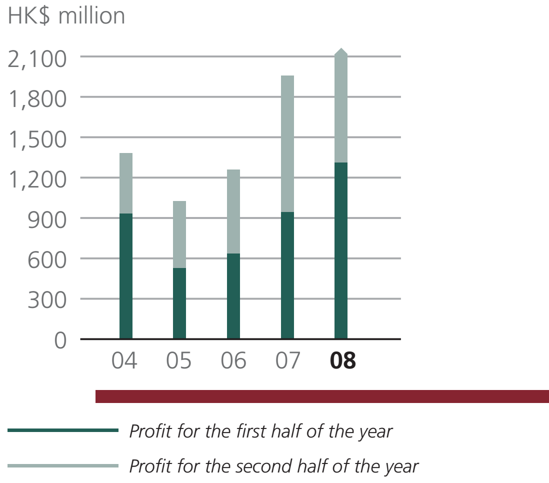
The Company has adopted the Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants in the preparation of its consolidated financial statements, assuming that the current group structure had been in existence throughout the years presented. The financial information for 2008 has been prepared in accordance with "Merger Accounting for Common Control Combinations" and comparative figures for 2007 in this "Financial Review" had been restated accordingly. Since the adoption of "Merger Accounting for Common Control Combinations" has no material impact on the financial information for years 2004 to 2006, no adjustment or restatement for the respective years was presented in this "Financial Review".

I Analysis of Financial Results

1 Profit Attributable to Shareholders of the Company

For the year ended 31st December 2008, the Group recorded a profit attributable to shareholders of HK$2,101.55 million, an increase of HK$138.52 million or approximately 7.1% over 2007.

The increase in profit attributable to shareholders was mainly due to operating profits from newly acquired enterprises in infrastructure facilities and real estate businesses, and the gains from the disposal of Shanghai Information Investment and Yongjin Expressway, which not only off-set the operating and disposal profits from automobile and parts business last year and the negative impacts of unfavorable operating and investing conditions for the year, but also generated profit growth.



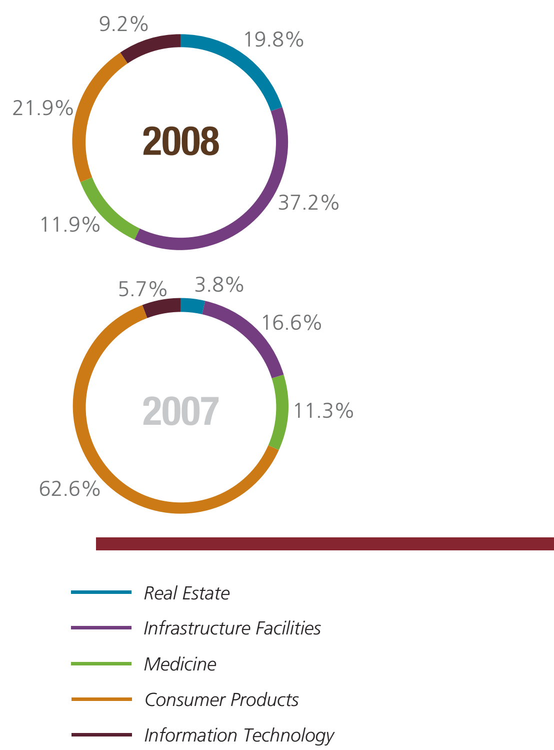
2 Profit Contribution from Each Business

The profit contributed by each business in the Group for the year 2008 and the comparative figures last year was summarized as follows:

	2008 HK$'000	2007 HK$'000 (restated)	Change %
Real Estate	**439,868**	58,720	649.1
Infrastructure Facilities	**828,916**	256,056	223.7
Medicine	**264,285**	174,505	51.4
Consumer Products	**487,875**	966,150	(49.5)
Information Technology	**204,422**	88,141	131.9

Following the completion of acquisition of a 59% equity interest in Shanghai Urban Development in December 2007, its full year financial results have been consolidated for the first time in the year. The acquisition of a 87% equity interest in SIIC South Pacific Hotel was also completed in the year, with its results reflected in real estate business. The sales revenue of Yi Town and Yuxi of Urban Cradle, Changsha Toscana and Kunshan Kuncheng Dijing Garden have been recognized upon completion of delivery procedures, together with the completion of Urban Development International Tower that brought revaluation gain and recurrent rental income, which were the major sources of profit to real estate business.

Profit from the infrastructure facilities business increased significantly by approximately 223.7% from last year. In addition to the disposal gain of HK$207.77 million from the disposal of 30% equity interests in Yongjin Expressway in the year, and the recognition of full year results of HK$205.09 million from the acquired Luqiao Development; General Water of China and Hu-Ning Expressway, the two existing infrastructure facilities entities, also achieved steady business growth through subsidy income for water supply business and toll revenue deficiency compensation for alteration and expansion works respectively.



Operating conditions of the medicine business were still affected by a number of factors including uncertainties in medical reform policies and rising raw material prices, however, all major medicine enterprises of the Group recorded operating profit growth during the year by strengthening their efforts in marketing and cost control, together with a major medicine enterprise was granted the High-New Technology Enterprise qualifications with applicable preferential tax rate of 15%, resulted in remarkable increase in the overall profit of the business.

As the main profit contributor of consumer products business, Nanyang Tobacco maintained a stable profit in the year driven by sales. However, due to the completion of disposal of three automobile and parts enterprises last year, no operating income nor disposal gain from such three enterprises was recorded for the year; the melamine incident that Bright Dairy had to incur impairment on recalled and returned products as well as make provision for sales costs; and the high raw material prices that Wing Fat Printing suffered from a decrease in operating profit, all resulted in a decline of approximately 49.5% in results of consumer products business. Excluding the profit contributions from the three automobile and parts enterprises in 2007, the profit from consumer products business decreased 26.3% in the year.

In the year, the Group completed the disposal of Shanghai Information Investment and some strategic investments, and recorded remarkable growth for the results of information technology business. With respect to SMIC, it successfully introduced Datang Telecom Technology & Industry Holdings Co., Ltd ("Datang") as a strategic investor, to leverage Datang's technology expertise, resources and PRC and global network, so as to enhance SMIC's PRC presence and further improve its global competitiveness. SIIC, the major shareholder of the Group, unconditionally granted the Company all voting and management rights attached to all its shareholdings in SMIC during the year, the SMIC shares held by the Group have then been reclassified from available-for-sale investments to interest in associates, and SMIC's assets and liabilities were revaluated at fair value and recorded a discount on acquisition of interests in associates, which approximated to its impairment loss recognized in respect of available-for-sale investments.

Full details of the operating performances and progress of individual businesses for the year 2008 are contained in the section headed "Business Review, Discussion and Analysis".

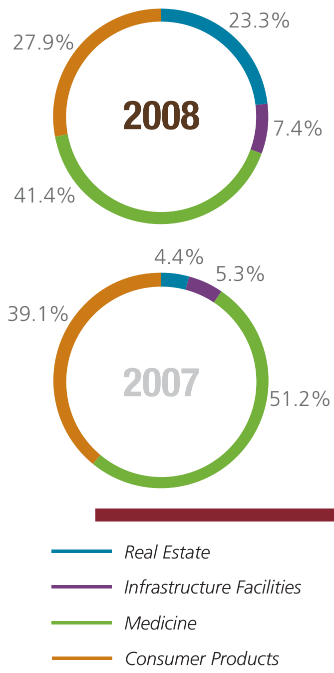
FINANCIAL REVIEW

3 Turnover

The Group's turnover by principal activities for the year 2008 and prior year comparatives was summarized as follows:

	2008 HK$'000	2007 HK$'000 (restated)	Increase %
Real Estate	**2,961,994**	369,983	700.6
Infrastructure Facilities	**938,802**	446,690	110.2
Medicine	**5,280,547**	4,322,141	22.2
Consumer Products	**3,551,309**	3,293,486	7.8
	12,732,652	8,432,300	51.0

Turnover in 2008 increased by approximately 51.0% over 2007, this was driven not only by the organic growth in medicine and consumer products businesses, but most importantly the first year inclusion of property sales revenue in real estate business on consolidation, and the increase in toll revenue from Hu-Hang Expressway of infrastructure facilities business. These factors were also the major reasons for the Group's turnover surpassing HK$10 billion for the first time.



Turnover of real estate business of the Group comprised mainly property sales revenue and the turnover from SIIC South Pacific Hotel. The sales of Yi Town and Yuxi of Urban Cradle, Changsha Toscana and Kunshan Kuncheng Dijing Garden have been completed and delivered for occupation, with a turnover of approximately HK$2.6 billion. The turnover of SIIC South Pacific Hotel has been accounted for using the merger accounting method. The turnover in 2008 decreased as compared with 2007, due to the global financial crisis and the reduction in inbound business travelers caused by the Olympics held in China.

The snow storm in China at the beginning of the year and the alteration and expansion works had a negative impact on traffic flow and toll revenue of the Hu-Ning Expressway, resulting in a 10.2% decrease in toll revenue. During the year, turnover from the acquired Luqiao Development has been accounted for using the merger accounting method since the completion of acquisition by SIIC in October 2007, and the toll revenue of HK$635.09 million in 2008 represented an increase of HK$526.57 million from the restated turnover of HK$108.52 million for last year.

Medicine subsidiaries still operated in an unstable macro environment with uncertainties in medical reform policies, rising raw material prices, increased government spending in medicine and concern over human health issues, but turnover of our medicine business recorded a double digit growth for the second year through increased marketing and promotional efforts. With respect to consumer products business, its turnover experienced steady growth, with increases in turnover of 3.1% and 9.9% respectively for Nanyang Tobacco and Wing Fat Printing.

4 Profit before Taxation

(1) Gross Profit Margin

Gross profit margin for the year was 36.5%, representing a decrease of approximately 2.1 percentage points compared to 38.6% last year. Such decrease was due to the turnover of real estate comprised 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) Other Investment Income

The decrease in other investment income was mainly due to the falling market interest rates and the fluctuation in investment markets, resulting in a decrease in both interest income and fair value of investments.

(3) Other Income

The snow storm at the beginning of the year and the alteration and expansion works of the Hu-Ning Expressway had a negative impact on traffic flow, resulting in an increase in toll revenue deficiency compensation for alteration and expansion works of HK$82.65 million for the year to HK$214.36 million, which was the main reason for the increase in other income.

(4) Share of Results of Jointly Controlled Entities

Last year, the Group recorded a share of profit of HK$126.34 million from Huizhong Automotive, and an accretion gain of HK$67.48 million derived from the injection of the information and media related assets into Shanghai Information Investment by one of its shareholders. However, with the disposal of equity interests in Huizhong Automotive and Shanghai Information Investment, the Group's share of results of jointly controlled entities decreased.

(5) Share of Results of Associates

Share of results of associates decreased, mainly due to the decreases in the results of two major associates. Bright Dairy had to incur impairment on recalled and returned products as well as make provision for sales costs due to the melamine incident, resulting in a loss of RMB286 million for the year, and the Group's share of loss of HK$94.44 million, as opposed to a share of profit of HK$54.75 million last year. In addition, due to continuous price drop of DRAM products, SMIC exited commodity DRAM business and had to make impairment provisions for relevant inventories and long-lived assets which resulted in increased losses.

(6) Discount on Acquisition of Interests in Associates and Impairment Losses Recognized in Respect of Available-for-Sale Investments

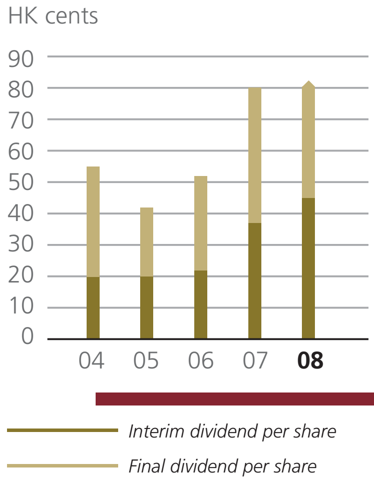
During the first half of 2008, the Group adjusted its investment strategies, with SMIC reclassified as available-for-sale investments. Thereafter, SIIC granted the Company unconditionally all voting and management rights attached to all its shareholdings in SMIC, and the Group regained significant influence on SMIC, and reclassified its equity interests in SMIC again as interests in associates. Based on the fair value of the assets and liabilities of SMIC, a discount income on acquisition was recorded, which approximated to the impairment loss of SMIC recognized under available-for-sale investments.

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

The Group completed the disposal of Shanghai Information Investment and Yongjin Expressway during the year, with disposal gains of HK$331.98 million and HK$207.77 million respectively.

5 Dividends

The Group adopts a stable dividend payout policy. The Board of Directors has proposed to declare a final dividend of HK36 cents per share, together with an interim dividend of HK45 cents per share, the total dividend amounts to HK81 cents per share for the year. The dividend payout ratio was 41.3% for the year.

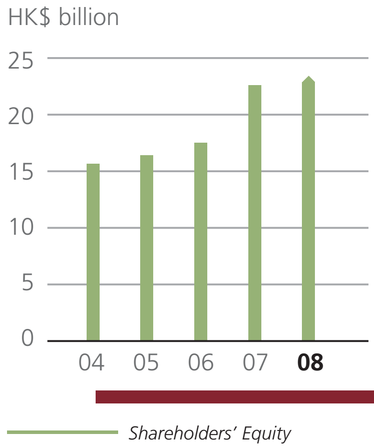


II Financial Position of the Group

1 Capital and Shareholders' Equity

The Group had a total of 1,076,435,000 shares in issue as at 31st December 2008, which was increased by 5,174,000 shares as compared with 1,071,261,000 shares in issue as at the end of 2007. The increase is mainly attributable to the exercise of share options by employees.

The Group maintains a sound financial position. The shareholders' equity, reached HK$23,401.36 million as at 31st December 2008, which was attributable to the net profits and the increase in number of shares in issue for the year after deducting the dividend actually paid during the year.



2 Indebtedness

(1) Borrowings

The Group obtained two three-year term syndication loan facilities of a total of HK$2.87 billion in the year through a wholly-owned subsidiary, SIHL Finance Limited, together with the long term and revolving loan facilities of HK$3 billion obtained in 2006, they will provide sufficient funds to finance the Group's operation and development amid the global financial crisis and tightening credit market.

As at 31st December 2008, the total borrowings of the Group amounted to approximately HK$9,660.04 million (31st December 2007: HK$6,049.30 million), of which 59.7% (31st December 2007: 52.1%) was an unsecured credit facility.

(2) Pledge of Assets

As at 31st December 2008, the following assets were pledged by the Group in order to secure general credit facilities granted to the Group:

(a) investment properties with a carrying value of approximately HK$1,898,796,000 (31st December 2007: HK$125,962,000);

(b) plant and machinery with a carrying value of approximately HK$110,309,000 (31st December 2007: HK$40,044,000);

(c) leasehold land and buildings with a carrying value of approximately HK$274,381,000 (31st December 2007: HK$258,610,000);

(d) motor vehicles with a carrying value of approximately HK$90,000 (31st December 2007: HK$843,000);

(e) properties under development held for sale with a carrying value of approximately HK$1,892,262,000 (31st December 2007: HK$1,584,019,000);

(f) properties held for sale with a carrying value of approximately HK$762,119,000 (31st December 2007: HK$23,675,000);

(g) toll road operating rights with a carrying value of approximately HK$5,820,389,000 (31st December 2007: HK$5,613,348,000);

(h) other inventories with a carrying value of approximately HK$38,948,000 (31st December 2007: Nil); and

(i) bank deposit of approximately HK$800,541,000 (31st December 2007: HK$51,975,000).

(3) Contingent Liabilities

As at 31st December 2008, the Group has given guarantees to banks in respect of banking facilities utilized by an entity controlled by Xuhui District State-owned Assets Administrative Committee, a jointly controlled entity, associates and outsiders of approximately HK$1,261.10 million (31st December 2007: HK$1,065.38 million) in total.

3 Capital Commitments

As at 31st December 2008, the Group had capital commitments mainly contracted for business development and investments in fixed assets of HK$1,737.97 million (31st December 2007: HK$1,984.68 million). The Group had sufficient internal resources to finance its capital expenditures.

4 Bank Deposits and Short-term Investments

As at 31st December 2008, bank balances and short-term investments held by the Group amounted to HK$9,568.64 million (31st December 2007: HK$6,934.18 million) and HK$162.72 million (31st December 2007: HK$3,136.22 million) respectively. The proportions of US dollars, Renminbi and HK dollars were 29%, 67% and 4% (31st December 2007: 23%, 65% and 12%) respectively. Short-term investments mainly consisted of investments such as equity linked notes, bonds and PRC listed shares.

While having sufficient working capital and a healthy interest cover, the Group is monitoring the market situation and the funding requirements for business development, will seek opportunities to optimize capital structure should needs arise.

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 aimed at minimizing exchange rate risks during the year.

2 Interest Rate Risk

The exposure in interest rate risks of the Company mainly arises from the three syndicated loans. In order to exercise prudent management against interest rate risk, the Group held certain structured interest rate hedging contracts to the notional amount of HK$500 million as at 31st December 2008 to hedge interest rate risk of its syndicated loans. The Group will continue to review the market trend, as well as its business operations needs and its financial position, so as to arrange the most effective interest rate risk management tools.

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 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 which, based on previous experience, is evidence of a reduction in the recoverability of cash flows.

With respect to the credit risk of the Group's treasury operations, the Group's bank balances and cash, equity 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 Group's credit risk exposure.

IV Post Balance Sheet Events

The following events were entered into by the Group subsequent to 31st December 2008:

1. On 16th January 2009, Luqiao Development, a wholly owned subsidiary of the Company entered into an agreement with Shanghai Public Road Construction Company, an independent third party, for the widening and alteration on the Xin-Song Section of Hu-Hang Expressway for the aggregate amount of RMB1,200 million.

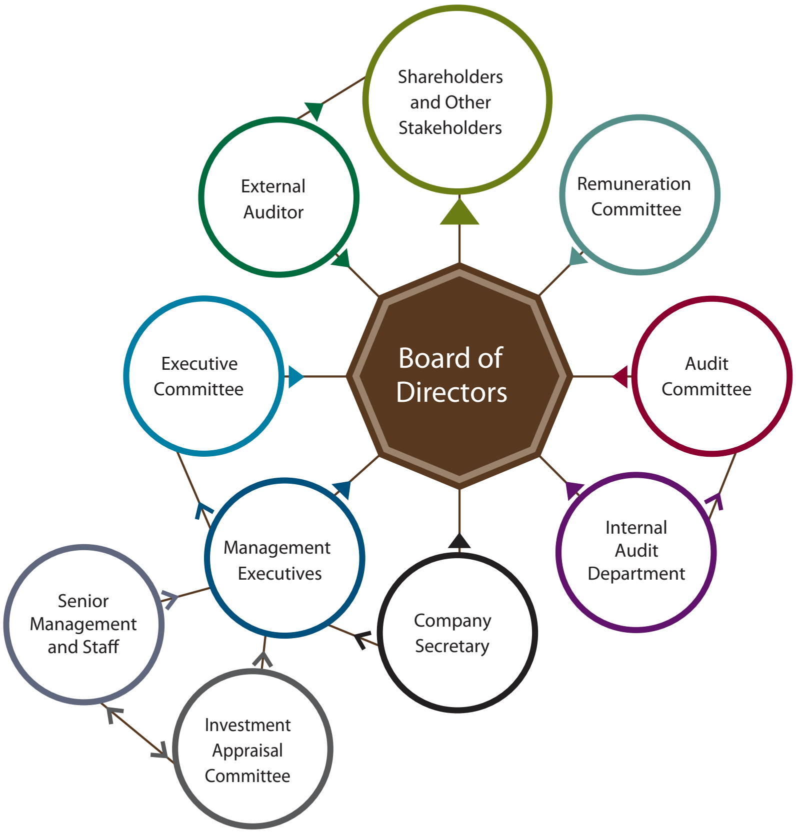
2. On 21st January 2009, SI Pharmaceutical and Shanghai Hua Rui Investment Co. Limited entered into the equity transfer agreement with Bailian Group Co. Limited ("Bailian"), to transfer the Group's entire equity interest in Shanghai Industrial United (Group) Commercial Network Development Company Limited ("SIUC") to Bailian at an aggregate consideration of RMB1,055.85 million. The Group through SIUC holds a 21.17% shareholdings in Lianhua Supermarket. The transaction was completed on 3rd March 2009.

CORPORATE GOVERNANCE REPORT

The Group has been implementing effective corporate governance. Through the establishment of robust internal control mechanisms, the Company has enhanced transparency and accountability for the operation of its business, and has assured that operating and financial risks as well as compliance of its business operations are taken into consideration in the corporate decision making procedures, with a view to establishing a sound monitoring platform for its operations and thus protecting Shareholders' interests.

Corporate Governance Structure

The Board highly values Shareholders' and other stakeholders' interests in the course of decision making. Through its corporate governance structure, the board delegates authorities to its committees for implementing the corporate governance measures formulated by it:



In accordance with the requirements of the Code on Corporate Governance Practices, the Company has during the year conducted an annual review on the effectiveness of the internal control system of the Company and its subsidiaries in addition to the internal audit conducted on all directly owned entities held by the Company. The scope of such review covered financial, operational and compliance controls and risk management functions. During the year, in view of the changes in rules and regulations, the Company had provided professional training to the relevant officers of its member companies on applicable laws and regulations of mainland China and Hong Kong.

Under the principle of strict compliance on internal guidelines for information dissemination to the public in order to ensure that such disclosures to the market are made in a fair, timely and accurate manner, the Group will from time to time provide Shareholders and investors with a wide range of business information, including but not limited to, financial reports, operating results and latest business news through various channels.

Compliance with Corporate Governance Practices

During the year ended 31st December 2008, save as disclosed in the section of Re-election of Directors in this Report, the Company has applied the principles and complied with all code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. Details of the principles and practices of governance of the Company and the major work and relevant changes during the year are set out in this Report.

Board of Directors

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

Composition of the Board

The Board of Directors of the Company has eleven members, of whom eight are Executive Directors and three are Independent Non-Executive Directors.

Members of the Board	
Executive Directors	
Mr. Teng Yi Long	*(Chairman)*
Mr. Cai Yu Tian	*(Vice Chairman and 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. Zhou Jun	*(Deputy CEO)*
Independent Non-Executive Directors	
Dr. Lo Ka Shui	
Prof. Woo Chia-Wei	
Mr. Leung Pak To, Francis	

Mr. Cai Lai Xing honorably retired by rotation as Executive Director and Chairman of the Company in May 2008 and Mr. Teng Yi Long was then appointed Executive Director and Chairman of the Company. In April 2009, due to a change in job duties, Mr. Tang Jun resigned as Executive Director of the Company, and Mr. Zhou Jun was appointed as Executive Director of the Company. The resolutions in relation thereto had been passed by all members of the Board, and relevant announcements were made in accordance with the requirements of the Listing Rules.

The members of the Board comprise experts from various professions who have served in relevant government and judiciary authorities, enterprises or financial institutions in mainland China or Hong Kong. They have extensive experience in corporate and financial administration, economic research and asset management.

No members of the Board are related among themselves in terms of financial, business and family. Brief Biographical Details of the Directors and Senior Management are set out on pages 54 to 61 of this Annual Report and published in the Company's website. In all corporate communications, the Company had disclosed the composition of the Board according to the categories and responsibilities of the Directors.

Chairman and Chief Executive Officer

Mr. Teng Yi Long and Mr. Cai Yu Tian are the Chairman and the Chief Executive Officer of the Company respectively. The Chairman is mainly responsible for the management of the Board, providing leadership and ensuring that the Board works effectively, the Directors are properly briefed on issues arising at Board Meetings and receive adequate information, which must be complete and reliable, in a timely manner. The Chief Executive Officer is mainly responsible for the operation and management of the Group's businesses, leading the management executives and members of the management to perform their duties in accordance with the established business strategies and operation directions of the Board. The Company has adopted an Interpretation on the Responsibilities between the Chairman and the Chief Executive Officer for division of responsibilities between the two roles.

Nomination of Directors

The nomination of the Directors is principally made by the controlling Shareholder of the Company recommending candidates to the Company, and considered by the Board on the basis of the candidates' working experience, profession and academic background, and the time and contribution they are able to devote to the Company. Mr. Teng Yi Long was nominated for the position of Executive Director and Chairman of the Company on 30th May 2008, and Mr. Zhou Jun was nominated as Executive Director of the Company on 15th April 2009. The resolution regarding his appointment had been approved by all members of the Board. The Company has provided to newly appointed Directors the information required for their office and adequate guidance and advice for their responsibilities under the laws and regulations.

Re-election of Directors

According to the provisions of the Code on Corporate Governance Practices, all newly appointed Directors are subject to election by Shareholders at the first general meeting after appointment. Mr. Teng Yi Long was appointed as Director on 30th May 2008. Subsequently, the Company announced its acquisition of interest in the Hu-Hang Expressway (Shanghai Section) and the Four Seasons Hotel Shanghai in July 2008 and convened an Extraordinary General Meeting in September 2008. As the matters in respect of Mr. Teng Yi Long's appointment were already reported to the Shareholders at the Annual General Meeting held on 30th May 2008 and an announcement in respect thereof was made on the same day, no arrangements were then made in relation to the re-election of Mr. Teng Yi Long at the said Extraordinary General Meeting. However, Mr. Teng will, in accordance with the Company's Articles of Association, being eligible for re-election, retire at the forthcoming 2009 Annual General Meeting to be held on 5th June 2009.

Each Director (including those Directors who are appointed with a specific term) is subject to be re-elected by rotation at least once every three years. At the 2008 Annual General Meeting held on 30th May 2008, Mr. Zhou Jie and Mr. Qian Shi Zheng, Executive Directors, and Dr. Lo Ka Shui and Prof. Woo Chia-Wei, Independent Non-Executive Directors, who retired by rotation in accordance with the Articles were re-elected. At the 2009 Annual General Meeting of the Company to be held on 5th June 2009, Mr. Teng Yi Long and Mr. Zhou Jun are subject to re-election in accordance with the Articles of Association of the Company, and Mr. Cai Yu Tian, Mr. Lu Ming Fang, Mr. Ding Zhong De and Mr. Leung Pak To, Francis shall retire by rotation in accordance with the Articles. All of them, being eligible, have offered themselves for re-election. The biographical details of the Directors to be re-elected at the 2009 Annual General Meeting are set out in the circular to Shareholders regarding proposed general mandates to repurchase shares and to issue shares and re-election of retiring Directors, to be dispatched to the Shareholders together with this Annual Report, so as to enable the Shareholders to make an informed decision on their election.

Term of Directors

According to the Directors' service agreements entered into between the Company and Mr. Teng Yi Long, Mr. Cai Yu Tian, Mr. Ding Zhong De, Mr. Zhou Jie, Mr. Qian Shi Zheng and Mr. Zhou Jun (all of whom are Executive Directors) respectively, any party to the agreement may terminate the agreement by giving to the other party prior written notice. In addition, the Company also executed letters of appointment for each of the remaining two Executive Directors and three Independent Non-Executive Directors, specifying an appointment term of three years, subject to renewal upon expiry.

None of the Directors has entered into any service agreement with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

As at the date of this Report, the years of service and term of appointment for each member of the Board are as follows:

Name of Directors	Positions in the Board	Years of service	Term of appointment
Executive Directors			
Teng Yi Long	Chairman	11 months	Any party to the agreement may terminate the agreement by giving to the other party six months' prior written notice.
Cai Yu Tian	Vice Chairman and Chief Executive Officer	3.5 Years	Any party to the agreement may terminate the agreement by giving to the other party six months' prior written notice.
Lu Ming Fang	–	7 Years	Until 31st December 2011, subject to renewal upon expiry.
Ding Zhong De	–	5 Years	Any party to the agreement may terminate the agreement by giving to the other party six months' prior written notice.
Zhou Jie	Executive Deputy CEO	7 Years	Any party to the agreement may terminate the agreement by giving to the other party six months' prior written notice.
Qian Shi Zheng	Deputy CEO	7 Years	Any party to the agreement may terminate the agreement by giving to the other party six months' prior written notice.
Yao Fang	–	6 Years	Until 31st December 2011, subject to renewal upon expiry.
Zhou Jun	Deputy CEO	3.5 Years	Any party to the agreement may terminate the agreement by giving to the other party six months' prior written notice.
Independent Non-Executive Directors			
Lo Ka Shui	–	13 Years	Until 31st December 2010, subject to renewal upon expiry.
Woo Chia-Wei	–	13 Years	Until 31st December 2010, subject to renewal upon expiry.
Leung Pak To, Francis	–	13 Years	Until 31st December 2010, subject to renewal upon expiry.

Responsibilities of Directors

Each Director shall from time to time understand his responsibilities as a Director of the Company, as well as the way of operation, business activities and development of the Company. As at the date of this Report, the Company has provided to Mr. Teng Yi Long and Mr. Zhou Jun, the newly appointed Directors, the Memorandum of Responsibilities for Directors. Briefing sessions and training are delivered to the Directors whenever necessary during their tenure to ensure that they have the appropriate understanding of the operations and business of the Company and are fully aware of their statutory responsibilities under the applicable laws and regulations.

The functions of the Company's Independent Non-Executive Directors include participating in Board Meetings to bring an independent judgment on issues of strategy, policy, internal control, performance, accountability, resources, key appointments and standards of conduct; taking the lead where potential conflicts of interests arise; scrutinizing the performance of the Company in achieving agreed corporate goals and objectives, and monitoring the reporting of the Company's performance. All Independent Non-Executive Directors are also members of both of the Audit Committee and the Remuneration Committee of the Company. There is no material commercial transaction entered into between them and the Company, its controlling Shareholder and their respective subsidiaries, and they have no material interest in the principal operating activities. There was no evidence in any aspect which demonstrated that the guidelines relating to the assessment of the independence of Directors as set out in Rule 3.13 of the Listing Rules were not complied with. Each Independent Non-Executive Director has confirmed their independence according to Rule 3.13 of the Listing Rules for the year.

Maintaining close association with each of the Directors, the Company Secretary is responsible for ensuring that Board meeting procedures and all applicable rules and regulations are followed, and offering advice and services to the Board members where necessary. Furthermore, the Company has established the Procedures for Directors to Seek Professional Advice in order to assist the Directors to discharge their duties. The Directors may seek independent professional advice according to such agreed procedures at the expense of the Company.

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

Proceedings at Directors' Meetings

Generally, the time schedule for convening regular meetings of the Board (in this section it also refers to the Board Committees) for the next year will be proposed to each Director at the end of each year and provided to all Directors and Committee members after it is decided, so that arrangements could be made by each Director and Committee members for attending the meetings. The Board convenes four regular meetings each year. Save for non-regular meetings, during the year 2008, notices of Board Meetings were given to each Director 14 days before the date of the meeting in accordance with the requirements of the Code on Corporate Governance Practices. The management shall also ensure delivery of complete and reliable information to the Board. In order to ensure that the Directors are given sufficient time to review the documents, the Company Secretary is responsible to send out the relevant materials for board meetings 3 days (excluding Saturday, Sundays and public holidays) before the date of the meeting.

The Company Secretary will confirm with the Directors if any matters are required to be included in the agenda for regular meetings of the Board. The Directors are given the contact information of the management or relevant employees, so that the Directors may have direct access to them where necessary and have their questions being answered by the management for better discharge of their duties as members of the Board.

Minutes of the Board and its Committee meetings are kept by the Company Secretary and have recorded in sufficient detail the matters considered at the meeting, including any concerns raised by Directors or dissenting views expressed. Board meeting documents and related materials are open for inspection at any time by any Director. Drafts and full versions of minutes of meetings are to be sent to all Directors or Committee members by the Company Secretary for their comment and records respectively within a reasonable time after the meeting is held.

If a substantial Shareholder or a Director has a material conflict of interest in a matter to be considered by the Board, the matter will not be dealt with by circulation of document and will be dealt with at a regular Board Meeting to be attended by all Directors. During the year, physical meetings were convened for consideration of the Board to discuss on the relevant matters in relation to the disposal of interest in Shanghai Information Investment to and the acquisition of interest in the Hu-Hang Expressway (Shanghai Section) and the Four Seasons Hotel Shanghai from the controlling Shareholder of the Company. If any resolution of the Board Meeting involves material interests of any Director or any of his/her associates, such Director must abstain from voting and will not be counted in the quorum present at the meeting. According to the provisions of the Articles of Association, a Director holding 5% or more interests is regarded as having material interest.

In 2008, seven Board meetings were held by the Company, with an attendance rate of 98%. Items reviewed including but not limited to 2007 annual results, 2008 first quarter, interim and third quarter results, the discloseable and connected transactions relating to the disposal of interest in Shanghai Information Investment to and the acquisition of interest in the Hu-Hang Expressway (Shanghai Section) and the Four Seasons Hotel Shanghai from the controlling Shareholder of the Company, and the change in members of the Board, Executive Committee and Remuneration Committee respectively.

Code for Securities Transactions by Directors

Pursuant to the relevant provisions in the Model Code in Appendix 10 and the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules, the Company has established its own Code for Securities Transactions by Directors or Relevant Employees. The Directors and employees of the Company who, because of his office or employment, are likely to be in possession of any unpublished price sensitive information in relation to the Company's securities, and any directors or employees (and their associates) of the Company's subsidiaries or parent company must comply with such code in dealing with the securities of the Company. The code of the Company was set on terms no less exacting than the required standards set out in the Model Code. Having made enquiries with all the Directors, it was confirmed that the requirements of the Model Code and the Company's code were fully complied with during the year 2008. The interests of Directors in the securities of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance), were set out on pages 64 to 65 of this Annual Report.

The Company has made corresponding amendments to its existing Code for Securities Transactions by Directors or Relevant Employees in accordance with the newly amended provisions for securities transactions by directors of listed issuers made by the Stock Exchange, and such amendments were considered and passed by the Board.

Delegation by the Board

The Company has established an Executive Committee, an Audit Committee and a Remuneration Committee under the Board. The Executive Committee has given clear directions on the authority of the management executives in particular on investment appraisal, capital commitment and financial support, supervise various functional departments in their daily operations and report to the Executive Committee. The Board will, in accordance with practical needs, review the delegation of authority where appropriate, to ensure a highly effective and clearly authorized management system.

Executive Committee

The Executive Committee, established in 1996, is a decision-making administrative body under the Board, with the primary purpose of taking charge of the day-to-day business of the Company, ensuring the proper execution of the resolutions approved by the Board and the Shareholders respectively, reviewing major business activities and investments and reporting to the Board.

- As of the date of this Report, all members of the Executive Committee are Executive Directors, namely Mr. Teng Yi Long, Mr. Cai Yu Tian, Mr. Lu Ming Fang, Mr. Zhou Jie, Mr. Qian Shi Zheng and Mr. Zhou Jun.
- Mr. Teng Yi Long is the Chairman of the committee.
- On 30th May 2008, Mr. Cai Lai Xing honorably retired by rotation as an Executive Director and Chairman of the Company and Mr. Cai ceased to be a member of the committee accordingly. Mr. Teng Yi Long was then appointed to the committee on the same day.
- On 15th April 2009, due to a change in job duties, Mr. Yao Fang ceased to be a member of the committee, and Mr. Zhou Jun was appointed to the committee on the same day.

Major Work Done by the Executive Committee

During 2008, the Executive Committee held eight meetings in the form of written resolutions. Matters considered include appointment of Deputy CEO, change of Company Secretary, adjustment of staff of subsidiaries, disposal of interest in Shanghai Information Investment, acquisition of interest in the Hu-Hang Expressway (Shanghai Section) and the Four Seasons Hotel Shanghai, increase in capital of General Water of China, disposal of interest in Yongjin Expressway and increase of equity interest in Hebei Yongxin Paper. The attendance rate was 100%.

Management Executives

The implementation of the decisions of the Executive Committee is delegated to the Management Executives and the functional departments. As of the date of this Report, members of the Management Executives are Mr. Cai Yu Tian, Mr. Zhou Jie, Mr. Qian Shi Zheng, Mr. Zhou Jun, Mr. Zhang Zhen Bei and Mr. Ni Jian Da. The functional departments of Hong Kong headquarters include Administration and Human Resources, Company Secretarial, Corporate Communications, Finance, Information Technology, Internal Audit, Legal and Investment Operations. The functional departments of Shanghai Regional Head Office include Administration and Human Resources, Audit, Enterprise Management, Finance and Investment Planning.

Investment Appraisal Committee

The Company has established an Investment Appraisal Committee to appraise the Company's investment projects from different perspectives with professional competence and views given by various functional departments based on the Company's overall business investment strategies. After conducting comprehensive analysis and discussion of key project elements, such as industry background, organizational structure, business development plans, return on investment, financial risk and legal risk issues, the committee forms its independent professional advice and submits recommendations and reports to the Management Executives. Such appraisal will then be submitted to the Executive Committee for approval according to the procedures regarding corporate investment decision-making process. The Investment Appraisal Committee is mainly comprised of the functional departments at the Hong Kong headquarters. The members are currently the Head of the Investment Operations Department, the Chief Legal and Compliance Officer cum Company Secretary and the Chief Financial Officer. During the year, the Investment Appraisal Committee conducted appraisals on six projects.

Remuneration Committee

The Remuneration Committee, established in 2004, is mainly responsible for reviewing the remuneration policy and structure of the Company as a whole and supervises the effective implementation of such policy, and makes recommendations to the Board on the establishment of a formal and transparent procedure for setting remuneration policy and structure in regard to the Directors and senior management. The terms of reference for the Company's Remuneration Committee are published in the Company's website.

- As at the date of this Report, the Remuneration Committee comprises of three Independent Non-Executive Directors – Dr. Lo Ka Shui, Prof. Woo Chia-Wei and Mr. Leung Pak To, Francis and representatives from the management – Mr. Zhang Zhen Bei and Mr. Zhang Jie.

- Dr. Lo Ka Shui is the Chairman of the committee, while the Company Secretary acts as the Committee Secretary.

- During the year, due to a change in job duties, Mr. Hu Zi Li ceased to be a member of the committee, and Mr. Zhang Jie was appointed to the committee on the same day.

Major Work Done by the Remuneration Committee

During 2008, the Remuneration Committee held four meetings, one of which was in the form of written resolutions. The attendance rate was 100%. Matters considered include the proposal on distribution of discretionary bonuses to the Executive Directors and senior management for 2007, the proposal on adjustment of basic salaries of Directors for 2008, the entering into of service agreements and employment contracts with Directors and senior management respectively, the annual review of salaries of senior management for 2008 as well as the payment of remuneration to Directors and senior management for the first half of 2008.

According to the performance appraisal policy, the Company will carry out annual salary reviews of the employees taking into account its business performance, the individual performance of the staff and industry average to ensure that a reasonable and competitive compensation package is provided for its employees. To encourage employee performance, the Company also grants share options to employees of the position of assistant manager or above and to Executive Directors.

Determination of Directors' Remuneration

The remuneration of the Directors was determined with reference to the operating results of the Company, industry benchmark and Directors' job responsibilities. Apart from the basic salaries, the Directors are entitled to discretionary bonuses subject to the operating results of the Group, prevailing market conditions and performance of the respective Directors. In determining the remuneration package of the Executive Directors, the Remuneration Committee will, if necessary, consult the Chairman and/or the Chief Executive Officer, or seek advices from professional consultants.

Directors' Remuneration

For the year ended 31st December 2008, the remuneration of each Director was as follows:

Name of Director	Director's fee and committee remuneration HK$'000	Basic salaries and allowance HK$'000	Bonuses HK$'000	Equity-settled share-based payment expense HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive Directors						
Teng Yi Long (Note1)	–	1,518	979	–	130	2,627
Cai Lai Xing (Note 2)	–	1,276	823	11	109	2,219
Cai Yu Tian	–	2,251	1,900	463	193	4,807
Lu Ming Fang	200	513	–	8	89	810
Ding Zhong De	–	1,831	800	356	157	3,144
Zhou Jie	–	1,847	900	6	158	2,911
Qian Shi Zheng	–	1,797	800	5	154	2,756
Yao Fang	200	1,002	125	–	42	1,369
Tang Jun (Note 3)	200	–	–	5	–	205
Independent Non-Executive Directors						
Lo Ka Shui	326	–	–	–	–	326
Woo Chia-Wei	312	–	–	–	–	312
Leung Pak To, Francis	312	–	–	–	–	312
	1,550	**12,035**	**6,327**	**854**	**1,032**	**21,798**

Notes:

(1) On 30th May 2008, Mr. Teng Yi Long was appointed as Executive Director and Chairman of the Company. The service agreement in relation thereto was effective from 5th July 2008.

(2) On 30th May 2008, Mr. Cai Lai Xing honorably retired by rotation as Executive Director and Chairman of the Company.

(3) On 15th April 2009, due to a change in job duties, Mr. Tang Jun resigned as an Executive Director of the Company.

Audit Committee

The Audit Committee, established in 1998, is a standing committee under the Board which plays a vital role in corporate governance. The Audit Committee is mainly responsible for reviewing accounting policies and practices adopted by the Group. It also discusses matters related to financial reporting, as well as internal control and risk management, and reports to the Board with recommendations in respect of the above matters.

- As at the date of this Report, the members of the Audit Committee include three Independent Non-Executive Directors, namely Dr. Lo Ka Shui, Prof. Woo Chia-Wei and Mr. Leung Pak To, Francis.
- Dr. Lo Ka Shui is the Chairman of the committee, while the Company Secretary acts as the Committee Secretary.
- The Company has made corresponding amendments to the terms of reference of the Audit Committee in accordance with the newly amended provisions in relation to audit committees' terms of reference under the Code on Corporate Governance Practices of the Stock Exchange, and such amendments were considered and passed by the Board in the form of written resolutions. The amended terms of reference are published in the Company's website.

Major Work Done by the Audit Committee

During 2008, the Audit Committee held five meetings, one of which was in the form of written resolutions. The attendance rate was 100%. Matters considered at the meetings included review of the Group's 2007 annual results, 2008 interim results, the fees for engaging external auditor to perform the audit work for 2007, non-audit projects and fees for 2007, and review of the Company's financial control, internal control, risk management system and internal audit reports. During the year, one meeting was held in the absence of Executive Directors for the Audit Committee to meet with the auditor.

The management shall ensure the completeness and reliability of the information provided to the Audit Committee, so as to allow the committee to effectively perform its duties. The Audit Committee may, if necessary, seek professional advice in accordance with the Procedures for Directors to Seek Professional Advice of the Company at the expense of the Company.

In considering the re-appointment of external auditor, the Audit Committee had taken into consideration its relationship with the Company and their independence in the provision of non-audit services. The external auditor has adopted internal policies and processes for maintaining independence, including but not limited to regular rotation of audit partners and staff.

Based on the results of the review and after taking into account the opinion of the management, the Audit Committee recommended the Board to re-appoint Deloitte Touche Tohmatsu as the external auditor of the Company for 2009, subject to approval by the Shareholders at the Annual General Meeting to be held on 5th June 2009. There has never been any former partner of the firm then auditing the accounts of the Company acting as a member of the Company's Audit Committee.

The Company has also established Policies on Provision of Non-audit Services by External Auditor, and reported to the Audit Committee each year on non-audit services provided by the auditor to the Group. The audit fee of the external auditor for the year 2008 was HK$8,850,000. During the year, the non-audit services provided to the Group by the Company's external auditor (including their affiliates) and the relevant fees were as follows:

Non-audit Services	2008 (HK$)	2007 (HK$)
Financial due diligence for project acquisitions	150,000	610,000
Reporting accountant's fees	1,919,000	10,020,000
Taxation advisory fee	336,000	260,000
Others	26,000	20,000
	2,431,000	10,910,000

Preparation of Financial Statements

The financial statements and interim report of the Company for 2008 were prepared in accordance with and disclosure requirements set forth in Appendix 16 of the Listing Rules, Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants. The Board is responsible for preparing and reviewing the Company's accounts to ensure that they give a true and fair view on the financial position, profits and cash flows of the Company, and the Board's responsibility to present a balanced, clear and understandable assessment in all Shareholders' communications extend to the results and conditions of the Group, price-sensitive information and other information required to be disclosed under statutory requirements.

During the year, the management had provided the Board with sufficient and adequate data to review the Company's accounts, so as to enable the Board to make an informed assessment of the financial and other information put forth for approval. The Company has consistently applied applicable accounting policies, and had made prudent and reasonable judgments and estimates, and prepared its accounts on a going concern basis. The external auditor had stated their reporting responsibilities in the independent auditor's report on the relevant financial statements, and the report is set out on pages 71 to 72 of this Annual Report.

CORPORATE GOVERNANCE REPORT

The attendance of individual Directors and committee members in 2008 is set out below:

Meetings held in 2008					
	Meetings attended/Meetings held				
	Board	Executive Committee	Remuneration Committee	Audit Committee	Shareholder
Meetings held in the year	**7**	**8**	**4**	**5**	**2**
Executive Directors					
Teng Yi Long (Note 1)	4/4	5/5	–	–	1/1
Cai Lai Xing (Note 2)	3/3	3/3	–	–	1/1
Cai Yu Tian	7/7	8/8	–	–	2/2
Lu Ming Fang	7/7	8/8	–	–	1/2
Ding Zhong De	7/7	–	–	–	1/2
Zhou Jie	7/7	8/8	–	–	2/2
Qian Shi Zheng	7/7	8/8	–	–	2/2
Yao Fang	7/7	8/8	–	–	1/2
Tang Jun (Note 3)	7/7	–	–	–	2/2
Independent Non-Executive Directors					
Lo Ka Shui	7/7	–	4/4	5/5	2/2
Woo Chia Wei	7/7	–	4/4	5/5	0/2
Leung Pak To, Francis	6/7	–	4/4	5/5	1/2
Committee Members					
Zhang Zhen Bei	–	–	4/4	–	–
Zhang Jie (Note 4)	–	–	3/3	–	–
Hu Zi Li (Note 4)	–	–	1/1	–	–
Attendance	**98%**	**100%**	**100%**	**100%**	**73%**

Notes:

(1) On 30th May 2008, Mr. Teng Yi Long was appointed as Executive Director and Chairman of the Company.

(2) On 30th May 2008, Mr. Cai Lai Xing honorably retired by rotation as Executive Director and Chairman of the Company.

(3) On 15th April 2009, due to a change in job duties, Mr. Tang Jun resigned as Executive Director of the Company.

(4) Due to a change in job duties, the duties of Mr. Hu Zi Li in the Company was taken up by Mr. Zhang Jie, and Mr. Zhang was appointed as a member of the Remuneration Committee on 30th May 2008.

Internal Control

The Board is responsible to ensure that the internal control system of the Group is sound, proper and effective so as to safeguard the assets of the Company and investments of the Shareholders and also endeavors to maintain sound risk management and internal control systems for the purpose of providing early warning on risks exposed in business operations and financial management and monitoring the rationale behind decisions to be made in operations decisions and resources allocation. This will allow consistent and effective implementation of the systems, clear delegation of authority and responsibilities and achievement of pre-determined objectives. The Group has established a series of internal management systems which include Investment Project Appraisal Policy, Project Manager Management Manual, Financial Management System, Budget System, Connected Transactions Reporting System, Guidebook on Internal Audit System, Internal Control System for SI Pharmaceutical, System Catering for Independent Directors' Role on Annual Reports for SI Pharmaceutical and Information Flow Guidelines.

The Company has established an Internal Audit Department which is mainly responsible for monitoring the internal control system of the Group (including all its major subsidiaries) to ensure prudent and proper operation of the respective companies. The audit covers financial, operational and compliance controls and risk management functions. The department conducts independent reviews, assessment and follow-up procedures, and reports to the Audit Committee and the Board regularly on a quarterly basis. The internal audit system is currently conducted in a cycle of three years. Internal audits will be conducted at every major entity under the Group for risk assessment purpose according to the significance of the individual projects. All these entities are assigned with designated officers to give feedback on audits made by the Internal Audit Department.

For the year ended 31st December 2008, the Company has collected information and carried out investigation in respect of internal control issues of its subsidiaries. There was no material deviation in the compliance with guidance on internal controls by the subsidiaries. They have complied with relevant laws and industry regulations in respect of internal control for compliance, and there was no material non-compliance of rules or material litigation risks. In addition, the Board and the Audit Committee considered the resources allocated, staff qualification and experience in respect of the accounting and financial reporting function of the Company as well as training programs and budget were adequate and sufficient.

The Group has been focusing on product quality management. During the year, Changzhou Pharmaceutical Factory has established an environmental management system adopting the ISO14001 standards, and had duly passed the first and second rounds of ISO14000 review within a month and obtained the certification. Guangdong Techpool also passed the ISO14001 environmental management system review during the year. Furthermore, the solid drug preparation workshop of Mysun Pharmaceutical also passed the GMP certification.

Shareholders

Information for Shareholders and Investors

As at 31st December 2008, SIIC, the controlling Shareholder of the Company, held 559,559,371 shares (excluding interests in underlying shares and short positions) of the Company. The percentage of shareholding was 51.98% (excluding underlying shares), and the percentage of public shareholding was 48.02%. In accordance with the SFO, shares held by substantial Shareholders of the Company and their respective associates in the Company and its associated corporations are set forth in the Report of the Directors of this Annual Report.

The Board will communicate with and address questions raised by Shareholders at annual general meetings. The Chairman of the Company and Chairman of committees under the Board had attended the Annual General Meeting for 2008 and addressed questions raised by Shareholders. The Shareholders and the investors can from time to time by way of e-mails, telephone or in writing to express their valuable opinions and to communicate with the Company.

The Group disseminates information on business development on a timely basis through various channels to maintain transparency of its operation, including publication of annual reports and interim reports, dispatch of circulars to Shareholders, and publication of results highlights in Chinese and English newspapers. Updated business development of the Group is also made public in press conferences and press releases. All the above information are available on the Company's website. Apart from the Group's business information, the Company's website also provides access to the websites of the major entities under the Group. In addition, senior management of the Company meets with analysts and overseas institutional investors from time to time, to explain and discuss the published business information of the Company. The Company Secretary or senior management in charge of the Company's investor relations is responsible for giving replies to all inquiries and suggestions from Shareholders, investors, media and the public. The Company has an e-mail address *enquiry@sihl.com.hk* for the purpose of investor relations so as to facilitate better communication.

To cope with various asset acquisitions, business reorganization and market financing activities, the Company's management have extensive contacts with securities dealers' representatives and institutional investors through various investor functions including luncheons, briefing sessions, telephone conferences, company visits and road shows, in order to let them understand the latest development of the Company. During the year, the Company also actively participated in a total of 12 investors' seminars in Hong Kong and overseas organized by large securities firms, and made use of such opportunities to explain to more than 500 institutional investors the latest development strategies and future directions of the Company. This has allowed investors from various sectors to better understand the investment strategies, operation and prospects of the Group.

Proceeding at Shareholders' Meetings

The notice for the 2008 Annual General Meeting was set out in the circular to Shareholders regarding proposed general mandates to repurchase shares and to issue shares and re-election of retiring Directors and dispatched to all Shareholders on 28th April 2008. At the 2008 Annual General Meeting, the Chairman had explained the procedures to demand a poll in such meeting, answered related questions raised by attending Shareholders, and the procedures were set out in the circular to Shareholders dated 28th April 2008. At the 2008 Annual General Meeting held on 30th May 2008, the Chairman proposed separate resolutions for each separate matter to be transacted at the meeting and demanded poll for all resolutions to be voted at the meeting with the power conferred to him by the Articles of Association (see the table below for details of the resolutions put to vote). Tricor Secretaries Limited, the Share Registrar of the Company, was appointed as the scrutineer and was responsible for the arrangement of the voting procedures. The Company announced the results of the poll in the evening of the same day and published the same on the website of the Company and the HKExnews website of the Stock Exchange for perusal by the Shareholders.

Resolutions put to vote at the 2008 Annual General Meeting
1. To adopt the audited consolidated Financial Statements and the Reports of the Directors and the Auditor for the year ended 31st December 2007.
2. To declare a final dividend.
3. To re-elect retiring Directors and authorize the Board to fix the Directors' remuneration.
4. To re-appoint Messrs. Deloitte Touche Tohmatsu as Auditor and to authorize the Directors to fix the Auditor's remuneration.
5. To give a general mandate to the Directors to repurchase shares not exceeding 10% of the issued share capital.
6. To give a general mandate to the Directors to allot, issue and deal with additional shares not exceeding 20% of the issued share capital.
7. To extend the general mandate granted to the Directors to issue shares by the number of shares repurchased.

In 2008, pursuant to the Listing Rules, the Company convened an Extraordinary General Meeting on 8th September 2008 for the discloseable and connected transactions in relation to the acquisition of interest in the Hu-Hang Expressway (Shanghai Section) and the Four Seasons Hotel Shanghai. The Company issued the relevant announcements and had sent circulars to the Shareholders with details of such transactions and related information in accordance with the Listing Rules. Such information had been published on the website of the Company and the HKExnews website of the Stock Exchange respectively. The Chairman had explained the procedures to demand a poll in the Extraordinary General Meeting and answered questions raised by the attending Shareholders, and such procedures were set out in a circular to Shareholders dated 15th August 2008. The Chairman had demanded poll for the proposed resolutions put to vote at the meeting (see the table below for details) with the power conferred to him by the Articles of Association. Tricor Secretaries Limited, the Share Registrar of the Company, was appointed as the scrutineer and was responsible for the arrangement of the voting procedures. The Company announced the poll results in the evening of the same day and published the same on the website of the Company and the HKExnews website of the Stock Exchange for perusal by the Shareholders.

Resolutions put to vote at the Extraordinary General Meeting on 8th September 2008
1. To approve the acquisition of interest in the Four Seasons Hotel Shanghai by the Company from the controlling Shareholder.
2. To approve the acquisition of interest in the Hu-Hang Expressway (Shanghai Section) by the Company from the controlling Shareholder.

Pursuant to the newly amended provisions of the Listing Rules, all matters proposed to be voted at general meetings shall be taken by poll effective from 1st January 2009. In addition, the Company has arranged to send the Notice of the 2009 Annual General Meeting to Shareholders before 30th April 2009 pursuant to the newly amended provisions of the Code on Corporate Governance Practices which requires the notice to shareholders to be sent at least 20 clear business days before the annual general meetings.

Trading Platform of the Company's Shares

The Company currently maintains mechanisms for the trading of its shares in the Hong Kong and New York markets. Investors can trade ADR Level 1 shares set up by the Company in the over-the-counter market in the US. Each ADR represents 10 ordinary shares of the Company. The Bank of New York Mellon is the depositary of the Company's ADR. Investors in Hong Kong can obtain ADR quotes for each trading day of the Company's shares through the media. The Company is a constituent stock of the MSCI China Free Index and HSCI Index.

Human Resources

Remuneration and Benefits Policies

Through its performance appraisal mechanism, the Company carries out annual reviews in accordance with its business performance, individual performance of the staff, and industry average, in order to provide a reasonable and competitive compensation package for its employees.

Staff (including Directors) salaries, allowances and bonuses totaled HK$938 million for 2008 (2007: HK$802 million). In order to ensure effective recruitment and successful retention of talents, the Company offers, in addition to salaries, allowances and bonuses, a compensation package to its staff that includes cash allowances, medical and personal accident insurance. The Company operates a defined contribution pension scheme for its qualified employees. Furthermore, in compliance with Mandatory Provident Fund Schemes Ordinance, all employees are required to participate in the mandatory provident fund scheme. The assets of the two schemes are administered separately by independent custodian in accordance with relevant laws and regulations.

Share Options

The Group grants share options as incentives to Directors, employees and other eligible persons for their contribution the Group. Pursuant to the Share Option Scheme adopted by the Company on 31st May 2002, the Company has granted share options in three batches. As at the date of this Report, the exercisable period of the first batch of share options was expired, and the second batch of share options granted in September 2002 was also lapsed on 1st March 2009. The third batch of 5,000,000 share options were granted in May 2006 with an exercise price of HK$17.10 per share. For the year ended 31st December 2008, 11,117,000 share options were exercised, while 383,000 share options were unexercised and lapsed, and 3,500,000 share options remain outstanding.

In the year 2008, the weighted average closing price of the Company's Shares immediately before the respective dates on which the share options were exercised is HK$28.77 (2007: HK$33.40). Total consideration received for shares issued upon exercise of share options under the SIHL Scheme was approximately HK$80,422,000 (2007: HK$90,459,000).

The Group recognized an expense of approximately HK$1,953,000 for the year ended 31st December 2008 (2007: HK$5,460,000) in relation to the share options granted by the Company, in which approximately HK$1,460,000 (2007: HK$4,048,000) was related to options granted to the Group's employees and shown as staff costs, and the remaining balance represents share option expense for other eligible participants.

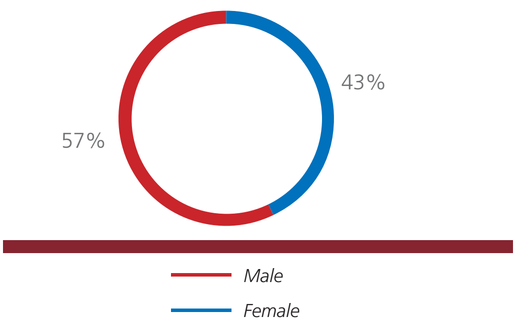
In addition, the Company adopted a share option scheme for Mergen Biotech on 28th May 2004. The first batch of share options for 63,400 Mergen Biotech shares was granted in December 2004 of which share options for 49,700 Mergen Biotech shares were lapsed during the year. Mergen Biotech is a subsidiary in which the Company owns a 70.41% interest, the major assets of which is a 100% stake in Sunway Biotech. Sunway Biotech is principally engaged in the development and production of anti-cancer drugs. The primary purpose for Mergen Biotech to adopt the share option scheme was to offer relevant employees the opportunity to acquire a stake in Mergen Biotech, encouraging them to perform their work with the aim to appreciate Mergen Biotech's value. For the year ended 31st December 2008, no Mergen Biotech share options have been granted or exercised.

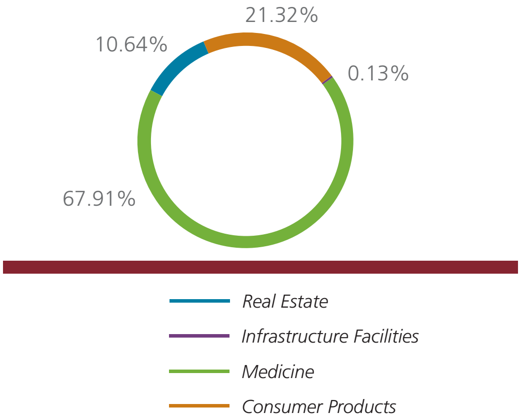
Details of the SIHL Schemes and Mergen Biotech Scheme are set out in note 38 to the financial statements.

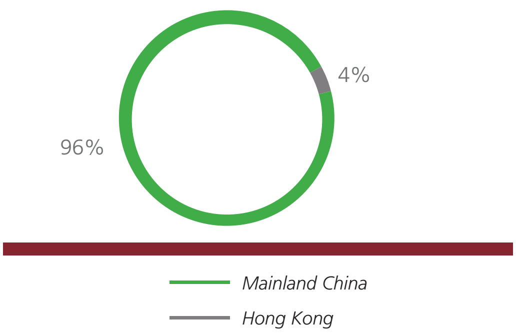
Human Resources

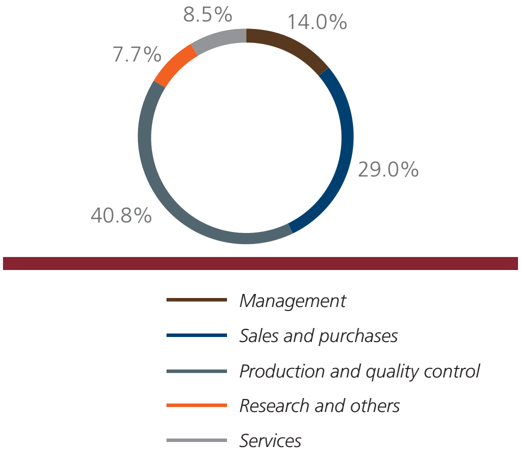
The Group has an outstanding team of employees, which has complied with various working rules, codes, principles and moral standards established by the Company. The continued and due diligence efforts of the employees taking up respective responsibilities are the necessary driving forces behind the sustainable growth of the Group.

As at 31st December 2008, the Group had a total of 14,883 employees, representing an increase of 4.2% over 2007, mainly due to the increase in number of subsidiaries including Luqiao Development and SIIC South Pacific Hotel. Of all the employees, 96% were stationed in mainland China (2007: 96%) and the remaining 4% (2007: 4%) were Hong Kong employees. The average age of the employees was 36 (2007: 36), whereas the average years of service were 9 (2007: 8). The ratio of male to female staff was 57:43 (2007: 58:42). About 23% (2007: 23%) of the employees were university degree holders or above. The distributions of employees according to business sector or work nature were as follows:









The Company has been committed to staff training. During the year, the Company offered various training programs to staff, which covered financial and tax management, new tax laws promulgated in mainland China, internal control, interpretations of laws and regulations, implementation of Labour Contract Law of mainland China, industrial safety, and GMP training and assessment. The Company also sponsored its staff at various levels to enroll in appropriate courses through the sponsorship scheme for further studies established by the Company, so as to encourage employees to continue their education, add value for themselves and the Company.

Social Responsibilities

Environmental protection has been a social topic of everyone's concern. During the year, the headquarters of the Company and related subsidiaries of the Group have complied with relevant environmental protection laws and regulations and passed certain environmental reviews. Currently, certified environmental protection paper is used in the preparation of all the Company's annual reports, interim reports and circulars to Shareholders. During the year, many subsidiaries allocated resources in improving their environmental protection facilities and increase the area of green zones. Those companies also took initiatives to reduce the discharge of pollutants in the course of production. Noise reduction and environmental friendly materials were used in the construction of the Hu-Hang Expressway (Shanghai Section) for the reduction of noise nuisance to the neighboring residents and creation of a green and environmental friendly driving environment for road users. In accordance with the environmental laws and regulations, Wing Fat Printing required its suppliers to provide MSDS certification and ink samples for submission to the Environmental Protection Department for certification. Changzhou Pharmaceutical Factory has fully modified its environmental protection facilities, including the separation of rain and polluted water, and setting up treatment facilities for exhaust gases and sewage.

In 2008, the snowstorm and Szechuan earthquake in mainland China had caused extensive destruction. The headquarters of the Company and its subsidiaries took initiatives to donate cash and necessities. During the year, Hangzhou Qingchunbao received the Award for Outstanding Social Responsibilities for pharmaceutical enterprises awarded jointly by the China Pharmaceutical Enterprise Management Association and people.com.cn, which recognizes social responsibilities and provision of public health services. During the year, the Group had also participated in a variety of charity activities in Hong Kong and mainland China, including but not limited to, poverty alleviation, scholarship and related grant, loan, and relief as a feedback to the society.

By Order of the Board
Leung Lin Cheong
Company Secretary

Hong Kong, 21st April 2009

DIRECTORS' AND SENIOR MANAGEMENT PROFILES

Back Row: Ni Jian Da; Zhou Jun; Qian Shi Zheng; Ding Zhong De; Lu Ming Fang; Zhou Jie; Yao Fang; Zhang Zhen Bei
Front Row: Leung Pak To, Francis; Lo Ka Shui; Teng Yi Long (Chairman); Cai Yu Tian (Vice Chairman & CEO); Woo Chia-Wei

Directors

Executive Directors

Mr. TENG Yi Long ***Executive Director, Chairman***
(Appointed on 30th May 2008 ~ Present)

Mr Teng, aged 61, is the chairman of Shanghai Industrial Investment (Holdings) Company Limited. He graduated from Shanghai Jiaotong University majoring in industrial engineering management and East China University of Politics and Law majoring in civil and commercial law. He held top management position in Sichuan Diesel Engine Factory and was the Deputy Director of Sichuan Sixth Machinery Industrial Bureau under the Sixth Machinery Industrial Ministry. Also he held top management position in Shanghai Jiangnan Shipyard and was the chairman of Shanghai Municipal Federation of Trade Unions, a vice chairman of All China Federation of Trade Unions and the President of the Shanghai High People's Court. He has over 20 years of experience in the management of large enterprises and has over ten years of judicial experience. He has extensive experience in economics, legal matters, enterprise management and shipbuilding, and in organizing and implementing key technological R&D projects. Mr. Teng is currently a member of the National Committee of the Chinese People's Political Consultative Conference and the Consultative Committee of the Supreme People's Court of the PRC, an adjunct professor of East China University of Political Science and Law and Shanghai University of Engineering Science, an honorary researcher of Shanghai Academy of Social Sciences, the vice chairman of Commercial Aircraft Corporation of China, Ltd. and an honorary president of The Hong Kong Chinese Enterprises Association.

Mr. CAI Yu Tian ***Executive Director, Vice Chairman, Chief Executive Officer***
(Appointed on 19th December 2005 ~ Present)

Mr. Cai, aged 59, is an executive director and the president of Shanghai Industrial Investment (Holdings) Co. Ltd. Concurrently he is the chairman of Shanghai Urban Development (Holdings) Co. Ltd., Shanghai SIIC South Pacific Hotel Co. Ltd. and General Water of China Co. Ltd. Mr. Cai obtained a master's degree from East China Normal University with major in world economics, and was a research associate. Mr. Cai had been the manager of Zhong Hua Enterprises Co. and the vice chairman of Shanghai Gu Bei Joint Development Co. During the period from September 1987 to November 2005, he had been the Deputy Director and the Director of the Shanghai Municipal Housing Administration Bureau, the Director of the Shanghai Municipal Housing and Land Administration Bureau and the Director of the Shanghai Municipal Housing, Land and Resources Administration Bureau respectively. Mr. Cai has more than 20 years' experience in real estate, economic and administrative management.

DIRECTORS' AND SENIOR MANAGEMENT PROFILES

Mr. LU Ming Fang ***Executive Director***
(Appointed on 5th January 2002 ~ Present)

Mr. Lu, aged 52, is an executive director of Shanghai Industrial Investment (Holdings) Co. Ltd. ("SIIC"), the chairman of Shanghai Industrial Pharmaceutical Investment Co. Ltd. ("SI Pharmaceutical") and the chairman of S.I. Pharmaceuticals Group Ltd. He graduated from Fudan University with a master's degree in economics and The Chinese University of Hong Kong with a master's degree in professional accountancy, and is designated a senior economist. Mr. Lu joined SIIC in July 1995. He is the chairman of Shanghai Pharmaceutical (Group) Co. Ltd. and was the Chief Executive Officer of the Company, deputy general manager of the assets management department of SIIC, a director and executive deputy general manager of Shanghai S. I. Capital Co. Ltd., director and general manager of Shanghai Industrial United Holdings Co. Ltd. (now SI Pharmaceutical), assistant president and vice president of SIIC and general manager of its finance and planning department. He has over 20 years' management experience, including over 10 years' working experience in investment banking and listed companies.

Mr. DING Zhong De ***Executive Director***
(Appointed on 19th January 2004 ~ Present)

Mr. Ding, aged 59, joined Shanghai Industrial Investment (Holdings) Co. Ltd. ("SIIC") in May 1997. He is an executive director of SIIC and is the chairman of Nanyang Brothers Tobacco Co. Ltd. He is also a director of The Wing Fat Printing Co. Ltd. and the chairman of the supervisory committee of Shanghai Industrial Pharmaceutical Investment Co. Ltd. Mr. Ding obtained a master's degree in science from Fudan University and holds the designation of senior economist. He was the Deputy Director of the Shanghai Municipal Party Committee's Research Office. He has extensive experience in economic research and enterprise management.

Mr. ZHOU Jie ***Executive Director, Executive Deputy CEO***
(Appointed on 5th January 2002 ~ 18th January 2004
Re-appointed on 19th November 2007 ~ Present)

Mr. Zhou, aged 41, is an executive director and the executive vice president of Shanghai Industrial Investment (Holdings) Co. Ltd. ("SIIC") and a director of Shanghai Industrial Pharmaceutical Investment Co. Ltd., Chia Tai Qingchunbao Pharmaceutical Co. Ltd., Shanghai Sunway Biotech Co. Ltd. and The Wing Fat Printing Co. Ltd. He is a non-executive director of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co. Ltd. and Semiconductor Manufacturing International Corporation, and the chairman of the supervisory committee of Bright Dairy and Food Co. Ltd. Mr. Zhou graduated from Shanghai Jiaotong University with a master's degree in management science and engineering. He was the deputy general manager of the investment banking head office of Shanghai Wanquo Holdings Ltd. (now Shenyin & Wanguo Securities Co. Ltd.). He joined SIIC in May 1996 and had held the positions of the chairman and general manager of Shanghai S.I. Capital Co. Ltd. He has over 10 years' experience in investment banking and capital market operation.

Mr. QIAN Shi Zheng ***Executive Director, Deputy CEO***
(Appointed on 5th January 2002 ~ Present)

Mr. Qian, aged 56, is a vice president of Shanghai Industrial Investment (Holdings) Co. Ltd. ("SIIC") and a director of Shanghai Urban Development (Holdings) Co. Ltd. He graduated from Fudan University with a master's degree in economics and a doctorate degree in management and had taught at Fudan University. He joined SIIC in January 1998, and served as chief accountant and the general manager of the internal audit department. Currently, he is the vice chairman of Haitong Securities Co. Ltd. He has over 20 years' experience in theory and practice of finance and accounting.

Mr. YAO Fang ***Executive Director***
(Appointed on 7th May 2003 ~ Present)

Mr. Yao, aged 39, is a vice president of Shanghai Industrial Investment (Holdings) Co. Ltd. ("SIIC"). Mr. Yao is a director of Shanghai Industrial Pharmaceutical Investment Co. Ltd., the chairman of Shanghai Medical Instruments Co. Ltd., Chia Tai Qingchunbao Pharmaceutical Co. Ltd., Guangdong Techpool Biochem Pharma Co. Ltd. and Hangzhou Huqingyutang Pharmaceutical Co. Ltd. He is also the vice chairman of Hangzhou Huqingyutang Drugstore Co. Ltd. and a director of Changzhou Pharmaceutical Co. Ltd. and MicroPort Medical (Shanghai) Co. Ltd. He graduated from The Chinese University of Hong Kong with a master's degree in business administration, and is designated an economist. After working for Bank of Communications (Shanghai branch) and Shanghai Wanguo Holdings Ltd. (now Shenyin & Wanguo Securities Co., Ltd.), Mr. Yao joined SIIC in April 1996. He has over 10 years' experience of money and capital markets operations.

Mr. Zhou Jun ***Executive Director, Deputy CEO***
(Appointed on 15th April 2009 ~ Present)

Mr. Zhou, aged 40, has been a Deputy CEO of the Company since December 2005. He is the chairman of Shanghai Hu-Ning Expressway (Shanghai Section) Co. Ltd. and Shanghai Luqiao Development Co. Ltd. and a director of Shanghai Urban Development (Holdings) Co. Ltd. and General Water of China Co. Ltd. He graduated from Nanjing University and Fudan University with a bachelor's and a master's degree in economics (international finance), and is designated an economist. He is a vice president of Shanghai Industrial Investment (Holdings) Co. Ltd. ("SIIC"), and is a member of the Shanghai Municipal People's Congress. Mr. Zhou worked for Guotai Securities Co. Ltd. (now Guotai Junan Securities Co.). He joined SIIC in April 1996. The management positions he had held within the SIIC group of companies were deputy general manager of SIIC Real Estate Holdings (Shanghai) Co. Ltd., deputy general manager of Shanghai United Industrial Co. Ltd. (now Shanghai Industrial Pharmaceutical Investment Co. Ltd.), director and general manager of Shanghai Galaxy Investment Co. Ltd. and general manager of the strategic investment department of SIIC. Mr. Zhou has more than 10 years' professional experience in securities, finance, real estate and project planning.

Independent Non-Executive Directors

Dr. LO Ka Shui ***Independent Non-Executive Director***
(Appointed on 16th March 1996 ~ Present)

Dr. Lo, aged 62, is the Chairman and Managing Director of Great Eagle Holdings Limited and the Non-executive Director and Chairman of Eagle Asset Management (CP) Limited (Manager of the publicly listed Champion Real Estate Investment Trust). He is a Non-executive Director of The Hongkong and Shanghai Banking Corporation Limited and an Independent Non-executive Director of Phoenix Satellite Television Holdings Limited, China Mobile Limited and some other publicly listed companies in Hong Kong. He is also a Vice President of The Real Estate Developers Association of Hong Kong, a Trustee of the Hong Kong Centre for Economic Research and a Board Member of the Hong Kong Airport Authority. He graduated from McGill University with a Bachelor of Science Degree and from Cornell University with a Doctor of Medicine (M.D.) Degree. He was certified in Internal Medicine and Cardiology. He has more than 29 years' experience in property and hotel development and investment both in Hong Kong and overseas.

Prof. WOO Chia-Wei ***Independent Non-Executive Director***
(Appointed on 16th March 1996 ~ Present)

Prof. Woo, aged 71, is currently Senior Advisor of Shui On Holdings Limited and President Emeritus of the Hong Kong University of Science and Technology. In addition, Prof. Woo is an independent non-executive director of First Shanghai Investments Limited and Lenovo Group Limited (both listed on the Hong Kong Stock Exchange).

Mr. LEUNG Pak To, Francis ***Independent Non-Executive Director***
(Appointed on 16th March 1996 ~ Present)

Mr. Leung, aged 54, has over 28 years of experience in corporate finance involving in capital raisings, mergers and acquisitions, corporate restructuring and reorganisation, investments and other general corporate finance advisory activities in Hong Kong and China. In 1980, he graduated with a master's degree in business administration from University of Toronto, Canada.

Senior Management

Mr. ZHANG Zhen Bei
Mr. Zhang, aged 54, was appointed a Deputy CEO of the Company in November 2007. He is also an assistant president, the general manager of the human resources department of Shanghai Industrial Investment (Holdings) Co. Ltd. ("SIIC"), as well as a director of Shanghai Industrial Pharmaceutical Investment Co. Ltd. Being a graduate of Shanghai University, Mr. Zhang also has a master's degree in business administration and holds the designation of international business engineener (Economist). Mr. Zhang joined SIIC in 1992, and had held the positions of the personnel director and vice president of Shanghai Overseas Company, and vice president of Shanghai International Holding Corp. GMBH (Europe). He had also been appointed as section officer and deputy personnel director of Shanghai Foreign Economic Relations & Trade Commission. Mr. Zhang has more than 20 years' experience in international business and human resources management.

Mr. NI Jian Da
Mr. Ni, aged 46, was appointed a Deputy CEO of the Company in March 2008. He is also a director and president of Shanghai Urban Development (Holdings) Co. Ltd. ("Shanghai Urban Development"). He graduated from Shanghai University and La Trobe University of Australia with a master's degree in business administration. Mr. Ni was the general manager of Shanghai Xuhui Real Estate Management Co. Ltd., a deputy general manager of Shanghai Urban Development and the general manager of the real estate department of China Huayuan Group Ltd., and has more than 20 years' experience in the real estate, economic and management. Mr. Ni was elected member of the Shanghai Municipal People's Congress in 2003, and received the honors as one of the 25 Chinese Entrepreneurs with Most Reforming Ideas, among the Top Ten Persons of the Year Elected by the 2006 China International Real Estate and Archi-tech Fair, one of the 2007 Boao Forum – Most Influential Persons in China's Real Estate Industry in 20 Years and one of the Top Ten Entrepreneurs in the Shanghai Real Estate Sector in 18 Years in 2005. He was a vice chairman of Shanghai Youth Federation and currently is the chairman of Shanghai Young Entrepreneurs Association and a vice chairman of Shanghai Real Estate Association.

Mr. LEUNG Lin Cheong, Roger
Mr. Leung, aged 55, joined the Company in March 1996. He is the Chief Legal and Compliance Officer cum Company Secretary of the Company. He is also the general manager of the legal and compliance department of Shanghai Industrial Investment (Holdings) Co. Ltd. He is a Fellow of The Institute of Chartered Secretaries and Administrators, The Hong Kong Institute of Chartered Secretaries, The Chartered Institute of Management Accountants and the Hong Kong Institute of Certified Public Accountants. He also holds a master's degree in laws from University of London and a master's degree in business administration from Brunel University in U.K. in conjunction with Henley Management College. He has many years of management experience in legal affairs and compliance, listed corporate secretarial practice and administration.

Ms. CHAN Yat Ying, Cherie
Ms. Chan, aged 41, joined the Company in November 1996. She is the Chief Financial Officer of the Company. Ms. Chan is also a deputy general manager of the finance and planning department of Shanghai Industrial Investment (Holdings) Co. Ltd. She graduated from University of Hong Kong with a bachelor's degree in social sciences. She also holds a master's degree in financial management awarded by the University of London. Ms. Chan is a member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Chinese Institute of Certified Public Accountants. Ms. Chan has extensive working experience in banking and accounting professions.

Senior Management of Member Companies

Mr. QU Ding
Mr. Qu, aged 59, is the chairman of The Wing Fat Printing Co. Ltd. He joined Shanghai Industrial Investment (Holdings) Co. Ltd. ("SIIC") in January 1996, and currently is an executive director of SIIC. Mr. Qu graduated from Northeast Normal University, majored in economic management, and is designated an economist. He was an Executive Director, the Vice Chairman and Executive Deputy CEO of the Company. He served as the Director of the Department of International Exchange & Cooperation of Shanghai Municipal Personnel Bureau, the Director of Shanghai Municipal Professional Examinations Centre and the Director of the Public Officials Training Centre of Shanghai Municipal Personnel Bureau. He has over 30 years' experience in the fields of human resources and economic management.

Mr. WANG Zheng Gang
Mr. Wang, aged 58, is the chairman of SIIC Management (Shanghai) Ltd. He is also a vice chairman of Bright Dairy and Food Co. Ltd. and a director of Shanghai Urban Development (Holdings) Co. Ltd., Shanghai Hu-Ning Expressway (Shanghai Section) Co. Ltd., Shanghai Luqiao Development Co. Ltd. and Shanghai SIIC South Pacific Hotel Co. Ltd., and the alternate director to Mr. Zhou Jie, a non-executive director of Semiconductor Manufacturing International Corporation. He graduated from the School of Management of Fudan University with a master's degree in economics. He was the head of Shanghai Dongfeng Rubber No. 2 Factory, Principal of Shanghai Dongfeng Farm, vice chairman and general manager of Shanghai Agricultural Industrial and Commercial Corp. Ltd. and a director and general manager of SIIC Africa Enterprise Ltd. and general manager of the enterprise management department of Shanghai Industrial Investment (Holdings) Co. Ltd. Mr. Wang has over 30 years' experience of enterprise management.

Mr. Xu Xiao Bing
Mr. Xu, aged 42, is a director and the general manager of SIIC Management (Shanghai) Ltd. ("SIIC Management") and a director of Bright Dairy and Food Co. Ltd. Mr. Xu graduated from Peking University with a master degree in business administration. He was an investment and financial analyst of Beijing Jingfang Investment Management & Consultant Co. Ltd. under the Beijing Capital Group and the deputy head of the investment planning department, the head of the enterprise management department and the deputy general manager of SIIC Management. He has over 10 years' experience in corporate management and investment planning.

Ms. Xue Lian
Ms. Xue, aged 52, is a director and the general manager of Shanghai SIIC South Pacific Hotel Co. Ltd. She graduated from Shanghai Municipal Tourism College and studied an advanced hotel management course of Cornell University in U.S, where she subsequently studied for a MBA program and obtained a master's degree in economics. Ms. Xue was section chief and deputy head of the foreign affairs department of Shanghai Municipal Tourism Bureau, and was a director and deputy general manager of the South Pacific Hotel Hong Kong. She has nearly 30 years' experience in tourism and hotel management.

Mr. QIAN Yi
Mr. Qian, aged 56, is a director and the general manager of Nanyang Brothers Tobacco Co. Ltd. He graduated from Fudan University with a bachelor's degree in enterprise management and obtained a master's degree in business administration from East China Normal University. He holds the designation of senior economist. He served as the vice chairman and the executive president of Shanghai Sunway Biotech Co. Ltd., deputy head of Shanghai Boiler Works Ltd., deputy chief economist of Shanghai Electric (Group) Corp. and the head of Shanghai Heavy Machinery Plant. He has extensive experience in enterprise management.

Mr. ZUO Min
Mr. Zuo, aged 47, is a director and the chief executive officer of The Wing Fat Printing Co. Ltd. He graduated from West China University of Medical Science with a bachelor's degree, and obtained a master's degree in management from Fudan University. Mr. Zuo holds the designation of senior economist. He was the chairman and general manager of Nine Stars Printing and Packaging Co., Ltd., the vice general manager of 999 Group and the vice president of China Resources Medications Group Ltd. He has over 20 years' experience in the printing and packaging industry.

Mr. JIN Guo Ming

Mr. Jin, aged 48, is a director and the general manager of The Wing Fat Printing Co. Ltd. He is the chairman of Hebei Yongxin Paper Co. Ltd., the vice chairman of Zhejiang Rongfeng Paper Co. Ltd. and a director of Xuchang Yongchang Printing Co. Ltd. and Chengdu Wing Fat Printing Co. Ltd. He graduated from Zhejiang Institute of Metallurgy Economic and obtained a master's degree in business management from South Australia University. He holds the designation of international business engineer. Mr. Jin has over 20 years of experience in the printing and packaging industry.

Mr. Dai Wei Wei

Mr. Dai, aged 40, is a director and the general manager of Shanghai Hu-Ning Expressway (Shanghai Section) Co. Ltd. and a director of Shanghai Luqiao Development Co. Ltd. Mr. Dai graduated from Shanghai Tongji University and Fudan University and obtained a bachelor's degree in engineering and a master's degree in business administration respectively. He worked in Shanghai Mass Transit Railway Corporation, Shanghai Municipal Engineering Administration, Shanghai Jiajin Highway Development Co. Ltd. and SIIC Management (Shanghai) Ltd. He has over 10 years' experience in the construction and management of infrastructure.

Ms. Zhou Ya Dong

Ms. Zhou, aged 37, is a director and the general manager of Shanghai Luqiao Development Co. Ltd. and a director of Shanghai Hu-Ning Expressway (Shanghai Section) Co. Ltd. Ms. Zhou graduated from East China Normal University majored in international finance, and obtained a master's degree in professional accountancy from The Chinese University of Hong Kong. She was the deputy head of the investment department of SIIC Management (Shanghai) Ltd., a director of Zhejiang Jinhua Yongjin Expressway Co. Ltd. and a director and the deputy general manager of Shanghai Hu-Ning Expressway (Shanghai Section) Co. Ltd. She has many years' experience in investment planning and expressway management.

Mr. SUN Wei Guo

Mr. Sun, aged 57, is a vice president of Shanghai Industrial Pharmaceutical Investment Co. Ltd. He is the chairman and the general manager of Changzhou Pharmaceutical Co. Ltd., and the chairman of Chifeng Arker Pharmaceutical Technology Co. Ltd. and SI United Changcheng Pharmaceutical Co. Ltd. He graduated from East China Normal University with a master's degree, and holds the designation of economist. He was the deputy chief of Shanghai Dongfeng Farm and general manager of Shanghai Xiangming General Company. He has several decades' experience in enterprise management.

Mr. WANG Zhen

Mr. Wang, aged 51, is a vice president of Shanghai Industrial Pharmaceutical Investment Co. Ltd. He is a director and the general manager of Shanghai Medical Instruments Co. Ltd. He is also a vice chairman of China Association for Medical Devices Industry and Shanghai Medical Instrument Trade Association. Mr. Wang graduated from Macau University of Science and Technology with a master's degree in business administration. He was the deputy director of Shanghai No. 3 Traditional Chinese Medicine Factory and worked for Shanghai Traditional Chinese Medicine Co. Ltd. as manager, for Shanghai Medical Materials Patent Medicine Co. as deputy general manager, for Shanghai Lei's Pharmaceutical Co. Ltd. as chairman, and for Shanghai Pharmaceutical (Group) Co. Ltd. as head of the marketing department and operation & management department. He has extensive experience in the pharmaceutical business.

Mr. TONG De Ping

Mr. Tong, aged 44, is a vice president and board secretary of Shanghai Industrial Pharmaceutical Investment Co. Ltd. He is the chairman of Xiamen Traditional Chinese Medicine Co. Ltd. and Liaoning Herbapex Pharmaceutical (Group) Co. Ltd., and a director of Chia Tai Qingchunbao Pharmaceutical Co. Ltd. and Hangzhou Huqingyutang Pharmaceutical Co. Ltd. He graduated from the biochemical medicine specialty of China Pharmaceutical University in 1991 with a master's degree, and obtained a master's degree in business administration from Monash University of Australia in 1997, and was designated a senior engineer and senior economist. Mr. Tong had served as the executive deputy general manager of Shanghai Pharmaceutical Industrial Sales Co. Ltd., deputy general manager of Shanghai Pharmaceutical Co. Ltd., the chairman of Sino-American Squibb Pharmaceuticals Ltd. and president of the raw pharmaceutical business division of Shanghai Pharmaceutical (Group) Co. Ltd. He is currently an executive director of Shanghai Licensed Pharmacist Association and director of its production professional committee, a procurement advisory expert of the Shanghai Municipality People's Government. He has over 20 years' experience in pharmaceutical research and development, production and in marketing management.

DIRECTORS' AND SENIOR MANAGEMENT PROFILES

Mr. FENG He
Mr. Feng, aged 51, is the general manager of Chia Tai Qingchunbao Pharmaceutical Co. Ltd., a director of Hangzhou Huqingyutang Pharmaceutical Co. Ltd. ("Huqingyutang Pharmaceutical") and Hangzhou Huqingyutang Drugstore Co. Ltd. He is designated a Chinese pharmacist, and had served as the general manager of Huqingyutang Pharmaceutical, the head of the supply and marketing section of Hangzhou Huqingyutang Pharmaceutical Factory, manager and the head of the foreign trade section of Hainan Qingyu Industrial Co. and deputy general manager of sales and the executive deputy general manager of Hangzhou Huqingyutang Pharmaceutical Factory Co. Ltd. He has over 20 years of experience in the pharmaceutical industry.

Mr. QIANG Shi Fa
Mr. Qiang, aged 42, is a director and the general manager of Xiamen Traditional Chinese Medicine Co. Ltd. He graduated from Xiamen University where he majored in chemistry and obtained a master's degree in science. He is a certified pharmacist, and holds the designation of senior engineer. Mr. Qiang joined Xiamen Traditional Chinese Medicine Factory in 1990. He was the general manager of Xiamen Dinglu Ind. Corp. and factory director of Xiamen Traditional Chinese Medicine Factory. He has extensive experience in enterprise management in the pharmaceutical industry.

Mr. ZHENG Ji Yu
Mr. Zheng, aged 46, is the vice chairman and the general manager of Liaoning Herbapex Pharmaceutical (Group) Co. Ltd. He graduated from L'Ecole Nationale Supérieure des mines de Nancy with a master's degree. He is designated an economist. Mr. Zheng was recognized as an Excellent Entrepreneur of Liaoning Province, one of the Top Ten Young Entrepreneurs of Liaoning Province, a National Labor Model and a representative of the Eleventh National People's Congress. Before he took up his current position in 1999, he was the Office Director of the Real Estate Management Office of Huanren County, Liaoning Province, the Chief of Guaimozi Town of Huanren County and an Assistant to County Chief of the People's Government of Huanren County. He has over 20 years of experience in local government administration and enterprise management.

Mr. XU Guo Hong
Mr. Xu, aged 53, is the chairman of Shanghai Sunway Biotech Co. Ltd. Mr. Xu graduated from Shanghai Normal University with a post-secondary qualification in Chinese language and literature, and obtained a master's degree in business administration from the Asia International Open University (Macau). He holds the designation of senior political administrator. He was the deputy general manager of Shanghai Bicycle (Group) Corporation, deputy chief economist, general manager of the industrial department and assistant to president of China Worldbest Group Co. Ltd. and vice chairman and general manager of Worldbest Kama Machinery Co. Ltd. He has over 30 years' experience in enterprise management.

Mr. FU He Liang
Mr. Fu, aged 48, is the president of Guangdong Techpool Biochem Pharma Co. Ltd. He is employed as a part-time professor in the department of biology at Peking University and also serves as a consultant to the Expert Group on Biotechnology for Guangzhou Municipal Government, an executive council member of China Biochemical Pharmaceutical Industry Association, an executive member of the Guangdong Pharmaceutical Association, a representative of Tianhe District, Guangzhou for the National People's Congress and a member of the Guangdong Committee of the Chinese People's Political Consultative Conference. He worked for Jinhua Bioscience United Co. as general manager. Mr. Fu graduated from Nanjing University with a doctorate degree in biochemistry. He is designated a senior pharmaceutical engineer.

Mr. WANG Su Nan
Mr. Wang, aged 59, is a director and the general manager of SI United Changcheng Pharmaceutical Co. Ltd., the chairman of Chifeng Mysun Pharma. Co. Ltd. and the vice chairman of Chifeng Arker Pharmaceutical Technology Co. Ltd. Mr. Wang was the director of Yakeshi Medicine Factory in Inner Mongolia, director of Yakeshi Animal Medicine Factory, a deputy general manager of Changzhou Pharmaceutical Co. Ltd. and a director of Changzhou Pharmaceutical Factory. He furthered his professional studies and acquired a post-secondary qualification in pharmacy at the Shenyang Pharmacy Institute. He is designated a senior engineer, pharmacist and economist, and has over 30 years of experience in the pharmaceutical industry and in enterprise management.

Ms. YU Xiao Li

Ms. Yu, aged 46, is a director and the general Manager of Chifeng Arker Pharmaceutical Technology Co. Ltd. She was the deputy section head of the technology division and deputy director of the Medicine Research Institute of Chifeng Pharmaceutical Factory. She graduated with a bachelor's degree from Shenyang Pharmaceutical University and is designated a senior engineer. She has about 20 years' experience in pharmaceutical research and development and in enterprise management.

Mr. LI Zhan Wen

Mr. Li, aged 46, is a director and the general manager of Chifeng Mysun Pharma. Co. Ltd., and the chairman of Chifeng Leimeng Medicine Distributing Co. Ltd. and Chifeng Leimeng Pharmacy Chain Co. Ltd. He was the operation director of Chifeng Pharmaceutical Factory and deputy general manager of Chifeng Pharmaceutical (Group) Co. Ltd. He has over 20 years of experience in enterprise management.

Mr. GUO Ben Heng

Mr. Guo, aged 45, is a director and the general manager of Bright Dairy and Food Co. Ltd. ("Bright Dairy"). He holds a doctorate degree in food science, and is a director of Chinese Institute of Food Science and Technology, a vice president of Shanghai Food Institute and Chinese Association of Animal Product Processing, and an advisor for the State Nutrition Advisory Committee, etc. Mr. Guo was deputy head of the Food College of Northeast Agricultural University, production technology controller and deputy general manager of Bright Dairy. He was honored as one of Top Ten Technological talents in the Dairy Industry of China, an Excellent Technological Talent of Shanghai, a Leader in Shanghai Technological Business Establishments, etc.

Mr. WANG Feng

Mr. Wang, aged 50, is the general manager of Xuchang Yongchang Printing Co. Ltd. ("Xuchang Yongchang"). He was the head of the sales department and the cut tobacco division of Xuchang Cigarettes Factory. He obtained a post-secondary qualification in economic management from Tsinghua University. He has over 20 years' experience in production, operation and management of the tobacco industry.

Mr. JIANG Zu Ming

Mr. Jiang, aged 46, is a director and the general manager of Chengdu Wingfat Printing Co. Ltd. and the general manager of Dujiangyan Jiuxing Printing Co. Ltd. He graduated from Shanghai Publishing and Printing College, majored in printing technologies and obtained a secondary qualification. He then furthered his studies at Sichuan University and obtained a master's degree in business administration. He has over 20 years' experience in production, operation and management of printing enterprises.

Mr. WU San Luo

Mr. Wu, aged 56, is the general manager of Hebei Yongxin Paper Co. Ltd. He was the general manager of Jiangxi Paper Industry Co. Ltd. He graduated with a bachelor's degree from Jiangxi Normal University and is designated a senior engineer. He is also the director of the Association of Enterprise Management of the China Chamber of Light Industries and an executive director of the Jiangxi Province Association of Quality Management. He has over 30 years' experience in production, operation and management of pulp and paper manufacturing enterprises.

DIRECTORS' REPORT

The Directors have pleasure in presenting their report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31st December 2008.

Principal Activities

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

Principal Subsidiaries, Jointly Controlled Entities and Associates

Details of the principal subsidiaries, jointly controlled entities and associates at 31st December 2008 are set out in notes 52, 53 and 54 to the consolidated financial statements respectively.

Results and Dividends

The results of the Group for the year ended 31st December 2008 are set out in the consolidated income statement.

An interim dividend of HK45 cents per share amounting to HK$484,362,000 was paid to the Shareholders during the year. The Directors recommended the payment of a final dividend of HK36 cents per share to the Shareholders whose names appear on the register of members of the Company on 5th June 2009.

Financial Summary

A summary of the financial information of the Group for the year ended 31st December 2008 and the financial information of the Group for the previous four years is set out on page 27 of this Annual Report.

Share Capital

Changes in the share capital of the Company during the year are set out in note 37 to the consolidated financial statements.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and in note 39 to the consolidated financial statements respectively.

Investment Properties

As at 31st December 2008, the investment properties of the Group were revalued by an independent property valuer based on comparable sales transactions at HK$1,987 million. Details are set out in note 16 to the consolidated financial statements.

Particulars of investment properties of the Group at 31st December 2008 are set out on page 110 of this Annual Report.

Property, Plant and Equipment

Details of movements during the year in the property, plant and equipment of the Group and the Company are set out in note 17 to the consolidated financial statements.

Directors

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

Executive Directors:

Teng Yi Long	*(Chairman)*	(appointed on 30th May 2008)
Cai Yu Tian	*(Vice Chairman & Chief Executive Officer)*	
Lu Ming Fang		
Ding Zhong De		
Zhou Jie	*(Executive Deputy CEO)*	
Qian Shi Zheng	*(Deputy CEO)*	
Yao Fang		
Zhou Jun	*(Deputy CEO)*	(appointed on 15th April 2009)
Cai Lai Xing		(resigned on 30th May 2008)
Tang Jun		(resigned on 15th April 2009)

Independent Non-Executive Directors:

Lo Ka Shui
Woo Chia-Wei
Leung Pak To, Francis

The biographical details of the Directors are set out on pages 54 to 56 of this Annual Report. Details of Directors' emoluments are set out in note 13 to the consolidated financial statements.

In accordance with the Company's Articles of Association, the Directors of the Company (including Independent Non-Executive Directors) shall be subject to retirement by rotation at each annual general meeting. Mr. Cai Yu Tian, Mr. Lu Ming Fang, Mr. Ding Zhong De and Mr. Leung Pak To, Francis shall retire by rotation at the forthcoming Annual General Meeting. In addition, Mr. Teng Yi Long and Mr. Zhou Jun who were appointed on 30th May 2008 and 15th April 2009 respectively, are also subject to re-election at the forthcoming Annual General Meeting in accordance with the Company's Articles of Association. All of them, being eligible, have offered themselves for re-election at the meeting.

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

Disclosure under Rule 13.51B(1) of the Listing Rules

Mr. Zhou Jie was appointed as a non-executive director of SMIC on 23rd January 2009.

Directors' Interests in Shares, Underlying Shares and Debentures

As at 31st December 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 (Note)	Beneficial owner	Personal	30,000	0.003%

All interests stated above represented long positions.

(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	0.02%
Qian Shi Zheng	Beneficial owner	2.9.2005	14.89	200,000	0.02%
Tang Jun (Note)	Beneficial owner	2.9.2005	14.89	220,000	0.02%

Note: Mr. Tang Jun resigned as a Director of the Company on 15th April 2009.

(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 31st December 2008.

Share Options

Particulars of the share option schemes adopted by the Group are set out in note 38 to the consolidated financial statements.

(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 year, the movements in the share options to subscribe for the Company's shares were as follows:

			Number of shares issuable under the share options			
	Date of grant	Exercise price per share HK$	Outstanding at 1.1.2008	Reclassified during the year	Exercised during the year	Outstanding at 31.12.2008
Category 1: Directors						
Cai Lai Xing (Note 1)	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 (Note 2)	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	224,000	(1,748,000)	176,000
	2.5.2006	17.10	1,050,000	(60,000)	(390,000)	600,000
Total for employees			2,750,000	(164,000)	(2,138,000)	776,000
Category 3: Others						
	2.9.2005	14.89	1,524,000	576,000	(1,896,000)	204,000
	2.5.2006	17.10	840,000	60,000	(420,000)	480,000
Total for others			2,364,000	636,000	(2,316,000)	684,000
Total for all categories			8,674,000	–	(5,174,000)	3,500,000

Notes:

1. Mr. Cai Lai Xing honourably retired by rotation as Director of the Company on 30th May 2008.
2. Mr. Tang Jun resigned as Director of the Company on 15th April 2009.

(I) SIHL Scheme (continued)

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 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 year, 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 is HK$28.77 (2007: HK$33.40).

(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 the employees and qualified participants of Mergen Biotech and its subsidiaries under the Mergen Biotech Scheme during the year:

Date of grant	Exercise price per share	Outstanding at 1.1.2008	Lapsed during the year	Outstanding at 31.12.2008
31st December 2004	US$8.22	63,400 (Note)	49,700	13,700

Note: 39,000 share options of which were granted to Mr. Hu Fang in his capacity as director as Sunway Biotech, a subsidiary of Mergen Biotech. Mr. Hu resigned as a director of Sunway Biotech on 1st September 2008 and the 39,000 share options were lapsed accordingly.

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 (each with 15% of the share options granted) in particular for every six months interval from 1st January 2005 until 30th May 2014.

During the year, no options were granted or exercised under the Mergen Biotech Scheme.

Directors' Right to Acquire Shares and Debentures of the Company

Save as disclosed under the section of "Share Options" above, at no time during the year was the Company or any of its holding companies, fellow subsidiaries or subsidiaries a party to any other arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

As at 31st December 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 beneficially held	Percentage of total issued share capital
(a) Long Positions				
SIIC	Interests held by controlled corporations	Corporate	559,559,371 (Note (i))	51.98%
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	5.58%
(b) Short Positions				
SIIC	Interests held by controlled corporations	Corporate	55,512,888 (Note (ii))	5.16%
JPMorgan Chase & Co.	Beneficial owner	Corporate	400,000	0.04%

Notes:

(i) SIIC through its wholly-owned subsidiaries, namely Shanghai Investment Holding Limited, SIIC Capital (B.V.I.) Ltd., SIIC Treasury (B.V.I.) Ltd., SIIC Trading Company Ltd., SIIC CM Development Funds Ltd., The Tien Chu (Hong Kong) Co. Ltd. and SIIC CM Development Ltd. held 466,644,371, 80,000,000, 8,140,000, 2,164,000, 1,389,000, 1,212,000 and 10,000 shares of the Company, and were accordingly deemed to be interested in the respective shares of the Company held by the aforementioned companies.

(ii) SIIC was taken to have short positions in respect of 55,512,888 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.

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 31st December 2008.

Connected Transactions

Details of the connected transactions and continuing connected transactions for the year are set out in note 49 to the consolidated financial statements. Save as disclosed therein, there were no other connected transactions and continuing connected transactions other than those exempt from the reporting, announcement and independent shareholders' approval requirements, which need to be disclosed as connected transactions in accordance with the requirements of Appendix 16 to the Listing Rules.

The Independent Non-Executive Directors have reviewed the continuing connected transactions set out in note 49(I) to the consolidated financial statements and in their opinion, these transactions were entered into by the Group:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and

(iii) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Related Party Transactions

Details of the related party transactions for the year are set out in note 49(II) to the consolidated financial statements.

Directors' Interests in Contracts of Significance

No contracts of significance to which the Company, or any of its subsidiaries, or its holding company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Major Customers and Suppliers

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

Purchase, Sale or Redemption of the Company's Listed Securities

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

Donations

During the year, the Group made charitable and other donations totalling HK$3,791,000.

Retirement Benefits Schemes

Details of the Group's retirement benefits schemes are set out in note 48 to the consolidated financial statements.

Post Balance Sheet Events

Details of significant events occurring after the balance sheet date are set out in note 55 to the consolidated financial statements.

Sufficiency of Public Float

As at the date of this Annual Report, the Directors acknowledged that 48.02% of the issued share capital of the Company is held by the public. The Company has maintained a sufficient public float.

Corporate Governance

The corporate governance principles and practices adopted by the Company are set out in the Corporate Governance Report on pages 36 to 53 of this Annual Report.

Auditor

A resolution will be submitted to the forthcoming Annual General Meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Teng Yi Long
Chairman

Hong Kong, 21st April 2009

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

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

We have audited the consolidated financial statements of Shanghai Industrial Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 73 to 168, which comprise the consolidated and Company balance sheets as at 31st December 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
21st April 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2008

	NOTES	2008 HK$'000	2007 HK$'000 (restated)
Turnover	6	**12,732,652**	8,432,300
Cost of sales		**(8,084,226)**	(5,175,131)
Gross profit		**4,648,426**	3,257,169
Other investment income	7	**284,485**	598,485
Other income		**624,460**	445,412
Increase in fair value of properties under development upon transfer to investment properties		**497,073**	—
Selling and distribution costs		**(1,399,618)**	(1,112,848)
Administrative expenses		**(1,338,826)**	(893,411)
Finance costs	8	**(322,224)**	(158,466)
Share of results of jointly controlled entities		**64,968**	277,456
Share of results of associates		**(106,396)**	158,161
Discount on acquisition of interests in associates	9	**1,410,222**	—
Discount on acquisition of interest in a subsidiary		**902**	2,563
Net gain on disposal of interests in subsidiaries, associates and jointly controlled entities	10	**556,618**	159,332
Impairment loss recognised in respect of available-for-sale investments	9	**(1,527,388)**	—
Impairment losses recognised in respect of goodwill relating to subsidiaries	21	**(1,115)**	(157,614)
Profit before taxation		**3,391,587**	2,576,239
Income tax expenses	11	**(533,821)**	(295,130)
Profit for the year	12	**2,857,766**	2,281,109
Attributable to			
– Equity holders of the Company		**2,101,546**	1,963,023
– Minority interests		**756,220**	318,086
		2,857,766	2,281,109
Dividends	14	**946,793**	686,618
Earnings per share	15		
– Basic		**HK$1.96**	HK$1.94
– Diluted		**HK$1.95**	HK$1.93

CONSOLIDATED BALANCE SHEET

At 31st December 2008

	NOTES	2008 HK$'000	2007 HK$'000 (restated)
Non-Current Assets			
Investment properties	16	**1,986,896**	540,268
Property, plant and equipment	17	**3,737,481**	4,058,066
Prepaid lease payments – non-current portion	18	**628,476**	580,548
Toll road operating rights	19	**9,681,461**	7,434,490
Other intangible assets	20	**145,216**	145,329
Goodwill	21	**400,692**	391,734
Interests in jointly controlled entities	23	**1,152,494**	1,498,470
Interests in associates	24	**4,044,789**	3,828,644
Investments	25	**584,274**	442,742
Loan receivables – non-current portion	26	**3,085**	3,323
Deposits paid on acquisition of property, plant and equipment	27	**857,057**	808,526
Deposit paid on acquisition of additional interest in an associate	28	**—**	484,802
Restricted bank deposits	29	**73,109**	68,272
Deferred tax assets	40	**86,631**	83,937
		23,381,661	20,369,151
Current Assets			
Inventories	30	**14,353,180**	14,363,794
Trade and other receivables	31	**4,150,592**	2,355,554
Prepaid lease payments – current portion	18	**28,580**	36,719
Investments	25	**117,173**	—
Loan receivables – current portion	26	**—**	32,051
Financial assets at fair value through profit or loss	32	**45,542**	3,136,221
Taxation recoverable		**2,616**	57,388
Pledged bank deposits	33	**800,541**	51,975
Short-term bank deposits	33	**1,547,332**	659,092
Bank balances and cash	33	**7,220,765**	6,223,115
		28,266,321	26,915,909
Assets classified as held for sale	34	**—**	203,887
		28,266,321	27,119,796
Current Liabilities			
Trade and other payables	35	**7,277,356**	8,923,087
Taxation payable		**614,651**	397,074
Bank and other borrowings	36	**3,824,193**	2,353,553
		11,716,200	11,673,714
Net Current Assets		**16,550,121**	15,446,082
Total Assets less Current Liabilities		**39,931,782**	35,815,233

CONSOLIDATED BALANCE SHEET

At 31st December 2008

	NOTES	**2008 HK$'000**	2007 HK$'000 (restated)
Capital and Reserves			
Share capital	37	**107,644**	107,126
Share premium and reserves		**23,293,714**	22,518,605
Equity attributable to equity holders of the Company		**23,401,358**	22,625,731
Minority interests		**8,479,654**	7,459,143
Total Equity		**31,881,012**	30,084,874
Non-Current Liabilities			
Bank and other borrowings	36	**5,829,901**	3,687,693
Deferred tax liabilities	40	**2,220,869**	2,042,666
		8,050,770	5,730,359
Total Equity and Non-Current Liabilities		**39,931,782**	35,815,233

The consolidated financial statements on pages 73 to 168 were approved and authorised for issue by the Board of Directors on 21st April 2009 and are signed on its behalf by:

Cai Yu Tian
Chief Executive Officer

Qian Shi Zheng
Deputy CEO

BALANCE SHEET

At 31st December 2008

	NOTES	2008 HK$'000	2007 HK$'000
Non-Current Assets			
Property, plant and equipment	17	3,675	4,731
Investment in subsidiaries	22	5,288,857	4,476,268
Investment in a jointly controlled entity	23	—	—
		5,292,532	4,480,999
Current Assets			
Deposits, prepayments and other receivables		11,842	11,633
Amounts due from subsidiaries	41	15,734,899	13,459,602
Financial assets at fair value through profit or loss	32	—	2,280,379
Short-term bank deposits	33	658,158	479,570
Bank balances and cash	33	446,623	243,757
		16,851,522	16,474,941
Current Liabilities			
Other payables and accrued charges		706,289	52,108
Amounts due to subsidiaries	41	1,123,911	1,451,932
		1,830,200	1,504,040
Net Current Assets		15,021,322	14,970,901
		20,313,854	19,451,900
Capital and Reserves			
Share capital	37	107,644	107,126
Share premium and reserves	39	20,206,210	19,344,774
		20,313,854	19,451,900

Cai Yu Tian
Chief Executive Officer

Qian Shi Zheng
Deputy CEO

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 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)	Merger reserve HK$'000 (note iii)	Investment revaluation reserve HK$'000	Translation reserve HK$'000	PRC statutory reserves HK$'000 (note iv)	Accu-mulated profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1st January 2007, as originally stated	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
Effect of merger accounting (note 2)	–	–	–	–	(38,167)	–	(14,255)	–	21,573	–	(83,962)	(114,811)	56,558	(58,253)
At 1st January 2007, as restated	96,850	10,147,375	18,481	1,071	(30,023)	–	(14,255)	4,002	472,612	478,914	6,215,543	17,390,570	2,282,172	19,672,742
Exchange difference arising from translation of financial statements	–	–	–	–	–	–	–	–	460,973	–	–	460,973	156,048	617,021
Share of exchange difference arising from translation of financial statements of jointly controlled entities	–	–	–	–	–	–	–	–	129,090	–	–	129,090	–	129,090
Share of exchange difference arising from translation of financial statements of associates	–	–	–	–	–	–	–	–	69,063	–	–	69,063	–	69,063
Fair value adjustment on available-for-sale investments	–	–	–	–	–	–	–	165,317	–	–	–	165,317	–	165,317
Net income recognised directly in equity	–	–	–	–	–	–	–	165,317	659,126	–	–	824,443	156,048	980,491
Profit for the year (restated)	–	–	–	–	–	–	–	–	–	–	1,963,023	1,963,023	318,086	2,281,109
Share of deemed contribution from a shareholder of a jointly controlled entity	–	–	–	–	–	122,496	–	–	–	–	–	122,496	–	122,496
Realised on disposal of interests in jointly controlled entities	–	–	–	–	–	–	–	–	(78,769)	(199,627)	199,627	(78,769)	–	(78,769)
Realised on disposal of interests in subsidiaries	–	–	–	–	–	–	–	–	(2,714)	–	–	(2,714)	–	(2,714)
Realised on disposal of interest in an associate	–	–	–	–	–	–	–	–	(9,021)	(21,962)	21,962	(9,021)	–	(9,021)
Total recognised income and expense for the year	–	–	–	–	–	122,496	–	165,317	568,622	(221,589)	2,184,612	2,819,458	474,134	3,293,592
Issue of shares upon exercise of share options	586	89,873	–	–	–	–	–	–	–	–	–	90,459	–	90,459
Issue of new shares	9,690	3,013,590	–	–	–	–	–	–	–	–	–	3,023,280	–	3,023,280
Release of share options reserve on exercise of share options	–	8,700	(8,700)	–	–	–	–	–	–	–	–	–	–	–
Expenses incurred in connection with the issue of new shares	–	(61,088)	–	–	–	–	–	–	–	–	–	(61,088)	–	(61,088)
Recognition of equity-settled share-based payment expenses	–	–	5,460	–	–	–	–	–	–	–	–	5,460	–	5,460
Transfers	–	–	–	–	–	–	–	–	–	98,644	(98,644)	–	–	–
Capital contributions by minority interests	–	–	–	–	–	–	–	–	–	–	–	–	45,956	45,956
Dividends paid to minority interests	–	–	–	–	–	–	–	–	–	–	–	–	(141,590)	(141,590)
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(45,689)	(45,689)
Acquired on acquisition of subsidiaries	–	–	–	–	44,210	–	–	–	–	–	–	44,210	2,069,165	2,113,375
Acquired on acquisition of assets through acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	2,793,708	2,793,708
Disposal of subsidiaries	–	–	–	–	(519)	–	–	–	–	(1,904)	2,423	–	(18,713)	(18,713)
Dividends paid (note 14)	–	–	–	–	–	–	–	–	–	–	(686,618)	(686,618)	–	(686,618)
At 31st December 2007, as restated	107,126	13,198,450	15,241	1,071	13,668	122,496	(14,255)	169,319	1,041,234	354,065	7,617,316	22,625,731	7,459,143	30,084,874

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 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)	Merger reserve HK$'000 (note iii)	Investment revaluation reserve HK$'000	Translation reserve HK$'000	PRC statutory reserves HK$'000 (note iv)	Accu-mulated profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
Exchange difference arising from translation of financial statements	–	–	–	–	–	–	–	–	879,313	–	–	879,313	430,652	1,309,965
Share of exchange difference arising from translation of financial statements of jointly controlled entities	–	–	–	–	–	–	–	–	92,265	–	–	92,265	–	92,265
Share of exchange difference arising from translation of financial statements of associates	–	–	–	–	–	–	–	–	95,938	–	–	95,938	–	95,938
Fair value adjustment on available-for-sale investments	–	–	–	–	–	–	–	(1,664,162)	–	–	–	(1,664,162)	–	(1,664,162)
Net expense recognised directly in equity	–	–	–	–	–	–	–	(1,664,162)	1,067,516	–	–	(596,646)	430,652	(165,994)
Profit for the year	–	–	–	–	–	–	–	–	–	–	2,101,546	2,101,546	756,220	2,857,766
Transfer to profit or loss on disposal of available-for-sale investments	–	–	–	–	–	–	–	(83,391)	–	–	–	(83,391)	–	(83,391)
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(17,623)	(17,623)
Realised on disposal of interests in subsidiaries	–	–	–	–	–	(122,496)	–	–	(64,288)	(16,964)	139,460	(64,288)	–	(64,288)
Realised on disposal of interests in jointly controlled entities	–	–	–	–	–	–	–	–	(48,697)	–	–	(48,697)	–	(48,697)
Recognition of impairment loss on available-for-sale investments	–	–	–	–	–	–	–	1,527,388	–	–	–	1,527,388	–	1,527,388
Total recognised income and expense for the year	–	–	–	–	–	(122,496)	–	(220,165)	954,531	(16,964)	2,241,006	2,835,912	1,169,249	4,005,161
Issue of shares upon exercise of share options	518	79,904	–	–	–	–	–	–	–	–	–	80,422	–	80,422
Release of share options reserve on exercise of share options	–	7,159	(7,159)	–	–	–	–	–	–	–	–	–	–	–
Expenses incurred in connection with the issue of new shares	–	(73)	–	–	–	–	–	–	–	–	–	(73)	–	(73)
Recognition of equity-settled share-based payment expenses	–	–	1,953	–	–	–	–	–	–	–	–	1,953	–	1,953
Transfers	–	–	–	–	–	–	–	–	–	138,470	(138,470)	–	–	–
Capital contributions by minority interests	–	–	–	–	–	–	–	–	–	–	–	–	76,200	76,200
Dividends paid to minority interests	–	–	–	–	–	–	–	–	–	–	–	–	(178,451)	(178,451)
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(46,487)	(46,487)
Acquisition of subsidiaries (note 2)	–	–	–	–	–	–	(1,195,794)	–	–	–	–	(1,195,794)	–	(1,195,794)
Dividends paid (note 14)	–	–	–	–	–	–	–	–	–	–	(946,793)	(946,793)	–	(946,793)
At 31st December 2008	107,644	13,285,440	10,035	1,071	13,668	–	(1,210,049)	(50,846)	1,995,765	475,571	8,773,059	23,401,358	8,479,654	31,881,012

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 represents 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.

(iii) Merger reserve represents the difference in the (i) the fair value of the consideration paid to SIIC for the Acquisition and (ii) the share capital of the subsidiaries under the Acquisition, as defined in note 2.

(iv) 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.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December 2008

	2008 HK$'000	2007 HK$'000 (restated)
Profit before taxation	**3,391,587**	2,576,239
Adjustments for:		
Dividend income from listed equity investments	**(6,934)**	(2,999)
Dividend income from unlisted equity investments	**(372)**	(2,439)
Contracted income from available-for-sale investments	**(4,879)**	(5,313)
Interest income	**(355,449)**	(351,273)
Interest expense	**322,224**	158,466
Amortisation of toll road operating rights	**208,653**	99,428
Amortisation of other intangible assets	**7,888**	7,268
Depreciation of property, plant and equipment	**367,463**	294,940
Discount on acquisition of interests in associates	**(1,410,222)**	—
Release of prepaid lease payments	**28,551**	36,263
Loss (gain) on disposal of property, plant and equipment	**1,786**	(5,790)
Loss (gain) on disposal of investment properties	**8,830**	(5,787)
Impairment loss recognised in respect of available-for-sale investments	**1,527,388**	—
Increase in fair value of properties under development upon transfer to investment properties	**(497,073)**	—
Increase in fair value of investment properties	**(12,788)**	(10,783)
Impairment loss on bad and doubtful debts	**19,106**	12,666
Reversal of impairment loss on bad and doubtful debts	**(36,450)**	—
Gain on disposal of available-for-sale investments	**(83,391)**	—
Share of results of jointly controlled entities	**(64,968)**	(277,456)
Share of results of associates	**106,396**	(158,161)
Equity-settled share-based payment expense	**1,953**	5,460
Net gain on disposal of interests in subsidiaries, associates and jointly controlled entities	**(556,618)**	(159,332)
Impairment losses recognised in respect of goodwill relating to subsidiaries	**1,115**	157,614
Discount on acquisition of interest in a subsidiary	**(902)**	(2,563)
Operating cash flows before movements in working capital	**2,962,894**	2,366,448
Decrease (increase) in inventories	**199,645**	(393,780)
Decrease (increase) in financial assets at fair value through profit or loss	**2,643,954**	(1,463,387)
(Increase) decrease in trade and other receivables	**(198,369)**	27,282
(Decrease) increase in trade and other payables	**(673,230)**	184,316
Cash generated from operations	**4,934,894**	720,879
PRC income tax paid	**(181,238)**	(183,053)
Hong Kong Profits Tax paid	**(114,669)**	(88,198)
PRC income tax refunded	**1,731**	—
Hong Kong Profits Tax refunded	**—**	11,838
NET CASH FROM OPERATING ACTIVITIES	**4,640,718**	461,466

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December 2008

	NOTES	2008 HK$'000	2007 HK$'000 (restated)
INVESTING ACTIVITIES			
Acquisition of Good Cheer and Hu-Hang		(2,740,076)	—
Purchase of property, plant and equipment		(1,864,495)	(924,254)
(Increase) decrease in bank deposits		(1,641,643)	68,353
Advance to an investment in the PRC		(1,206,077)	—
Capital contributions to jointly controlled entities		(284,913)	(2,200,500)
Increase in deposits paid on acquisition of property, plant and equipment		(48,531)	(143,581)
Purchase of additional interest in subsidiaries		(48,081)	(49,255)
Increase in prepaid lease payments		(30,565)	(65,349)
Capital contributions to associates		(7,323)	(14,279)
Purchase of available-for-sale investments		(4,545)	(56,117)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	42A	(3,576)	(3,517,885)
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	43	756,923	142,251
Interest received		355,449	351,273
Proceeds from disposal of interests in jointly controlled entities		228,370	1,459,587
Proceeds from disposal of assets classified as held for sale		203,887	—
Proceeds from disposal of available-for-sale investments		117,137	7,642
Dividends received from associates		93,068	112,482
Dividends received from jointly controlled entities		44,723	49,847
Repayment of loan receivables		34,313	366
Proceeds from disposal of property, plant and equipment		31,263	53,377
Proceeds from disposal of investment properties		22,643	29,214
Proceeds from disposal of interests in associates		12,745	—
Dividends received from listed equity investments		6,934	2,999
Contracted income received from available-for sale investments		4,879	5,313
Dividends received from unlisted equity investments		372	2,439
Acquisition of assets through acquisition of subsidiaries (net of cash and cash equivalents acquired)	42B	—	(487,659)
Deposit paid on acquisition of additional interest in an associate		—	(484,802)
Loan advanced to a jointly controlled entity		—	(21,367)
NET CASH USED IN INVESTING ACTIVITIES		(5,967,119)	(5,679,905)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December 2008

	2008 HK$'000	2007 HK$'000 (restated)
FINANCING ACTIVITIES		
Borrowings raised	**7,534,750**	1,484,591
Proceeds from issue of shares	**80,422**	3,113,739
Capital contributions by minority shareholders of subsidiaries	**76,200**	45,956
Repayment of bank and other borrowings	**(4,193,582)**	(1,502,828)
Dividends paid	**(946,793)**	(686,618)
Interest paid on bank and other borrowings	**(471,038)**	(157,136)
Dividends paid to minority interests	**(178,451)**	(141,590)
Expenses incurred in connection with the issue of shares	**(73)**	(61,088)
Advance from ultimate holding company	**—**	2,939,309
NET CASH FROM FINANCING ACTIVITIES	**1,901,435**	5,034,335
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**575,034**	(184,104)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**6,223,115**	6,176,970
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**422,616**	230,249
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by bank balances and cash	**7,220,765**	6,223,115

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2008

1. General

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

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 52.

2. Changes in Accounting Policy and Restatements

(a) Merger Accounting

In prior years, the Group has accounted for all its business combinations, including those combinations involving entities under common control, under the purchase method in accordance with Hong Kong Financial Reporting Standard ("HKFRS") 3 "Business Combinations" issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") before the issuance of Accounting Guideline 5 Merger Accounting for Common Control Combinations ("AG 5") issued by the HKICPA in November 2005. In the current year, the Group acquired Good Cheer Enterprises Limited ("Good Cheer") and S.I. Hu-Hang Development Limited ("Hu-Hang") from wholly owned subsidiaries of SIIC. The management of the Group considered the application of merger accounting to the acquisition of Good Cheer and Hu-Hang (being business combinations under common control of SIIC) is able to provide more relevant and useful information to financial statement users as it better reflects the economic substance of the transaction after taking into account the management intention of the entities involved. Accordingly, the Group has applied the principle of merger accounting in accordance with the requirements set out in AG 5 to business combinations involving entities under the common control of SIIC.

Merger accounting has been applied (i) retrospectively to acquisition of businesses from SIIC in prior periods and (ii) to the acquisitions of Good Cheer and Hu-Hang from SIIC in the current year (see note I and note II). The consolidated income statement, consolidated cash flow statement and the consolidated statement of changes in equity for the year ended 31st December 2007 have been restated to include the operating results of the businesses acquired from SIIC in the current year as if these acquisitions had been completed on 1st January 2007 or since the date the respective business came under the control of SIIC during the year ended 31st December 2007, whichever is appropriate. The consolidated balance sheet as at 31st December 2007 has been restated to include the assets and liabilities of the businesses acquired from SIIC as if those business were within the Group on that date. (see below for the financial impact)

(b) Adjustments to Goodwill After Completion of Initial Accounting

In relation to the acquisition of Shanghai Urban Development (Holdings) Limited ("Shanghai Urban Development") (see note III), of which the fair values assigned to the identifiable assets, liabilities and contingent liabilities and the cost of the combination were determined provisionally in 2007, the Group completed the initial accounting in the current year. As a result, adjustments have been made to certain provisional values determined at the date of acquisition and goodwill. (see below for the financial impact of the restatement)

2. Changes in Accounting Policy and Restatements (Continued)

The effect of the adoption of the merger accounting on the consolidated income statement by line items is as follows:

	2007 HK$'000 (originally stated)	Adjustment on merger accounting (note I) HK$'000	2007 HK$'000 (restated)
Turnover	7,953,798	478,502	8,432,300
Cost of sales	(4,927,322)	(247,809)	(5,175,131)
Gross profit	3,026,476	230,693	3,257,169
Other investment income	596,664	1,821	598,485
Other income	433,062	12,350	445,412
Selling and distribution costs	(1,076,602)	(36,246)	(1,112,848)
Administrative expenses	(831,983)	(61,428)	(893,411)
Finance costs	(117,899)	(40,567)	(158,466)
Share of results of jointly controlled entities	277,456	—	277,456
Share of results of associates	158,161	—	158,161
Discount on acquisition of interest in a subsidiary	2,563	—	2,563
Net gain on disposal of interests in subsidiaries, associates and jointly controlled entities	159,332	—	159,332
Impairment losses recognised in respect of goodwill relating to subsidiaries	(28,339)	(129,275)	(157,614)
Profit before taxation	2,598,891	(22,652)	2,576,239
Income tax expenses	(281,893)	(13,237)	(295,130)
Profit for the year	2,316,998	(35,889)	2,281,109
Attributable to			
– Equity holders of the Company	2,007,262	(44,239)	1,963,023
– Minority interests	309,736	8,350	318,086
	2,316,998	(35,889)	2,281,109

Note:

I. Pursuant to the sales and purchase agreements entered into on 21st July 2008, the Company and certain of its subsidiaries agreed to acquire from South Pacific Hotel Holdings Limited ("South Pacific") and SIIC CM Development Limited ("SIIC CM"), both being wholly-owned subsidiaries of SIIC, for their respective 100% equity interests in Good Cheer and Hu-Hang for a cash consideration of approximately HK$1,350.0 million and HK$4,196.3 million, respectively (collectively referred to as the "Acquisition").

Good Cheer, through its subsidiaries, owns and operates the Four Seasons Hotel, Shanghai.

SIIC, through, Hu-Hang, acquired the majority interests in Shanghai Luqiao Development Co. Ltd. ("Shanghai Luqiao") from a third party in October 2007. The acquisition of Shanghai Luqiao was accounted for using the purchase method and included in the Group's financial statement as if the Group had acquired Shanghai Luqiao in October 2007. Details of which are set out in note 42A. Shanghai Luqiao operates and maintains the Hu-Hang Expressway Shanghai Section ("Hu-Hang Expressway").

The adjustments are to include the operating results of Good Cheer and Hu-Hang as if the Acquisition were completed on 1st January 2007 or the date it came under the control of SIIC during the year ended 31st December 2007, whichever is appropriate.

The retrospective adjustments on goodwill have no effect on the results of the Group for the year ended 31st December 2007.

2. Changes in Accounting Policy and Restatements (Continued)

The effect of the application of merger accounting and the adjustments to goodwill after the completion of initial accounting on consolidated balance sheet as at 31st December 2007 is summarised below:

Consolidated balance sheet items	2007 HK$'000 (originally stated)	Adjustment on Merger Accounting (note II) HK$'000	After merger accounting HK$'000	Adjustment on goodwill (note III) HK$'000	2007 HK$'000 (restated)
ASSETS					
Property, plant and equipment	3,547,125	510,941	4,058,066	—	4,058,066
Prepaid lease payments					
– non-current portion	299,995	280,553	580,548	—	580,548
Toll road operating rights	1,821,142	5,613,348	7,434,490	—	7,434,490
Goodwill	1,378,261	(14,255)	1,364,006	(972,272)	391,734
Investments	442,208	534	442,742	—	442,742
Deferred tax assets	71,796	12,141	83,937	—	83,937
Inventories	12,937,974	4,595	12,942,569	1,421,225	14,363,794
Trade and other receivables	2,341,347	14,207	2,355,554	—	2,355,554
Prepaid lease payments					
– current portion	27,367	9,352	36,719	—	36,719
Pledged bank deposits	13,026	38,949	51,975	—	51,975
Short-term bank deposits	627,040	32,052	659,092	—	659,092
Bank balances and cash	6,085,544	137,571	6,223,115	—	6,223,115
Other assets	10,807,181	—	10,807,181	—	10,807,181
	40,400,006	6,639,988	47,039,994	448,953	47,488,947
LIABILITIES					
Trade and other payables	5,636,628	3,569,738	9,206,366	(283,279)	8,923,087
Taxation payable	388,706	8,368	397,074	—	397,074
Bank and other borrowings					
– current portion	1,414,450	939,103	2,353,553	—	2,353,553
Bank and other borrowings					
– non-current portion	2,207,992	1,479,701	3,687,693	—	3,687,693
Deferred tax liabilities	2,324,641	614,027	2,938,668	(896,002)	2,042,666
	11,972,417	6,610,937	18,583,354	(1,179,281)	17,404,073
NET ASSETS	28,427,589	29,051	28,456,640	1,628,234	30,084,874
CAPITAL AND RESERVES					
Share capital and other reserves	22,693,962	(58,335)	22,635,627	(9,896)	22,625,731
Minority interests	5,733,627	87,386	5,821,013	1,638,130	7,459,143
	28,427,589	29,051	28,456,640	1,628,234	30,084,874

2. Changes in Accounting Policy and Restatements (Continued)

Note:

II. The adjustments of HK$14,255,000 against goodwill was to eliminate the goodwill resulting from the application of purchase accounting to the acquisition of businesses from SIIC in 2004 which resulted in the same amount of merger reserve. There are no other adjustments required in relation to the acquisition from SIIC in 2004. The remaining adjustments are to include assets and liabilities of Good Cheer and Hu-Hang at 31st December 2007.

III. The adjustments are to restate goodwill upon completion of the initial accounting of the acquisition Shanghai Urban Development in 2007. The adjustments include:

(a) According to the capital contribution agreement and equity transfer contract, Xuhui District State Owned Asset Administrative Committee ("Xuhui SAAC") guaranteed the Group on the audited net assets of Shanghai Urban Development at the completion date. During the year, the Group obtained the audited financial statements of Shanghai Urban Development at the completion date that there was a shortfall of HK$283,279,000 which shall be compensated by Xuhui SAAC to Shanghai Urban Development.

(b) The valuation of property under development was increased by HK$1,421,225,000 by reference to professional valuation report and deferred tax liability was decreased by HK$896,002,000.

As a result goodwill was reduced by HK$972,272,000. Minority interest was increased by HK$1,638,130,000 accordingly (see note 42A).

The financial effect of the adoption of merger accounting to the Group's equity on 1st January 2007 is summarised below:

	As originally stated HK$'000	Adjustments on merger accounting HK$'000	As restated HK$'000
Share capital and other reserves	10,746,693	—	10,746,693
Other revaluation reserve	8,144	(38,167)	(30,023)
Merger reserve	—	(14,255)	(14,255)
Translation reserve	451,039	21,573	472,612
Accumulated profits	6,299,505	(83,962)	6,215,543
Minority interests	2,225,614	56,558	2,282,172
	19,730,995	(58,253)	19,672,742

The acquisition of Good Cheer and Hu-Hang were completed on 1st December 2008, the following illustrates the financial impact of including the operating results of Good Cheer and Hu-Hang from 1st January 2008 to 30th November 2008 resulting from the application of merger accounting to the Group for the year ended 31st December 2008.

2. Changes in Accounting Policy and Restatements (Continued)

	2008 HK$'000
Increase in turnover	883,242
Increase in cost of sales	(395,654)
Increase in other investment income	7,762
Increase in other income	25,033
Increase in selling and distribution costs	(15,534)
Increase in administrative expenses	(102,590)
Increase in finance costs	(159,287)
Increase in impairment loss recognised in respect of goodwill relating to subsidiaries	(1,115)
Increase in income tax expenses	(30,772)
Increase in profit for the year	211,085
Attributable to:	
– Equity holders of the Company	207,023
– Minority interests	4,062
	211,085

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied, the following amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
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 the new HKFRSs, other than HKAS 39 & HKFRS 7 (Amendments), had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

In the current year, the Group has applied HKAS 39 & HKFRS 7 (Amendments) "Reclassification of Financial Assets".

The amendments permit an entity, if it no longer intends to hold a non-derivative financial asset for the purpose of selling in the near term (notwithstanding that the financial asset may have been acquired principally for this purpose), to reclassify that non-derivative financial asset out of the "fair value through profit or loss" category to "available-for-sale", "held-to-maturity" or "loans and receivables" category under certain circumstances. Such reclassifications were not previously allowed under HKAS 39. Details of the financial impact are set out in note 58(b).

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

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[4]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[5]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners[3]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[7]

1 Effective for annual periods beginning on or after 1st January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July 2009
2 Effective for annual periods beginning on or after 1st January 2009
3 Effective for annual periods beginning on or after 1st July 2009
4 Effective for annual periods ending on or after 30th June 2009
5 Effective for annual periods beginning on or after 1st July 2008
6 Effective for annual periods beginning on or after 1st October 2008
7 Effective for transfers on or after 1st July 2009

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after 1st January 2010. HKAS 27 (Revised) will affect the Group's accounting treatment for changes in the Group's ownership interest in a subsidiary.

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

4. Significant Accounting Policies

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

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

4. Significant Accounting Policies (Continued)

Basis of Consolidation (Continued)

The results of subsidiaries (except those accounted for as business combination involving entities under common control) acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business Combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Merger Accounting for Business Combination Involving Entities Under Common Control

Business combination involving entities under common control includes acquisition of subsidiaries/business controlled by SIIC.

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

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

4. Significant Accounting Policies (Continued)

Merger Accounting for Business Combination Involving Entities Under Common Control (Continued)

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

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

Goodwill

Goodwill Arising on Acquisitions Prior to 1st January 2005

Goodwill arising on an acquisition of net assets and operations of another entity or a jointly controlled entity for which the agreement date is before 1st January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant acquiree at the date of acquisition.

For previously capitalised goodwill arising on acquisitions of net assets and operations of another entity or a jointly controlled entity after 1st January 2001, the Group has discontinued amortisation from 1st January 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash-generating unit to which the goodwill relates may be impaired (see the accounting policy below).

Goodwill Arising on Acquisitions on Or After 1st January 2005

Goodwill arising on an acquisition of a business for which the agreement date is on or after 1st January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated balance sheet. Capitalised goodwill arising on an acquisition of an associate or a jointly controlled entity (which is accounted for using the equity method) is included in the cost of the investment of the relevant associate or jointly controlled entity.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

For goodwill arising on acquisition of an associate or a jointly controlled entity, the goodwill included in the carrying amount of interests in an associate or a jointly controlled entity is not separately tested for impairment. Instead, the entire carrying amount of the interests in an associate or a jointly controlled entity is tested for impairment by comparing the Group's share of the present value of the estimated future cash flows expected to be generated by the associate or jointly controlled entity with its carrying amount. Any impairment loss identified is recognised and is allocated first to goodwill.

4. Significant Accounting Policies (Continued)

Investment in Subsidiaries

Investment in subsidiaries is included in the Company's balance sheet at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Acquisition of Additional Interest in Subsidiaries

On acquisition of additional interest in subsidiaries, goodwill was calculated as the difference between the cost of additional interest acquired and the increase in the Group's share of the carrying amount of the identifiable assets, liabilities and contingent liabilities. If the increase in the Group's share of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the additional interest, the excess is recognised immediately in the consolidated income statement.

Interest in Jointly Controlled Entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

The Company's interest in jointly controlled entities are stated at cost, as reduced by any identified impairment loss. The results of jointly controlled entities are accounted for by the Company on the basis of dividend received and receivable.

Interest in Associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale (in which case it is accounted for under HKFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations"). Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

4. Significant Accounting Policies (Continued)

Interest in Associates (Continued)

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Non-current Assets Classified as Held for Sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition.

Non-current assets or disposal groups classified as held for sale are measured at the lower of the assets' or disposal groups' previous carrying amount and fair value less costs to sell.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods are recognised when goods are delivered and title has been passed.

Revenue from sales of properties in the ordinary course of business is recognised when:

- the significant risks and rewards of ownership of the properties are transferred to buyers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income and income from hotel operation is recognised when services are provided.

Toll fee income from the operation of toll road, net of business tax payable in the PRC, is recognised at the time of usage and when the toll fee is received.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Contracted income from available-for-sale investments attributable to the current year is recognised when the Group's right to receive payment can reasonably be foreseen.

Rental income, including rental invoiced in advance from letting of properties and plant and machinery under operating leases, is recognised on a straight line basis over the period of the respective leases.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

4. Significant Accounting Policies (Continued)

Investment Properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

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

Property, Plant and Equipment

Property, plant and equipment, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual values, using the straight line method.

Property, plant and equipment in the course of construction are carried at cost, less any identified impairment losses. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

If an owner occupied property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to accumulated profits.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as Lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight line basis over the lease term.

The Group as Lessee

Rentals payable under operating leases are charged to profit or loss on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

4. Significant Accounting Policies (Continued)

Leasing (Continued)

Leasehold Land and Building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment or investment property. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets or liabilities acquired arising on an acquisition of a foreign operation on or after 1st January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

4. Significant Accounting Policies (Continued)

Government Grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as a deduction from the carrying amount of the relevant asset and are released to income over the useful lives of the assets.

Retirement Benefits Costs

Payments to defined contribution retirement benefits schemes are charged as expenses when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefits schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefits scheme.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Intangible Assets

On initial recognition, intangible assets acquired separately and from business combinations are recognised at cost and at fair value respectively. After initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

4. Significant Accounting Policies (Continued)

Intangible Assets (Continued)

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

Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the year in which it is incurred.

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

Inventories

Properties Held for Sale and Properties Under Development Held for Sale
Properties held for sale and properties under development held for sale are stated at the lower of cost and net realisable value on an individual basis. Cost comprises the acquisition cost and other direct costs attributable to such properties.

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

Others
Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Financial Instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial Assets
The Group's financial assets are classified as financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective Interest Method
The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

4. Significant Accounting Policies (Continued)

Financial Instruments (Continued)

Financial Assets (Continued)

Effective Interest Method (Continued)
Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL, of which interest income is excluded in net gains or losses.

Financial Assets at Fair Value Through Profit or Loss
Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, loan receivables, restricted bank deposits, pledged bank deposits, short-term bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Held-to-maturity Investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. At each balance sheet date subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

4. Significant Accounting Policies (Continued)

Financial Instruments (Continued)

Financial Assets (Continued)

Available-for-sale Financial Assets
Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

Impairment of Financial Assets
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days to 180 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

4. Significant Accounting Policies (Continued)

Financial Instruments (Continued)

Financial Assets (Continued)

Impairment of Financial Assets (Continued)
For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

Reclassification of Financial Assets

Reclassification of Financial Assets Out of FVTPL
Financial assets held for trading which is no longer held for the purpose of selling or repurchasing it in the near term are reclassified as available-for-sale financial assets and/or held-to-maturity investments at its fair value on the date of reclassification only in rare circumstances.

Any gain or loss already recognised in profit or loss before the reclassification is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable.

Effective Interest Rate
For debt instruments carried at amortised cost, a new effective interest rate is determined at the date of reclassification. If the Group subsequently increases its estimate of the recoverability of future cash flows, the effect of the increase is recognised as an adjustment to the effective interest rate from the date of change, such that the effect of the increase in recoverability is recognised over the expected remaining life of the debt instrument.

Financial Liabilities and Equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Effective Interest Method
The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial Liabilities
The Group's financial liabilities, including trade and other payables and bank and other borrowings, are subsequently measured at amortised cost, using the effective interest method.

Equity Instruments
Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. Significant Accounting Policies (Continued)

Financial Instruments (Continued)

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Equity-settled Share-based Payment Transactions

The fair value of services received from employees and other eligible participants (of which the fair value of services received cannot be estimated reliably) determined by reference to the fair value of share options granted at the grant date is expensed on a straight line basis over the vesting period, with a corresponding increase in the share options reserve in equity.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve in equity.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated profits.

Impairment Losses on Tangible and Intangible Assets Other Than Goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

Critical Judgments in Applying the Group's Accounting Policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Consolidation of a Subsidiary

As at 31st December 2008, the Group's equity interest in Shanghai Industrial Pharmaceutical Investment Co., Ltd. ("SI Pharmaceutical"), a subsidiary of the Company listed on the A share market of the Shanghai Stock Exchange, was 43.62%.

The directors of the Company are of the opinion that the Group still retains control over SI Pharmaceutical subsequent to the share reform plan in 2006 as the remaining 56.38% shareholding of SI Pharmaceutical is dispersed and it is highly unlikely for the other shareholders to organise their interests to exercise control over the board of SI Pharmaceutical. Hence, the directors of the Company consider control over SI Pharmaceutical still exists through the right to appoint or remove the majority of the members of the board of directors of SI Pharmaceutical. Accordingly, SI Pharmaceutical continues to be accounted for as a subsidiary of the Company and the results of SI Pharmaceutical were consolidated in the consolidated financial statements.

Equity Accounting for an Associate

The directors of the Company are of the opinion that the Group can exercise significant influence over the financial and operating policy decisions of Semiconductor Manufacturing International Corporation ("SMIC") through the Group's ability to appoint a board representative at 31st December 2008. Accordingly, SMIC is classified as an associate and accounted for under the equity method as from 31st December 2008. Details of which are set out in note 9.

Held-to-maturity Investments

The directors of the Company have reviewed the Group's held-to-maturity investments in the light of its capital maintenance and liquidity requirements and have confirmed the Group's positive intention and ability to hold those assets to maturity. The carrying amount of the held-to-maturity investments is approximately HK$143 million as at 31st December 2008 (2007: nil).

Details of these assets are set out in note 25.

Reclassification of Financial Assets

Due to the turmoil in the world's financial market in the third quarter of 2008, the directors of the Company have reviewed the Group's investment strategy. After taking into account the Group's liquidity position, the directors of the Company considered that the financial turmoil during the third quarter of 2008 was a rare circumstance. The directors confirmed that certain held-for-trading securities and debentures of approximately HK$304 million and HK$143 million, respectively, are no longer held for short-term profit taking. Such investments have been reclassified as available-for-sale financial assets and held-to-maturity investments in July 2008.

Details and the financial impact of the above reclassifications are set out in note 58(b).

5. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Estimated Impairment of Goodwill

Determining whether goodwill amounting to approximately HK$401 million as at 31st December 2008 (2007 (as restated): HK$392 million) is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of the impairment test are set out in note 21.

Amortisation of Toll Road Operating Rights

Toll road operating rights amounting to approximately HK$9,681 million as at 31st December 2008 (2007 (as restated): HK$7,434 million) is amortised on a units-of-usage basis, calculated based on the proportion of actual traffic volume for a particular period to the projected total traffic volume over the operating period of the toll road. If the actual traffic volume differs from the original projection, such difference will impact the amortisation for the remaining period to be amortised.

Allowance for Properties Under Development and Properties Held for Sale

Management regularly reviews the recoverability of the Group's properties under development and properties held for sale with reference to the current market environment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. Appropriate allowance for properties under development and properties held for sale is made if the estimated recoverable amount is lower than its carrying amount. As at 31st December 2008, the carrying amount of properties under development and properties held for sale is approximately HK$12,468 million (2007 (as restated): HK$12,731 million).

6. Turnover

Turnover represents the aggregate of the net amounts received and receivable from third parties and is summarised as follows:

	2008 **HK$'000**	2007 HK$'000 (restated)
Sales of goods	**8,831,856**	7,615,627
Sales of properties and rental income	**2,637,921**	—
Income from infrastructure facilities	**938,802**	446,690
Income from hotel operation	**324,073**	369,983
	12,732,652	8,432,300

7. Other Investment Income

	2008 HK$'000	2007 HK$'000 (restated)
Interest on bank deposits	**157,294**	284,935
Interest on financial assets at fair value through profit or loss	**81,069**	65,769
Other interest income	**117,086**	569
Total interest income	**355,449**	351,273
Gain on disposal of available-for-sale investments	**83,391**	—
Dividend income from unlisted equity investments	**372**	2,439
Dividend income from listed equity investments	**6,934**	2,999
Change in fair value of financial assets designated as at FVTPL	**(30,743)**	7,537
Change in fair value of financial assets classified as held-for-trading	**(142,577)**	219,701
Rental income from property, plant and equipment	**6,780**	9,223
Contracted income from available-for-sale investments	**4,879**	5,313
	284,485	598,485

Investment income earned on financial assets, analysed by category of asset, is as follows:

	2008 HK$'000	2007 HK$'000 (restated)
Available-for-sale financial assets	**88,642**	7,752
Loans and receivables (including cash and bank balances)	**274,380**	285,504
Financial assets at fair value through profit or loss	**(85,317)**	296,006
	277,705	589,262
Investment income earned on non-financial assets	**6,780**	9,223
	284,485	598,485

Included above is loss from listed investments (other than impairment loss) of HK$135,643,000 (2007: income of HK$222,700,000) and income from unlisted investments of HK$138,968,000 (2007: HK$81,058,000).

8. Finance Costs

	2008 HK$'000	2007 HK$'000 (restated)
Interest on:		
Bank and other borrowings wholly repayable		
– within five years	**318,860**	137,796
– over five years	**154,278**	21,440
Total borrowing costs	**473,138**	159,236
Less: amounts capitalised in construction in progress	**—**	(770)
amounts capitalised in properties under development held for sale	**(150,914)**	—
	322,224	158,466

Borrowing costs capitalised during the year arose on specific borrowings on qualifying assets.

9. Discount on Acquisition of Interests in Associates/Impairment Loss Recognised in Respect of Available-For-Sale Investments

	2008 HK$'000	2007 HK$'000
Impairment loss recognised in respect of the following available-for-sale investments:		
SMIC (Note)	**1,463,040**	—
Others	**64,348**	—
	1,527,388	—
Discount on acquisition in respect of the following interests in associates:		
SMIC (Note)	**1,410,170**	—
Other	**52**	—
	1,410,222	—

Note:

In May 2008, the Group reclassified its investment in SMIC from interests in associates to available-for-sale investments as the Group ceased to have significant influence over SMIC. 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$1,463 million is recognised in the investment revaluation reserve.

In December 2008, the Group increased its shareholdings in SMIC to 8.21% and with SIIC vesting its 1.88% voting rights of SMIC to the Group, the directors concluded that the Group from then on was in a position to exercise significant influence over the financial reporting and operating policies decision of SMIC. On the date when the above significant influence was gained, management assessed the fair value of the identifiable assets, liabilities and contingent liabilities of SMIC. For certain property, plant and equipment, the fair values were estimated by reference to professional valuation reports prepared by independent qualified professional valuers not connected to the Group using comparable market values. The fair value of the identifiable assets, liabilities and contingent liabilities of SMIC attributable to the Group exceeded the cost of investment and accordingly, a discount on acquisition of approximately HK$1,410 million was recognised to the consolidated income statement.

10. Net Gain on Disposal of Interests in Subsidiaries, Associates and Jointly Controlled Entities

	2008 HK$'000	2007 HK$'000
Gain on disposal of interests in jointly controlled entities	**227,212**	159,833
(Loss) gain on deemed disposal of interests in associates	**(2,571)**	3,088
Gain (loss) on disposal of interests in subsidiaries (note 43)	**331,977**	(3,589)
	556,618	159,332

11. Income Tax Expenses

	2008 HK$'000	2007 HK$'000 (restated)
Current tax		
– Hong Kong	**88,607**	104,868
– PRC Land appreciation tax ("PRC LAT")	**46,917**	—
– PRC Enterprise income tax	**424,231**	173,887
	559,755	278,755
(Over)underprovision in prior years		
– Hong Kong	**(5,605)**	(1,468)
– PRC Enterprise income tax	**(7,092)**	1,497
	(12,697)	29
Deferred taxation (note 40)		
– Current year	**(7,207)**	18,697
– Attributable to a change in tax rate	**(6,030)**	(2,351)
	(13,237)	16,346
	533,821	295,130

Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year. On 26th June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year.

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 allowed the companies to continue to enjoy the Tax Benefit and afterwards change the tax rate to 25%. 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.

11. Income Tax Expenses (Continued)

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

The income tax expenses for the year can be reconciled to the profit before taxation per the income statement as follows:

	2008 **HK$'000**	2007 HK$'000 (restated)
Profit before taxation	**3,391,587**	2,576,239
Tax at PRC Statutory Tax rate of 25% (2007: 33%)	**847,897**	850,159
Tax effect of share of results of jointly controlled entities and associates	**10,357**	(143,754)
Tax effect of expenses not deductible for tax purpose	**371,251**	68,516
Tax effect of income not taxable for tax purpose	**(627,477)**	(202,988)
(Over)underprovision in respect of prior years	**(12,697)**	29
Tax effect of tax losses not recognised as deferred tax assets	**5,476**	5,506
Utilisation of tax losses previously not recognised as deferred tax assets	**(5,805)**	(20,922)
Utilisation of other deductible temporary difference previously not recognised as deferred tax assets	**—**	(1,174)
Effect of tax exemption and tax reliefs granted to PRC subsidiaries	**(105,038)**	(142,104)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(76,160)**	(115,808)
Effect of change in tax rate for deferred taxation	**(6,030)**	(2,351)
PRC LAT	**46,917**	—
Deferred tax charge on dividend withholding tax	**85,219**	—
Others	**(89)**	21
Income tax expenses for the year	**533,821**	295,130

12. Profit for the Year

	2008 HK$'000	2007 HK$'000 (restated)
Profit for the year has been arrived at after charging (crediting):		
Employee benefits expense for the year, including directors' emoluments:		
Basic salaries and allowances	**792,807**	668,759
Bonuses	**104,597**	92,391
Equity-settled share-based payment expense	**1,460**	4,048
Retirement benefits scheme contributions, net of forfeited contributions of HK$715,000 (2007: HK$384,000)	**38,760**	36,644
	937,624	801,842
Amortisation of toll road operating rights (included in cost of sales)	**208,653**	99,428
Amortisation of other intangible assets (included in administrative expenses)	**7,888**	7,268
Depreciation of property, plant and equipment	**367,463**	294,940
Release of prepaid lease payments to income statement	**28,551**	36,263
Total depreciation and amortisation	**612,555**	437,899
Auditor's remuneration	**9,229**	9,537
Equity-settled share-based payment expense in respect of options granted to eligible participants other than employees	**493**	1,412
Impairment loss on bad and doubtful debts	**19,106**	12,666
Reversal of impairment loss on bad and doubtful debts (included in other income)	**(36,450)**	—
Increase in fair value of investment properties (included in other income)	**(12,788)**	(10,783)
Loss (gain) on disposal of investment properties (included in other income)	**8,830**	(5,787)
Loss (gain) on disposal of property, plant and equipment	**1,786**	(5,790)
Operating lease rentals in respect of land and buildings to		
– ultimate holding company	**—**	3,820
– fellow subsidiaries	**33,676**	24,886
– others	**46,760**	28,293
Research and development costs	**78,577**	37,866
Share of PRC income tax of jointly controlled entities (included in share of results of jointly controlled entities)	**(8,910)**	25,650
Share of PRC income tax of associates (included in share of results of associates)	**(24,145)**	25,678
Net foreign exchange gains	**(158,023)**	(147,836)
Cost of inventories recognised as an expense	**7,760,712**	4,817,832

13. Directors' Emoluments and Employees' Emoluments

Directors' Emoluments

The emoluments paid or payable to each of the twelve (2007: twelve) directors were as follows:

	Teng Yi Long HK$'000 (note i)	Cai Lai Xing HK$'000 (note ii)	Cai Yu Tian HK$'000	Lu Ming Fang HK$'000	Ding Zhong De HK$'000	Zhou Jie HK$'000	Qian Shi Zheng HK$'000	Yao Fang HK$'000	Tang Jun HK$'000	Lo Ka Shui HK$'000	Woo Chia-Wei HK$'000	Leung Pak To, Francis HK$'000	2008 HK$'000
Directors' fees and committee remuneration of independent non-executive directors	—	—	—	—	—	—	—	—	—	326	312	312	950
Other emoluments of executive directors:													
Directors' fee and committee remuneration	—	—	—	200	—	—	—	200	200	—	—	—	600
Basic salaries and allowances	1,518	1,276	2,251	513	1,831	1,847	1,797	1,002	—	—	—	—	12,035
Bonuses	979	823	1,900	—	800	900	800	125	—	—	—	—	6,327
Equity-settled share-based payment expense	—	11	463	8	356	6	5	—	5	—	—	—	854
Retirement benefits scheme contributions	130	109	193	89	157	158	154	42	—	—	—	—	1,032
Total directors' emoluments	2,627	2,219	4,807	810	3,144	2,911	2,756	1,369	205	326	312	312	21,798

	Cai Lai Xing HK$'000	Cai Yu Tian HK$'000	Lu Ming Fang HK$'000	Ding Zhong De HK$'000	Zhou Jie HK$'000	Qian Shi Zheng HK$'000	Yao Fang HK$'000	Tang Jun HK$'000	Qu Ding HK$'000 (note iii)	Lo Ka Shui HK$'000	Woo Chia-Wei HK$'000	Leung Pak To, Francis HK$'000	2007 HK$'000
Directors' fees and committee remuneration of independent non-executive directors	—	—	—	—	—	—	—	—	—	304	292	292	888
Other emoluments of executive directors:													
Directors' fee and committee remuneration	—	—	200	—	—	—	200	200	44	—	—	—	644
Basic salaries and allowances	3,103	2,251	626	1,831	188	1,797	936	—	1,988	—	—	—	12,720
Bonuses	2,000	1,900	—	800	107	800	186	—	1,590	—	—	—	7,383
Equity-settled share-based payment expense	110	1,062	66	817	4	41	—	41	70	—	—	—	2,211
Retirement benefits scheme contributions	266	193	128	157	16	154	33	—	171	—	—	—	1,118
Total directors' emoluments	5,479	5,406	1,020	3,605	315	2,792	1,355	241	3,863	304	292	292	24,964

Notes:

(i) Teng Yi Long was appointed as a director of the Company on 30th May 2008.
(ii) Cai Lai Xing resigned as a director of the Company on 30th May 2008.
(iii) Qu Ding resigned as a director of the Company on 19th November 2007.

13. Directors' Emoluments and Employees' Emoluments (Continued)

Directors' Emoluments (Continued)

In the two years ended 31st December 2008, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as a compensation for loss of office. None of the directors has waived any emoluments during the two years.

Bonus were determined with reference to the Group's operating results, individual performances and comparable market statistics.

Employees' Emoluments

The five highest paid individuals of the Group for both years were all directors of the Company, detail of whose emoluments are set out above.

14. Dividends

	2008 **HK$'000**	2007 HK$'000
Ordinary shares:		
2008 interim dividend of HK45 cents (2007: HK37 cents) per share	**484,362**	395,900
2007 final dividend of HK43 cents (2006: HK30 cents) per share	**462,431**	290,718
	946,793	686,618

A final dividend of HK36 cents per share has been proposed by the Board of Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

15. Earnings Per Share

The calculation of the basic and diluted earnings per share attributable to the equity holders of the Company is based on the following data:

	2008 **HK$'000**	2007 HK$'000 (restated)
Earnings:		
Profits for the purposes of basic earnings per share (profit for the year attributable to equity holders of the Company)	**2,101,546**	1,963,023
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 (note)	**(865)**	(707)
Earnings for the purposes of diluted earnings per share	**2,100,681**	1,962,316

15. Earnings Per Share (Continued)

	2008	2007
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,074,822,708**	1,013,132,770
Effect of dilutive potential ordinary shares – share options	**1,914,212**	4,719,136
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**1,076,736,920**	1,017,851,906

Note: The dilutive impact on the share of results of a jointly controlled entity is effected from share options issued by the jointly controlled entity.

The effects of the application of HKAS 39 & HKFRS 7 (Amendments) and merger accounting on the Group's basic and diluted earnings per share for the current and prior year:

Impact on Basic Earnings Per Share

	2008 HK$	2007 HK$
Reported figures before adjustments	**1.89**	1.98
Adjustments arising from changes in accounting policies:		
– Merger accounting	**0.02**	(0.04)
– Reclassification of financial assets	**0.05**	—
Restated	**1.96**	1.94

Impact on Diluted Earnings Per Share

	2008 HK$	2007 HK$
Reported figures before adjustments	**1.88**	1.97
Adjustments arising from changes in accounting policies:		
– Merger accounting	**0.02**	(0.04)
– Reclassification of financial assets	**0.05**	—
Restated	**1.95**	1.93

16. Investment Properties

	THE GROUP HK$'000
FAIR VALUE	
At 1st January 2007	80,570
Exchange adjustments	4,874
Acquired on acquisition of subsidiaries	467,468
Disposals	(23,427)
Net increase in fair value recognised in the income statement	10,783
At 31st December 2007	540,268
Exchange adjustments	71,212
Transfer from property, plant and equipment	13,343
Transfer from properties under development held for sale	1,380,758
Disposals	(31,473)
Net increase in fair value recognised in the income statement	12,788
At 31st December 2008	1,986,896

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The Group's investment properties are situated in the PRC and are held under medium-term land use rights.

The fair value of the Group's investment properties at 31st December 2008 was arrived at on the basis of a valuation carried out on that date by Messrs. Debenham Tie Leung Limited, an independent firm of qualified professional valuers not connected with the Group. Messrs. Debenham Tie Leung Limited are members of the Institute of Valuers, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to the Valuation Standards on Properties of the Hong Kong Institute of Surveyors, was arrived at by reference to comparable sales transactions as available in the relevant market.

The property rental income earned by the Group from its investment properties, all of which are held for rental income under operating leases, amounted to HK$122,270,000 (2007: HK$9,223,000) with negligible direct operating expenses.

17. Property, Plant and Equipment

	Hotel property HK$'000	Leasehold land and buildings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Construction in progress HK$'000	Total HK$'000
THE GROUP							
COST							
At 1st January 2007, as originally stated	—	844,402	368,012	118,309	2,365,684	224,258	3,920,665
Effect of merger accounting (note 2)	453,749	—	115,931	1,912	229,444	—	801,036
At 1st January 2007, as restated	453,749	844,402	483,943	120,221	2,595,128	224,258	4,721,701
Exchange adjustments	30,972	34,654	16,501	7,644	116,158	40,036	245,965
Acquired on acquisition of subsidiaries/ acquisition of assets through acquisition of subsidiaries	—	38,538	24,349	20,417	9,460	116	92,880
Additions	—	5,740	22,698	20,012	81,639	794,165	924,254
Transfers/reclassifications	—	16,436	2,332	—	123,938	(142,706)	—
Attributable to disposal of subsidiaries	—	—	—	—	(1,621)	—	(1,621)
Disposals	(2,085)	(7,223)	(25,593)	(10,704)	(51,619)	—	(97,224)
At 31st December 2007, as restated	482,636	932,547	524,230	157,590	2,873,083	915,869	5,885,955
Exchange adjustments	30,449	42,199	16,473	7,628	112,961	65,886	275,596
Acquired on acquisition of subsidiaries	—	5,691	265	267	9,802	—	16,025
Additions	—	10,116	57,209	23,939	99,168	1,674,063	1,864,495
Transfers/reclassifications	—	38,837	5,015	—	123,401	(2,178,719)	(2,011,466)
Attributable to disposal of subsidiaries	—	—	(1,946)	(1,321)	(15,481)	—	(18,748)
Disposals	(2,261)	(1,229)	(18,272)	(19,476)	(35,662)	—	(76,900)
At 31st December 2008	510,824	1,028,161	582,974	168,627	3,167,272	477,099	5,934,957
DEPRECIATION AND AMORTISATION							
At 1st January 2007, as originally stated	—	146,726	210,873	59,567	831,702	—	1,248,868
Effect of merger accounting (note 2)	92,921	—	87,989	1,197	93,539	—	275,646
At 1st January 2007, as restated	92,921	146,726	298,862	60,764	925,241	—	1,524,514
Exchange adjustments	6,889	7,652	10,743	4,195	38,348	—	67,827
Provided for the year	21,538	26,967	50,853	19,713	175,869	—	294,940
Attributable to disposal of subsidiaries	—	—	—	—	(681)	—	(681)
Eliminated on disposals	(669)	(2,711)	(19,489)	(8,436)	(27,406)	—	(58,711)
At 31st December 2007, as restated	120,679	178,634	340,969	76,236	1,111,371	—	1,827,889
Exchange adjustments	7,913	8,930	10,453	3,388	29,674	—	60,358
Provided for the year	22,515	40,785	71,461	24,249	208,453	—	367,463
Attributable to disposal of subsidiaries	—	—	(1,434)	(516)	(12,423)	—	(14,373)
Eliminated on disposals	(1,254)	—	(6,417)	(14,299)	(21,891)	—	(43,861)
At 31st December 2008	149,853	228,349	415,032	89,058	1,315,184	—	2,197,476
CARRYING VALUES							
At 31st December 2008	360,971	799,812	167,942	79,569	1,852,088	477,099	3,737,481
At 31st December 2007, as restated	361,957	753,913	183,261	81,354	1,761,712	915,869	4,058,066

17. Property, Plant and Equipment (Continued)

At 31st December 2008, certain owner-occupied leasehold land and buildings amounted to HK$968,000 (2007: HK$992,000) is included in property, plant and equipment, as in the opinion of the directors, allocations between the land and buildings elements could not be made reliably.

Property, plant and equipment are depreciated on a straight line basis at the following rates per annum:

Hotel property	over the period of the lease term
Leasehold land and buildings	the shorter of 4%-5% or over the period of the lease terms
Furniture, fixtures and equipment	10%-33$^{1}/_{3}$% or over the period of the lease in case of fixtures in rented premises
Motor vehicles	10%-30%
Plant and machinery	5%-20%

At 31st December 2008, leasehold land and buildings included certain assets carried at cost of HK$3,550,000 (2007: HK$3,550,000) in aggregate with accumulated depreciation of HK$1,187,000 (2007: HK$1,091,000) in respect of assets rented out under operating leases. Depreciation charged in respect of those assets in the year amounted to HK$96,000 (2007: HK$96,000).

At 31st December 2007, construction in progress included net interest capitalised of HK$1,694,000.

	Buildings HK$'000	**Furniture, fixtures and equipment** HK$'000	**Motor vehicles** HK$'000	**Total** HK$'000
THE COMPANY				
COST				
At 1st January 2007	2,803	23,979	8,855	35,637
Additions	—	1,180	—	1,180
Disposals	—	(255)	—	(255)
At 31st December 2007	2,803	24,904	8,855	36,562
Additions	—	154	356	510
Disposals	—	(56)	(412)	(468)
At 31st December 2008	2,803	25,002	8,799	36,604
DEPRECIATION				
At 1st January 2007	597	22,481	7,171	30,249
Provided for the year	112	688	962	1,762
Eliminated on disposals	—	(180)	—	(180)
At 31st December 2007	709	22,989	8,133	31,831
Provided for the year	112	737	717	1,566
Eliminated on disposals	—	(56)	(412)	(468)
At 31st December 2008	821	23,670	8,438	32,929
CARRYING VALUES				
At 31st December 2008	1,982	1,332	361	3,675
At 31st December 2007	2,094	1,915	722	4,731

17. Property, Plant and Equipment (Continued)

	THE GROUP		THE COMPANY	
	2008 HK$'000	2007 HK$'000 (restated)	**2008 HK$'000**	2007 HK$'000
The carrying values of property interests comprises:				
Properties erected on land held under				
– medium-term leases in Macau	**987**	1,035	**—**	—
– medium-term leases in Hong Kong	**258,316**	266,839	**—**	—
– medium-term land use rights in the PRC	**901,480**	847,996	**1,982**	2,094
	1,160,783	1,115,870	**1,982**	2,094

18. Prepaid Lease Payments

	THE GROUP	
	2008 HK$'000	2007 HK$'000 (restated)
The Group's prepaid lease payments comprises:		
– medium-term leases in Hong Kong	**73,686**	44,100
– medium-term land use rights in the PRC	**583,370**	573,167
	657,056	617,267
Analysed for reporting purposes as:		
Current portion	**28,580**	36,719
Non-current portion	**628,476**	580,548
	657,056	617,267

19. Toll Road Operating Rights

	THE GROUP HK$'000
COST	
At 1st January 2007, as originally stated	1,935,933
Exchange adjustments	273,317
Acquired on acquisition of subsidiaries	5,496,875
At 31st December 2007, as restated	7,706,125
Exchange adjustments	501,059
Transfer from construction in progress	1,974,519
At 31st December 2008	10,181,703
AMORTISATION	
At 1st January 2007, as originally stated	157,337
Exchange adjustments	14,870
Charge for the year	99,428
At 31st December 2007, as restated	271,635
Exchange adjustments	19,954
Charge for the year	208,653
At 31st December 2008	500,242
CARRYING VALUES	
At 31st December 2008	9,681,461
At 31st December 2007, as restated	7,434,490

The toll road operating rights represent:

(a) the right to receive toll fees from vehicles using the Shanghai section of the Shanghai-Nanjing Expressway and to operate service facilities in designated areas along the Shanghai section for a period of 25 years ending in 2028; and

(b) the right to receive toll fees from vehicles using the Shanghai section of the Shanghai-Hangzhou Expressway and to operate service facilities in designated areas along the Shanghai section for a period of 30 years ending in 2030. The toll road operating right was acquired through the acquisition of Hu-Hang (see note 2(a) and note 42A(c)).

The Group's right to operate the toll road is amortised on a units-of-usage basis, calculated based on the proportion of actual traffic volume for a particular period to the projected total traffic volume over the period for which the Group is granted the rights to operate the toll roads.

20. Other Intangible Assets

	Patents HK$'000	Premium on prepaid lease payments HK$'000	Trademark HK$'000	Total HK$'000
THE GROUP				
COST				
At 1st January 2007	49,291	61,486	—	110,777
Exchange adjustments	4,948	4,637	—	9,585
Arising on acquisition of a subsidiary	218	—	54,487	54,705
At 31st December 2007	54,457	66,123	54,487	175,067
Exchange adjustments	3,029	3,340	3,709	10,078
At 31st December 2008	57,486	69,463	58,196	185,145
AMORTISATION				
At 1st January 2007	17,555	3,563	—	21,118
Exchange adjustments	1,124	228	—	1,352
Charge for the year	6,200	1,068	—	7,268
At 31st December 2007	24,879	4,859	—	29,738
Exchange adjustments	2,087	216	—	2,303
Charge for the year	6,715	1,173	—	7,888
At 31st December 2008	33,681	6,248	—	39,929
CARRYING VALUES				
At 31st December 2008	23,805	63,215	58,196	145,216
At 31st December 2007	29,578	61,264	54,487	145,329

Patents are held to produce pharmaceutical products for a period ranging from 5 to 10 years and are amortised on a straight line basis over useful lives ranging from 5 to 10 years.

Premium on prepaid lease payments represents the premium on acquisition of prepaid lease payments which is to be amortised over the period of the lease of the related prepaid lease payments on a straight line basis.

The trademark has a legal life of 10 years from September 2001 to September 2011 but is renewable upon expiry. The directors of the Company are of the opinion that the Group would renew the trademark continuously and has the ability to do so at minimal cost. Various studies including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by management of the Group, which supports that the trademark has no foreseeable limit to the period over which the trademarked products are expected to generate net cash flows for the Group.

21. Goodwill

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
		(restated)
COST		
At 1st January, as originally stated	**555,908**	428,385
Effect of merger accounting (note 2)	**—**	(14,255)
At 1st January, as restated	**555,908**	414,130
Exchange adjustments	**8,958**	8,937
Arising on acquisition of subsidiaries (note 42A)	**—**	129,275
Arising on acquisition of additional interest in a subsidiary	**1,115**	3,566
At 31st December	**565,981**	555,908
IMPAIRMENT		
At 1st January	**164,174**	6,560
Impairment loss recognised for the year	**1,115**	157,614
At 31st December	**165,289**	164,174
CARRYING AMOUNTS		
At 31st December	**400,692**	391,734

Goodwill acquired in business combinations was allocated, at acquisition, to the individual cash-generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill was allocated as follows:

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
		(restated)
Sale and manufacture of Chinese medicine and health food	**277,574**	277,574
Sale and manufacture of biomedicine	**123,118**	114,160
	400,692	391,734

The impairment loss recognised for the year ended 31st December 2007 and 2008 was attributable to the followings:

(a) During the year ended 31st December 2007, in view of the continuous operating losses incurred by an entity engaged in sale and manufacture of biomedicine, the Group has revised its cash flow forecasts and as a result, an impairment loss of HK$28,339,000 was recognised.

(b) During the year ended 31st December 2007 and 2008, Hu-Hang acquired from a third party 99.35% and 0.65%, respectively, equity interest in Shanghai Luqiao for a consideration of approximately HK$2,939 million and HK$20 million which gave rise to a goodwill on acquisition of HK$129,275,000 and HK$1,115,000, respectively (see note 42A(c)). According to the valuation on the toll road conducted by a PRC valuer, the directors of SIIC are of the view that the goodwill has been impaired and accordingly, impairment loss on such goodwill has been recognised in full during the year of acquisition.

21. Goodwill (Continued)

Sale and Manufacture of Chinese Medicine and Health Food and Sale and Manufacture of Biomedicine

The recoverable amounts of these units are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to these units. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management covering a five year period with a steady growth rate of 5% (2007: 5%) and extrapolated cash flows using a steady growth rate of 5% (2007: 5%).

The rate used to discount the forecast cash flows is 10% (2007: 7%-10%).

22. Investment in Subsidiaries

	THE COMPANY	
	2008	2007
	HK$'000	HK$'000
Unlisted shares, at cost	**5,288,857**	4,476,268

Details of the Company's principal subsidiaries at 31st December 2008 are set out in note 52.

23. Interests/Investment in Jointly Controlled Entities

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cost of unlisted investments in jointly controlled entities	**576,469**	965,993	**112,921**	112,921
Share of post-acquisition profits and reserves, net of dividends received	**667,198**	655,072	**—**	—
	1,243,667	1,621,065	**112,921**	112,921
Less: Impairment loss recognised	**(91,173)**	(122,595)	**(112,921)**	(112,921)
	1,152,494	1,498,470	**—**	—

23. Interests/Investment in Jointly Controlled Entities (Continued)

Included in the cost of investment is goodwill of HK$17,146,000 (2007: HK$17,146,000) arising on acquisition of interests in jointly controlled entities. The movement of goodwill is set out below:

	THE GROUP HK$'000 (restated) (Note)
COST	
At 1st January 2007 and 31st December 2007	115,937
Eliminated on disposal of jointly controlled entities	(31,422)
At 31st December 2008	84,515
IMPAIRMENT	
At 1st January 2007 and 31st December 2007	98,791
Eliminated on disposal of jointly controlled entities	(31,422)
At 31st December 2008	67,369
CARRYING VALUES	
At 31st December 2008	17,146
At 31st December 2007	17,146

Note: Goodwill arising on acquisition of 40% equity interest of Shanghai Urban Development of HK$246,701,000 during the year ended 31st December 2007 was determined on a provisional basis as the fair values of the identifiable assets acquired was determined provisionally. The Group further acquired 19% equity interest in October 2007 and Shanghai Urban Development was accounted for as subsidiary since then (see note 2). The goodwill of HK$246,701,000 was eliminated due to adjustments to provisional fair values upon the completion of the initial accounting.

A summary of the combined financial information in respect of the Group's jointly controlled entities which are accounted for using the equity method is set out below:

	THE GROUP	
	2008 HK$'000	2007 HK$'000
Group's share of the total assets of jointly controlled entities	**3,194,357**	4,142,586
Group's share of the total liabilities of jointly controlled entities	**(2,067,249)**	(2,662,929)
Group's share of net assets of jointly controlled entities	**1,127,108**	1,479,657
Income	**3,540,539**	5,565,343
Profit for the year	**243,457**	632,454
Group's share of results of jointly controlled entities for the year	**64,968**	277,456

23. Interests/Investment in Jointly Controlled Entities (Continued)

The Group has discontinued recognition of its share of losses of certain jointly controlled entities. The amounts of unrecognised share of losses of jointly controlled entities, both for the year and cumulatively, are as follows:

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Unrecognised share of losses of jointly controlled entities for the year	**6,573**	12,058
Accumulated unrecognised share of losses of jointly controlled entities	**32,044**	25,471

Details of the Group's principal jointly controlled entities at 31st December 2008 are set out in note 53.

24. Interests in Associates

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Cost of investment in associates		
– Listed in Hong Kong	**1,824,311**	1,819,766
– Listed in the PRC	**659,878**	141,506
– Unlisted	**198,136**	257,898
Share of post-acquisition profits and reserves, net of dividends received	**1,391,257**	1,638,267
	4,073,582	3,857,437
Less: Impairment loss recognised	**(28,793)**	(28,793)
	4,044,789	3,828,644
Fair value of listed investments	**2,365,032**	5,085,923

24. Interests in Associates (Continued)

Included in the cost of investment is goodwill of HK$267,490,000 (2007: HK$3,320,000) arising on acquisition of interests in associates. The movement of goodwill is set out below:

	THE GROUP HK$'000
COST	
At 1st January 2007 and 31st December 2007	22,694
Arising on acquisition of additional interests in associates	264,170
At 31st December 2008	286,864
IMPAIRMENT	
At 1st January 2007, 31st December 2007 and 31st December 2008	19,374
CARRYING VALUES	
At 31st December 2008	267,490
At 31st December 2007	3,320

A summary of the combined financial information in respect of the Group's associates is set out below:

	THE GROUP	
	2008 HK$'000	2007 HK$'000
Total assets	**55,514,935**	42,996,602
Total liabilities	**(26,870,406)**	(15,372,529)
Net assets	**28,644,529**	27,624,073
Group's share of net assets of associates	**3,786,717**	3,834,743
Income	**43,848,176**	22,510,539
(Loss) profit for the year	**(2,990,927)**	298,982
Group's share of results of associates for the year	**(106,396)**	158,161

Details of the Group's principal associates at 31st December 2008 are set out in note 54.

25. Investments

	THE GROUP	
	2008 **HK$'000**	2007 HK$'000 (restated)
Available-for-sale investments:		
Listed securities:		
– Equity securities listed in Hong Kong	**151,125**	60,685
– Equity securities listed elsewhere	**69,612**	66,926
Unlisted securities:		
– Equity securities incorporated in Hong Kong	**5**	5
– Equity securities incorporated elsewhere	**337,907**	315,126
	558,649	442,742
Held-to-maturity investments:		
– Debentures listed in Hong Kong with fixed interest of 3.39% and maturity dates on 16th January 2009 and 8th April 2009	**117,173**	—
– Debentures listed elsewhere with fixed interest of 2.5%, redeem at a premium of 21.31% and maturity date on 22nd February 2013	**25,625**	—
	142,798	—
	701,447	442,742
Fair values of listed investments	**220,737**	127,611
Fair values of held-to-maturity investments	**130,696**	—
Analysed for reporting purposes as:		
Current	**117,173**	—
Non-current	**584,274**	442,742
	701,447	442,742

At the balance sheet date, all available-for-sale investments are stated at fair value, except for those unlisted equity investments of which their fair values cannot be measured reliably.

The above investments in unlisted equity securities are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

The Group's unlisted investments at 31st December 2008 include HK$63,471,000 (2007: HK$63,471,000) investments in two companies with shareholding of 30% and 26.14% respectively established in the PRC which are engaged in the manufacture and sale of paper products. Pursuant to various addendums to the joint venture agreements with the respective PRC joint venture partners, the Group has surrendered its economic interests in connection with the operation and management of these companies in return for the receipt of contracted annual payments. At the end of the joint venture period, the Group is entitled to the distribution of all the remaining assets in accordance with their shareholdings in these companies. In the opinion of the directors, these companies are not regarded as the Group's associates as the Group cannot exercise significant influence on these companies.

26. Loan Receivables

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Fixed-rate loan receivables	**3,085**	35,374
Analysed for reporting purposes as:		
Non-current portion (receivable after 12 months)	**3,085**	3,323
Current portion (receivable within 12 months)	**—**	32,051
	3,085	35,374

The ranges of effective interest rates (which are equal to contractual interest rates) on the Group's loan receivables are 5.5% to 11.5% (2007: 5.5% to 11.5%) per annum.

At 31st December 2008, the fixed-rate loan receivable of HK$3,085,000 (2007: HK$3,323,000) represents the amount due from a minority shareholder of a subsidiary (the "MI shareholder"). It is secured by the MI shareholder's equity interest in that subsidiary.

27. Deposits Paid on Acquisition of Property, Plant and Equipment

The Group

The deposits were paid by the Group in connection with the acquisition of property, plant and equipment for new production facilities and the widening work of the Shanghai section of the Shanghai-Nanjing Expressway and the related capital commitments are disclosed in note 45.

28. Deposit Paid on Acquisition of Additional Interest in an Associate

The Group

The deposit was paid by the Group in connection with the acquisition of additional interest in an associate which is engaged in manufacture, distribution and sale of dairy and related products. The acquisition was completed in March 2008 upon the approval by the relevant PRC authorities.

29. Restricted Bank Deposits

The Group

The restricted bank deposits represent deposits under restriction for use by the Group as a result of a commercial court case of a minority shareholder of a subsidiary and the bank deposits were frozen accordingly. The restricted bank deposits carry fixed rates of 0.729% (2007: 0.729%) per annum.

30. Inventories

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
		(restated)
Properties under development held for sale	**10,615,083**	12,206,454
Properties held for sale	**1,852,418**	524,630
Raw materials	**965,482**	842,195
Work in progress	**191,180**	193,390
Finished goods	**577,938**	429,309
Merchandise held for resale	**151,079**	167,816
	14,353,180	14,363,794

31. Trade and Other Receivables

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
		(restated)
Trade receivables	**1,752,287**	1,145,950
Less: allowance for doubtful debts	**(69,382)**	(99,574)
	1,682,905	1,046,376
Other receivables (note)	**2,467,687**	1,309,178
Total trade and other receivables	**4,150,592**	2,355,554

Note: At 31st December 2008, included in other receivables is an amount of HK$194,308,000 (2007: HK$387,450,000) due from entities controlled by Xuhui SAAC. The amount is unsecured, non-interest bearing and repayable on demand.

In addition, included in other receivables is an amount of HK$1,206,077,000 (2007: nil) made for advance to vendor for an investment project in the PRC. The amount is secured by the equity interests of the vendor held in the investment and interest bearing at fixed rate of 16% until date of completion in 2009.

At 31st December 2007, included in other receivables was an amount of HK$289,135,000 due from a former shareholder of a subsidiary. The amount was unsecured, non-interest bearing and fully settled during the year.

31. Trade and Other Receivables (Continued)

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. An aged analysis of trade receivables, net of allowance for doubtful debts, is as follows:

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
		(restated)
Trade receivable:		
Within 30 days	**1,122,315**	473,020
Within 31-60 days	**243,795**	237,233
Within 61-90 days	**142,394**	124,230
Within 91-180 days	**114,355**	117,193
Within 181-365 days	**35,816**	75,284
Over 365 days	**24,230**	19,416
	1,682,905	1,046,376

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$60,475,000 (2007: HK$131,955,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Before accepting any new customer, the Group assess the potential customer's credit quality by investigating their historical credit record and define credit limits by customer. Credit sales are made and customer with appropriate credit history-credit limits granted to customers are review regularly. Majority of the trade receivables that are neither past-due nor impair have no default payment history.

Ageing of Trade Receivables Which Are Past Due But Not Impaired

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
		(restated)
31-60 days	**265**	22,268
61-90 days	**58**	11,169
91-180 days	**106**	3,818
181-365 days	**35,816**	75,284
Over 365 days	**24,230**	19,416
Total	**60,475**	131,955

For amounts which were past due at the balance sheet date, the Group does not provide for these receivables as there has not being any significant charge in credit quality and the amounts are still considered recoverable.

31. Trade and Other Receivables (Continued)

Movement in the Allowance for Doubtful Debts

	THE GROUP	
	2008 **HK$'000**	2007 HK$'000 (restated)
Balance at beginning of the year	**99,574**	86,908
Impairment losses recognised on receivables	**19,106**	12,666
Amounts written off as uncollectible	**(12,848)**	—
Amounts recovered during the year	**(36,450)**	—
Balance at end of the year	**69,382**	99,574

32. Financial Assets at Fair Value Through Profit or Loss

	THE GROUP		THE COMPANY	
	2008 **HK$'000**	2007 HK$'000	**2008** **HK$'000**	2007 HK$'000
Investments held-for-trading:				
Listed equity securities in				
– Hong Kong	—	122,474	—	—
– Others	**23,824**	271,119	—	—
	23,824	393,593	—	—
Financial assets designated at fair value through profit or loss:				
– Convertible notes/bonds	—	78,131	—	—
– Structured deposits	—	2,362,906	—	2,280,379
– Equity-linked notes	**21,718**	301,591	—	—
	21,718	2,742,628	—	2,280,379
	45,542	3,136,221	—	2,280,379

At the balance sheet date, all financial assets at fair value through profit or loss are stated at fair value. The fair values are determined by reference to bid prices quoted in active markets or prices provided by the respective issuing banks or financial institutions using valuation technique.

At 31st December 2007, included in financial assets designated at fair value through profit or loss was principal guaranteed structured deposits of HK$2,362,906,000 and HK$2,280,379,000 placed with banks for the Group and the Company, respectively. Under the relevant agreements, these principal guaranteed structured deposits contain embedded derivatives in which their returns are determined by reference to the change in exchange rate of certain foreign currencies and the change in certain interest rates quoted in the market.

32. Financial Assets at Fair Value Through Profit or Loss (Continued)

Major terms of the principal guaranteed structured deposits at 31st December 2007 were as follows:

Notional amount	**Maturity**
US$237,907,000	15th January 2008 to 13th March 2008
HK$500,000,000	13th March 2008

33. Pledged Bank Deposits, Short-Term Bank Deposits and Bank Balances and Cash

The Group

Pledged bank deposits with maturity of less than six months represents deposits pledged to banks to secure general banking facilities granted to the Group and an associate. Deposits amounting to HK$800,541,000 (2007: HK$51,975,000) have been pledged to secure general banking facilities and are therefore classified as current assets. The pledged bank deposits carry interest at fixed interest rate ranging from 0.72% to 4.14% (2007: 0.72% to 5.18%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

Short-term bank deposits with maturity of more than three months carry interest at market rate ranging from 1.45% to 5.3% (2007: 2.5% to 5.35%) per annum.

Bank balances with maturity of less than three months carry interest at market rate ranging from 0.01% to 4.8% (2007: 0.72% to 4.6%) per annum.

The amount of the Group's pledged bank deposits, short-term bank deposits and bank balances and cash denominated in currencies other than the functional currency of the relevant group entities are set out below:

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Renminbi	**1,771**	85
United States dollar	**2,752,078**	1,134,743
Hong Kong dollar	**324,363**	2

The Company

Short-term bank deposits with maturity of more than three months carry interest at market rate ranging from 2.6% to 5.3% (2007: 5.24% to 5.35%) per annum. Bank balances with maturity of less than three months carry interest at market rate ranging from 0.01% to 0.5% (2007: 3.4% to 4.6%) per annum.

34. Assets Classified as Held for Sale

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Assets classified as held for sale comprise:		
An associate (note)	**—**	203,887

Note: In November 2007, the Board of Directors of Shanghai Urban Development, a then jointly controlled entity of the Group in which the Group held a 40% equity interests, resolved to dispose of its entire 45.67% equity interest in 上海家得利超市有限公司 (Shanghai Jiadeli Supermarket Co., Ltd.) ("Shanghai Jiadeli"), an associate of Shanghai Urban Development engaged in the supermarket business. Accordingly, Shanghai Urban Development's interest in Shanghai Jiadeli of HK$51,509,000 had been classified as assets held for sale and was presented separately in the balance sheet of Shanghai Urban Development. Upon the acquisition of additional 19% equity interest in Shanghai Urban Development by the Group, Shanghai Urban Development became a subsidiary of the Company and the carrying amount of interest in Shanghai Jiadeli was measured at fair value less costs to sell of HK$203,887,000. The transaction was completed in June 2008.

35. Trade and Other Payables

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
		(restated)
Trade payables	**1,744,506**	1,138,582
Customers deposits from sales of properties	**299,140**	1,497,244
Consideration payables (note i)	**2,773,156**	560,581
Other payables (note ii)	**2,460,554**	5,726,680
Total trade and other payables	**7,277,356**	8,923,087

Notes:

(i) Included in consideration payables as at 31st December 2008 is an amount of HK$2,773,156,000 payable to South Pacific and SIIC CM for the Acquisition as disclosed in note 2.

(ii) Included in other payables as at 31st December 2008 is an amount of HK$603,568,000 (2007: HK$834,391,000) due to Xuhui SAAC and entities controlled by Xuhui SAAC by Shanghai Urban Development. The amounts are unsecured, non-interest bearing and repayable on demand.

Included in other payables as at 31st December 2007 were amounts of HK$153,558,000, HK$404,220,000 and HK$2,939,104,000 due to a former associate, South Pacific and SIIC, respectively. The amounts were unsecured, non-interest bearing and fully settled during the year.

35. Trade and Other Payables (Continued)

An aged analysis of trade payables are as follows:

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
		(restated)
Trade payables:		
Within 30 days	**1,200,732**	816,807
Within 31-60 days	**281,451**	116,315
Within 61-90 days	**102,587**	74,916
Within 91-180 days	**41,530**	59,550
Within 181-365 days	**93,429**	34,759
Over 365 days	**24,777**	36,235
	1,744,506	1,138,582

36. Bank and Other Borrowings

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
		(restated)
Bank loans	**8,997,173**	6,023,116
Other loans	**656,921**	18,130
	9,654,094	6,041,246
Analysed as:		
Secured	**3,897,024**	2,897,511
Unsecured	**5,757,070**	3,143,735
	9,654,094	6,041,246
Carrying amount repayable:		
Within one year	**3,824,193**	2,353,553
More than one year but not more than two years	**1,192,217**	554,509
More than two years but not more than five years	**3,163,180**	2,814,043
Over five years	**1,474,504**	319,141
	9,654,094	6,041,246
Less: Amounts due within one year shown under current liabilities	**(3,824,193)**	(2,353,553)
	5,829,901	3,687,693

36. Bank and Other Borrowings (Continued)

The exposure of the Group's fixed-rate borrowings and the contractual maturity dates are as follows:

	2008 HK$'000	2007 HK$'000 (restated)
Fixed-rate borrowings:		
Within one year	**873,246**	1,903,177
In more than one year but not more than two years	**655,961**	554,508
In more than two years but not more than three years	**816,865**	578,141
In more than three years but not more than four years	**233,039**	234,155
In more than four years but not more than five years	**233,175**	219,198
In more than five years	**219,813**	319,142
	3,032,099	3,808,321

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2008	2007
Effective interest rate:		
Fixed-rate borrowings	**2.4% to 10.458%**	2.4% to 9.198%
Variable-rate borrowings	**1.409% to 8.96%**	3.779% to 7.47%

Included in the bank borrowings is an amount of HK$1,800 million (2007: HK$1,500 million) drawn under a syndicated loan facility of HK$3,000 million (2007: HK$3,000 million) obtained by the Group in 2006. Transaction costs directly attributable to such bank borrowing amounted to approximately HK$10.5 million and was deducted from the fair value of the bank borrowing on initial recognition. At 31st December 2008, the carrying value of such bank borrowing amounted to approximately HK$1,794 million (2007: HK$1,492 million).

37. Share Capital

	Number of ordinary shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.10 each		
– at 1st January 2007, 31st December 2007 and 31st December 2008	2,000,000,000	200,000
Issued and fully paid:		
Ordinary shares of HK$0.10 each		
– balance at 1st January 2007	968,504,000	96,850
– exercise of share options	5,857,000	586
– issue of new shares	96,900,000	9,690
– balance at 31st December 2007	1,071,261,000	107,126
– exercise of share options	5,174,000	518
– balance at 31st December 2008	1,076,435,000	107,644

38. Share-Based Payment Transactions

Details of the equity-settled share option schemes adopted by members of the Group are as follows:

(a) SIHL Scheme

The Company has, in accordance with Chapter 17 of the Listing Rules, adopted a new share option scheme (the "SIHL Scheme"), as approved by the shareholders of the Company at the extraordinary general meeting held on 31st May 2002. The SIHL Scheme shall be valid and effective for a period of 10 years commencing on the adoption of the scheme, after which period no further share options will be granted. The SIHL Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the eligible participants and for such other purposes as the Board may approve from time to time.

According to the SIHL Scheme, the Board of Directors of the Company may grant options to any director or employee of each member of the Group (including a company in which (i) the Company is directly or indirectly interested in less than 20% of the issued share capital or equity interest or voting rights of such company but is the largest shareholder or the holder of the largest voting rights of such company; or (ii) in the opinion of the Board of Directors, the Company is able to exercise significant influence to such company); and any executive or employee of any business consultant, professional and other advisers in each member of the Group who have rendered service or will render service to the Group, to subscribe for shares in the Company for a consideration of HK$1 for each lot of share options granted. Share options granted should be accepted within 30 days from the date of grant.

38. Share-Based Payment Transactions (Continued)

(a) SIHL Scheme (Continued)

The Board of Directors, may at its absolute discretion, determine and notified by the Board of Directors to each grantee the period during which a share option may be exercised, such period should expire not later than 10 years from the date of grant of the share options. Subject to the provisions of the SIHL Scheme, the Board of Directors may at its discretion when offering the grant of a share option impose any conditions, restrictions or limitations in relation thereto as it may think fit.

The subscription price for shares in the Company shall be a price solely determined by the Board of Directors of the Company and notified to an eligible participant, and shall be at least the highest of: (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company.

The total number of shares which may be issued upon exercise of all options to be granted under the SIHL Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares of the Company in issue as at the date of approval of the SIHL Scheme. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the SIHL Scheme and any other share option schemes of the Company shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of shares in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted to each participant under the SIHL Scheme and any other option schemes (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue unless approved by the shareholders of the Company.

The number of shares available for issue, save for those granted but yet to be exercised, under the SIHL Scheme totalled 49,717,000 shares, which represented 4.6% (2007: 4.6%) of the issued share capital of the Company as at the date of this Annual Report.

The following table discloses details of the Company's options under the SIHL Scheme held by the Group's employees and other eligible participants and movement in such holdings during the year:

Month of grant	Exercise price per share HK$	Outstanding at 1.1.2007	Exercised during the year	Outstanding at 31.12.2007	Exercised during the year	Outstanding at 31.12.2008
September 2005	14.89	9,531,000	(4,387,000)	5,144,000	(3,644,000)	1,500,000
May 2006	17.10	5,000,000	(1,470,000)	3,530,000	(1,530,000)	2,000,000
		14,531,000	(5,857,000)	8,674,000	(5,174,000)	3,500,000
Exercisable at the end of the year				6,000,000		3,500,000

38. Share-Based Payment Transactions (Continued)

(a) SIHL Scheme (Continued)

Details of the share options held by the directors included in the above table are as follows:

Month of grant	Exercise price per share HK$	Outstanding at 1.1.2008	Reclassified during the year	Exercised during the year	Outstanding at 31.12.2008
September 2005	14.89	1,920,000	(800,000)	—	1,120,000
May 2006	17.10	1,640,000	—	(720,000)	920,000
		3,560,000	(800,000)	(720,000)	2,040,000

Month of grant	Exercise price per share HK$	Outstanding at 1.1.2007	Granted during the year	Exercised during the year	Outstanding at 31.12.2007
September 2005	14.89	2,440,000	(4,000)	(516,000)	1,920,000
May 2006	17.10	2,300,000	—	(660,000)	1,640,000
		4,740,000	(4,000)	(1,176,000)	3,560,000

Share options granted in September 2005 under the SIHL Scheme are vested 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 Scheme are vested 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 year, 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$28.77 (2007: HK$33.40).

38. Share-Based Payment Transactions (Continued)

(a) SIHL Scheme (Continued)

Total consideration received for shares issued upon exercise of share options under the SIHL Scheme during the year was approximately HK$80,422,000 (2007: HK$90,459,000).

No options was granted under the SIHL Scheme for the year.

The Group recognised an expense of approximately HK$1,953,000 for the year ended 31st December 2008 (2007: HK$5,460,000) in relation to the share options granted by the Company, in which approximately HK$1,460,000 (2007: HK$4,048,000) was related to options granted to the Group's employees and shown as staff costs, and the remaining balance represents share option expense for eligible participants other than employees.

(b) Mergen Biotech Scheme

A subsidiary of the Company, Mergen Biotech Ltd. ("Mergen Biotech") adopted a share option scheme (the "Mergen Biotech Scheme") on 28th May 2004 for the primary purpose of providing incentives to eligible participants to contribute to Mergen Biotech and to enable Mergen Biotech to recruit and attract high-caliber employees and attract human resources that are valuable to Mergen Biotech and its subsidiaries (the "Mergen Group"), and the scheme will remain valid for a period of 10 years commencing on the date of its adoption.

Under the Mergen Biotech Scheme, the board of directors of Mergen Biotech (the "Mergen Board") can grant options to eligible participants, including any director, management, employee (whether full-time or part-time) or business consultant and professional adviser of the Mergen Group, to subscribe for shares in Mergen Biotech for a consideration of HK$1 for each lot of share options granted. Options granted have to be accepted within 30 days from the date of grant.

An option may be exercised in accordance with the terms of the Mergen Biotech Scheme at any time during a period to be notified by the Mergen Board to each grantee, such period shall not be more than 10 years from the date upon which the grant of a share option is made to a participant in accordance with the Mergen Biotech Scheme but subject to the provisions for early termination contained therein. Subject to the provisions of the Mergen Biotech Scheme, the Mergen Board may at its discretion when offering the grant of a share option imposed any conditions, restrictions or limitations in relation thereto as it may think fit.

The subscription price of the share options shall be determined by the Mergen Board with reference to the unaudited net asset per share of Mergen Biotech ("Mergen Share") as at 31st December 2003 and shall not be less than US$8.22 (or its equivalent in HK$) per Mergen Share. The subscription price of options granted after the Company has contemplated a separate listing of Mergen Biotech on the Main Board or the Growth Enterprise Market ("GEM") of the Stock Exchange or any overseas stock exchange and up to the date of listing of the Mergen Shares shall not be lower than the new issue price of the Mergen Shares on listing. Without prejudice to the foregoing, any options granted during the period commencing 6 months before the lodgement of Form A1 (or its equivalent for listing on GEM or any overseas exchange) are subject to the above requirement. The subscription price of any options granted during such period shall be adjusted at the absolute discretion of the Mergen Board to a price not lower than the new issue price of the Mergen Shares on listing.

38. Share-Based Payment Transactions (Continued)

(b) Mergen Biotech Scheme (Continued)

The maximum number of Mergen Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Mergen Biotech Scheme and other share option scheme(s) of Mergen Biotech shall not exceed 10% of the total number of Mergen Shares in issue from time to time. The Mergen Board will have the right to grant to the eligible participants options to subscribe for Mergen Shares, which when aggregated with any securities to be granted subject to any other share option schemes of Mergen Biotech shall not in aggregate exceed 10% of the total number of Mergen Shares in issue as at the date of approval of the Mergen Biotech Scheme. No eligible participants under the Mergen Biotech Scheme shall be granted an option which, if exercised, would result in the aggregate number of Mergen Shares issued and to be issued upon exercise of all options granted and to be granted to such participant, in any 12-month period (including exercised, cancelled and outstanding options), would exceed 1% of the Mergen Shares in issue unless approved by the shareholders of the Company.

The following table discloses details of the options under the Mergen Biotech Scheme during the year:

Month of grant	Exercise price per share	Outstanding at 1.1.2007 and 31.12.2007	Lapsed during the year	Outstanding at 31.12.2008
December 2004	US$8.22	63,400	49,700	13,700

During the year, no options were granted or exercised under the Mergen Biotech Scheme.

The number of shares available for issue, save for those granted but yet to be exercised, under the Mergen Biotech Scheme totalled 14,600 Mergen Shares which represented 1.87% (2007: 1.87%) of the issued share capital of Mergen Biotech as at the date of this Annual Report.

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 (each with 15% of the share options granted), in particular for every six months interval from 1st January 2005 until 30th May 2014.

During the year ended 31st December 2007, the Group recognised an expense of HK$206,000 in relation to the share options granted by Mergen Biotech.

39. Share Premium and Reserves

	Share premium HK$'000	Share options reserve HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
THE COMPANY						
At 1st January 2007	10,147,375	14,390	1,071	1,137,728	4,679,459	15,980,023
Profit for the year	—	—	—	—	1,003,534	1,003,534
Premium arising on issue of shares	3,103,463	—	—	—	—	3,103,463
Release of share options reserve on exercise of share options	8,700	(8,700)	—	—	—	—
Expenses incurred in connection with the issue of new shares	(61,088)	—	—	—	—	(61,088)
Recognition of equity-settled share-based payment expenses	—	5,460	—	—	—	5,460
Dividends paid (note 14)	—	—	—	—	(686,618)	(686,618)
At 31st December 2007	13,198,450	11,150	1,071	1,137,728	4,996,375	19,344,774
Profit for the year	—	—	—	—	1,726,445	1,726,445
Premium arising on issue of shares	79,904	—	—	—	—	79,904
Release of share options reserve on exercise of share options	7,159	(7,159)	—	—	—	—
Expenses incurred in connection with the issue of new shares	(73)	—	—	—	—	(73)
Recognition of equity-settled share-based payment expenses	—	1,953	—	—	—	1,953
Dividends paid (note 14)	—	—	—	—	(946,793)	(946,793)
At 31st December 2008	13,285,440	5,944	1,071	1,137,728	5,776,027	20,206,210

The Company's reserve available for distribution to shareholders as at 31st December 2008 represents its accumulated profits of approximately HK$5,776 million (2007: HK$4,996 million).

The Company's capital reserve which arose in 1997 upon reduction of share premium as confirmed by the Order of the High Court of Hong Kong was not realised profits and is an undistributable reserve.

40. Deferred Taxation

The followings are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000	Revaluation of properties HK$'000	Tax losses HK$'000	Fair value adjustments on business combinations HK$'000	Land appreciation tax HK$'000	Undistributed earnings of PRC entities HK$'000	Other deferred tax liabilities HK$'000	Other deferred tax assets HK$'000	Total HK$'000
THE GROUP									
At 1st January 2007, as originally stated	94,694	5,672	(7,100)	6,531	—	—	13,349	(29,862)	83,284
Effect of merger accounting (note 2)	—	—	(15,000)	—	—	—	—	—	(15,000)
At 1st January 2007, as restated	94,694	5,672	(22,100)	6,531	—	—	13,349	(29,862)	68,284
Effect of change in tax rate	(250)	(170)	—	—	—	—	(2,559)	628	(2,351)
Exchange adjustments	321	—	(929)	15,349	—	—	1,208	2,205	18,154
Arising on acquisition of subsidiaries/ acquisition of assets through acquisition of subsidiaries	—	258,309	(18,784)	1,262,699	377,379	—	6,285	(29,943)	1,855,945
(Credit) charge to income for the year (note 11)	(7,969)	2,661	4,788	(2,610)	—	—	16,580	5,247	18,697
At 31st December 2007, as restated	86,796	266,472	(37,025)	1,281,969	377,379	—	34,863	(51,725)	1,958,729
Effect of change in tax rate	(6,875)	—	352	—	—	—	455	38	(6,030)
Exchange adjustments	311	18,217	(767)	151,679	22,470	—	1,094	(4,258)	188,746
Charge (credit) to income for the year (note 11)	22,550	125,204	20,242	(107,065)	(99,072)	85,219	(35,046)	(19,239)	(7,207)
At 31st December 2008	102,782	409,893	(17,198)	1,326,583	300,777	85,219	1,366	(75,184)	2,134,238

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2008 HK$'000	2007 HK$'000 (restated)
Deferred tax liabilities	**2,220,869**	2,042,666
Deferred tax assets	**(86,631)**	(83,937)
	2,134,238	1,958,729

At 31st December 2008, the Group had unused tax losses of approximately HK$152.7 million (2007: HK$238.3 million) available for offset against future assessable profits. A deferred tax asset amounting to approximately HK$17.2 million (2007: HK$37 million) in respect of tax losses amounting to approximately HK$74.6 million (2007: HK$159 million) was recognised. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$78.1 million (2007: HK$79.3 million) due to the unpredictability of future profit streams. The Hong Kong tax losses of approximately HK$6.1 million (2007: HK$6 million) may be carried forward indefinitely and the remaining PRC tax losses of approximately HK$72.0 million (2007: HK$73.3 million) will expire within next year.

Under the New Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1st January 2008 onwards. Deferred taxation has been provided for in full in respect of undistributed profits retained by PRC entities in the consolidated financial statements.

Other deferred tax liabilities mainly included deferred tax on fair value change of financial assets classified as held-for-trading. Other deferred tax assets included deferred taxation on (i) impairment loss on bad and doubtful debts, (ii) pre-operating expenses and (iii) amortisation on the premium on prepaid lease.

41. Amounts Due From (to) Subsidiaries

At 31st December 2008, the amounts due from subsidiaries are unsecured and repayable on demand. Except for amounts of HK$150 million and HK$50 million as at 31st December 2008 (2007: nil) which carry interest at Hong Kong Interbank Offer Rate plus 0.34% and 1.38% per annum respectively, the balances are non-interest bearing.

The amounts due to subsidiaries are unsecured, non-interest bearing and repayable on demand.

42A. Acquisition of Subsidiaries/Business

For the year ended 31st December 2008

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 carrying amounts before combination and fair value of the net assets acquired in the transaction, and the discount arising on acquisition, are as follows:

	2008 HK$'000 (note)
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)
	11,320
Discount arising on acquisition	(902)
	10,418
Satisfied by:	
Cash consideration paid	4,872
Share of net assets of an associate	5,546
	10,418
Net cash outflow arising on acquisition:	
Cash consideration paid	(4,872)
Cash and cash equivalents acquired	1,296
	(3,576)

Note: The fair values of the net assets acquired approximate to the carrying amounts.

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

42A. Acquisition of Subsidiaries/Business (Continued)

For the year ended 31st December 2007

(a) In February 2007, the Group acquired 100% equity interest in 本溪天印藥業有限公司 ("本溪天印"), a company engaged in manufacturing of pharmaceutical products, for a consideration of approximately HK$10,000,000. 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$2,563,000.

(b) On 27th June 2007, the Group and Xuhui SAAC entered into a capital contribution agreement, pursuant to which the Group has agreed to make a capital contribution of RMB2,130,661,000 (equivalent to approximately HK$2,200,475,000) to Shanghai Urban Development, a company engaged in property development in the PRC, in return for a 40% equity interest in Shanghai Urban Development. The capital contribution to Shanghai Urban Development was approved by the relevant approval authority on 31st July 2007. Shanghai Urban Development was accounted for as a jointly controlled entity at 31st July 2007 (see note 23).

On 29th October 2007, the Group further entered into an equity transfer contract with Xuhui SAAC to acquire additional 19% equity interest in Shanghai Urban Development, for a consideration of RMB1,568,707,000 (equivalent to approximately HK$1,663,121,000).

After the completion of the acquisition in December 2007, the Group held 59% equity interest in Shanghai Urban Development.

As the fair values to be assigned to the identifiable assets, liabilities or contingent liabilities of Shanghai Urban Development can only be determined provisionally at the acquisition date, the acquisition has been accounted for using those provisional values during the year ended 31st December 2007. The amount of goodwill arising as a result of the acquisition of 40% and additionally 19% equity interest in Shanghai Urban Development were HK$285,324,000 and HK$686,948,000 respectively based on the provisional values.

Upon completion of the initial accounting, the directors considered the acquisition was attributable to the acquisition of assets of HK$493,007,000 (see note 42B) and acquisition of business of HK$1,170,114,000. In addition, the fair value of inventories, deferred taxation, trade payables and minority interests have been adjusted, details of which are set out in note 2. Based on the restated fair values, no goodwill has been recognised.

(c) In October 2007, SIIC through its subsidiary, Hu-Hang, acquired 99.35% equity interest in Shanghai Luqiao for a consideration of approximately HK$2,939,104,000. In December 2008, the Group acquired Hu-Hang from SIIC and accounted for the acquisition of Hu-Hang from SIIC using the principle of merger accounting (note 2). Hence, the acquisition of Shanghai Luqiao by Hu-Hang was accounted for using the purchase method of accounting as if the Group had acquired it in October 2007. The amount of goodwill arising as a result of the acquisition was HK$129,275,000.

42A. Acquisition of Subsidiaries/Business (Continued)

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

	Shanghai Luqiao			Shanghai Urban Development and 本溪天印			
	Acquiree's carrying amounts before combination HK$'000	Fair value adjustments HK$'000	Fair value HK$'000	Acquirees' carrying amounts before combination HK$'000	Fair value adjustments HK$'000 (restated)	Fair value HK$'000 (restated)	2007 HK$'000 (restated)
Net assets acquired:							
Investment properties	—	—	—	467,468	—	467,468	467,468
Property, plant and equipment	3,152	—	3,152	87,568	—	87,568	90,720
Prepaid lease payments	—	—	—	14,322	—	14,322	14,322
Interests in associates	—	—	—	39,453	—	39,453	39,453
Available-for-sale investments	521	—	521	2,411	—	2,411	2,932
Toll road operating rights	3,091,729	2,405,146	5,496,875	—	—	—	5,496,875
Other intangible assets	—	—	—	218	54,487	54,705	54,705
Restricted bank deposits	—	—	—	68,272	—	68,272	68,272
Deferred tax assets	—	—	—	40,659	—	40,659	40,659
Inventories	132	—	132	612	—	612	744
Stock of properties	—	—	—	6,528,217	1,831,133	8,359,350	8,359,350
Trade and other receivables	2,886	—	2,886	818,265	—	818,265	821,151
Loans receivables	—	—	—	10,684	—	10,684	10,684
Financial assets at fair value through profit or loss	—	—	—	12,560	—	12,560	12,560
Taxation recoverable	—	—	—	58,173	—	58,173	58,173
Pledged bank deposits	76,014	—	76,014	—	—	—	76,014
Bank balances and cash	136,458	—	136,458	464,875	—	464,875	601,333
Assets classified as held for sale	—	—	—	51,509	152,378	203,887	203,887
Trade and other payables	(52,839)	—	(52,839)	(3,742,747)	283,279	(3,459,468)	(3,512,307)
Taxation payable	(9,742)	—	(9,742)	(259,665)	—	(259,665)	(269,407)
Bank and other borrowings	(2,223,958)	—	(2,223,958)	(1,154,669)	—	(1,154,669)	(3,378,627)
Deferred tax liabilities	—	(601,287)	(601,287)	(641,973)	(661,412)	(1,303,385)	(1,904,672)
	1,024,353	1,803,859	2,828,212	2,866,212	1,659,865	4,526,077	7,354,289
Minority interests			(18,383)			(2,050,782)	(2,069,165)
Other revaluation reserve			—			(44,210)	(44,210)
Goodwill arising on acquisition (note 21)			129,275			—	129,275
Discount arising on acquisition			—			(2,563)	(2,563)
			2,939,104			2,428,522	5,367,626

42A. Acquisition of Subsidiaries/Business (Continued)

	2007 HK$'000
Satisfied by:	
Cash considerations paid	4,119,218
Share of net assets of a jointly controlled entity	1,248,408
	5,367,626
Net cash outflow arising on acquisition:	
Cash considerations paid	(4,119,218)
Cash and cash equivalents acquired	601,333
	(3,517,885)

The subsidiaries acquired during the year contributed approximately HK$109 million and HK$31 million to the Group's turnover and profit for 2007.

Had the acquisitions been completed on 1st January 2007, the Group's turnover would have been increased by approximately HK$5,313 million, and the profit for the year would have been increased by approximately HK$110 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st January 2007, nor is it intended to be a projection of future results.

42B. Acquisition of Assets Through Acquisition of Subsidiaries

As detailed in note 42A(b), the consideration of HK$493,007,000 related to the acquisition of Shanghai Urban Development were attributable to acquisition of assets, properties under development.

The net assets acquired in the transactions are as follows:

	2007 HK$'000
Net assets acquired:	
Property, plant and equipment	2,160
Deferred tax assets	8,068
Stock of properties	4,387,211
Other receivables	92,644
Bank balances and cash	5,348
Other payables	(170,806)
	4,324,625
Minority interests	(2,793,708)
	1,530,917
Satisfied by:	
Cash consideration paid	493,007
Share of net assets of a jointly controlled entity	1,037,910
	1,530,917
Net cash outflow arising on acquisition:	
Cash consideration paid	(493,007)
Cash and cash equivalents acquired	5,348
	(487,659)

43. Disposal of Subsidiaries

During the year ended 31st December 2008, the Group had the following disposal of subsidiaries:

(a) In May, the Group disposed of its entire interest in Active Services Group Limited to a fellow subsidiary for a consideration of HK$775,000,000.

(b) 上海菲曼特醫療器械有限公司 ("上海菲曼特") was previously a 50% owned subsidiary of the Group. In December, the Group's shareholdings remains unchanged and the control over the financial and operating policies was lost due to a change in board representatives in 上海菲曼特 and therefore 上海菲曼特 ceased to be a subsidiary and became a jointly controlled entity of the Group. This represented a non-cash transaction.

43. Disposal of Subsidiaries (Continued)

During the year ended 31st December 2007, the Group disposed of its entire interests in Chengdu Xingjuxing Properties Co. Ltd., S.I. Automobile Development Holdings Limited, S.I. Daily Chemicals Holdings Limited and 杭州青春寶健康廣場有限公司.

The net assets of the subsidiaries at the date of disposal are set out below.

	2008 HK$'000	2007 HK$'000
Net assets disposed of:		
Property, plant and equipment	**4,375**	940
Interest in a jointly controlled entity	**506,714**	—
Interest in an associate	**—**	138,721
Inventories	**11,855**	—
Trade and other receivables	**7,549**	12,660
Taxation recoverable	**—**	824
Bank balances and cash	**18,077**	1
Assets classified as held for sale	**—**	28,833
Trade and other payables	**(6,013)**	(5,690)
	542,557	176,289
Net assets attributable to minority interests	**(17,623)**	(18,713)
	524,934	157,576
Translation reserve realised	**(64,288)**	(11,735)
	460,646	145,841
Gain (loss) on disposal of interests in subsidiaries	**331,977**	(3,589)
Consideration	**792,623**	142,252
Satisfied by:		
Cash consideration received	**775,000**	142,252
Interest in a jointly controlled entity	**17,623**	—
	792,623	142,252
Net cash inflow arising on disposals:		
Cash consideration received	**775,000**	142,252
Bank balances and cash disposed of	**(18,077)**	(1)
	756,923	142,251

The subsidiaries disposed of during both years did not make any significant contribution to the results and cash flows of the Group during the period prior to the disposals.

44. Operating Leases

The Group as lessee

At the balance sheet date, the Group and the Company had commitments under non-cancellable operating leases which fall due as follows:

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**64,251**	78,075	**4,421**	8,842
In the second to fifth year inclusive	**102,430**	175,561	**—**	4,421
Over five years	**67,665**	167,180	**—**	—
	234,346	420,816	**4,421**	13,263

Operating lease payments represent rental payable by the Group and the Company for certain office and factory properties. Leases are negotiated for an average term of 20 years and rentals are fixed for an average term of 1 to 2 years.

Included in the above are operating lease commitments for land and buildings of approximately HK$173.9 million (2007: HK$205.2 million) and approximately HK$4.4 million (2007: HK$13.3 million) payable by the Group and the Company, respectively, to the ultimate holding company and fellow subsidiaries.

The Group as lessor

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP Investment properties and land and buildings	
	2008	2007
	HK$'000	HK$'000
Within one year	**150,527**	134,575
In the second to fifth year inclusive	**455,220**	502,428
Over five years	**94,937**	131,098
	700,684	768,101

The Company had no significant operating lease arrangements as lessor at the balance sheet date.

45. Capital Commitments

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Capital expenditure contracted for but not provided in the financial statements in respect of		
– toll road construction costs	**—**	572,709
– investments in PRC jointly controlled entities	**—**	18,162
– investments in overseas jointly controlled entity	**—**	3,767
– acquisition of property, plant and equipment	**115,497**	624,166
– additions in construction in progress	**136,518**	111,410
– additions in properties under development	**1,485,950**	654,464
	1,737,965	1,984,678
Capital expenditure authorised but not contracted for in respect of		
– toll road construction costs	**1,363,017**	—
– acquisition of property, plant and equipment	**—**	168,177
– additions in properties under development	**—**	133,547
	1,363,017	301,724

In addition to the above, the Group's share of capital commitments of the jointly controlled entities are as follows:

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Capital expenditure contracted for but not provided in the financial statements in respect of		
– investments in PRC jointly controlled entities	**33,791**	31,784

The Company had no significant capital commitment at the balance sheet date.

46. Contingent Liabilities

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Guarantees given to banks in respect of banking facilities utilised by		
– an entity controlled by Xuhui SAAC	**779,191**	732,906
– associates	**55,130**	182,903
– a jointly controlled entity	**159,019**	149,573
– outsiders	**267,756**	—
	1,261,096	1,065,382

The Company did not have significant contingent liabilities at the balance sheet date.

47. Pledge of Assets

At 31st December 2008, the following assets were pledged by the Group to banks in order to secure general banking facilities granted by these banks to the Group:

(i) investment properties with a carrying value of HK$1,898,796,000 (2007: HK$125,962,000);

(ii) plant and machinery with a carrying value of HK$110,309,000 (2007: HK$40,044,000);

(iii) leasehold land and buildings with a carrying value of HK$274,381,000 (2007: HK$258,610,000);

(iv) motor vehicles with a carrying value of HK$90,000 (2007: HK$843,000);

(v) properties under development held for sale of HK$1,892,262,000 (2007: HK$1,584,019,000);

(vi) properties held for sale of HK$762,119,000 (2007: HK$23,675,000);

(vii) toll road operating right of HK$5,820,389,000 (2007: HK$5,613,348,000);

(viii) other inventories of HK$38,948,000 (2007: nil); and

(ix) bank deposits of approximately HK$800,541,000 (2007: HK$51,975,000).

48. Retirement Benefits Schemes

The Company and its subsidiaries in Hong Kong operate defined contribution retirement benefits scheme for their qualifying employees pursuant to the Occupational Retirement Schemes Ordinance. To comply with the Mandatory Provident Fund Schemes Ordinance (the "MPFO"), a Mandatory Provident Fund Scheme (the "MPF Scheme") was also established. The assets of both schemes are held separately in funds which are under the control of independent trustees. The retirement benefits schemes contributions charged to the consolidated income statement represent contributions payable by the Company and its subsidiaries in Hong Kong to the funds at rates specified in the rules of the schemes. When there are employees who leave the defined contribution retirement benefits scheme prior to becoming fully vested in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Company and its subsidiaries in Hong Kong.

The employees employed in the PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

At the balance sheet date, no forfeited contributions were available to reduce the contribution payable in the future years.

49. Connected and Related Party Transactions and Balances

(I) Connected Persons

(a) During the year, the Group had significant transactions and balances with related parties, some of which are also deemed to be connected persons pursuant to the Listing Rules. The significant transactions with the connected parties during the year, and significant balances with them at the balance sheet date, are as follows:

		THE GROUP	
Connected persons	**Nature of transaction**	**2008 HK$'000**	2007 HK$'000
Transactions			
Ultimate holding company:			
SIIC	Rentals paid on land and buildings (note i)	—	3,820
Fellow subsidiaries:			
International Hope Limited	Rentals paid on land and buildings (note i)	9,949	4,988
Nanyang Enterprises Properties Limited	Rentals paid on land and buildings (note i)	20,220	16,680
The Tien Chu (HK) Co. Ltd.	Rentals paid on land and buildings (note i)	26	26
	Purchase of materials (note ii)	—	211
	Printing services income (note ii)	—	289
上海上實(集團)有限公司 (SIIC Shanghai Holdings Co., Ltd.)	Rentals paid on land and buildings (note i)	3,481	3,192
Minority shareholders of subsidiaries:			
中國(杭州)青春寶集團有限公司 (China (Hangzhou) Qingchunbao Group Co. Ltd.) ("China Qingchunbao") and its subsidiaries	Sales of finished medicine and health products (note iii)	120	217
許昌捲煙總廠 (Xuchong Cigarette Factory)	Sales of cigarette box packaging materials (note iii)	209,694	162,666
Guangzhou Bopu Bio-Technology Co., Ltd. ("Guangzhou Bopu") and its subsidiaries	Purchase of raw materials (note iii)	59,155	40,328
四川水井坊股份有限公司 (Sichuan Swelfun Co., Ltd.)	Sales of packaging materials (note iii)	40,647	30,339

49. Connected and Related Party Transactions and Balances (Continued)

(I) Connected Persons (Continued)

(a) (Continued)

Connected persons	Nature of transaction	THE GROUP 2008 HK$'000	2007 HK$'000
Transactions (Continued)			
Minority shareholders of subsidiaries: (Continued)			
Xinnan (Tianjin) Paper Co., Ltd.	Purchase of raw materials (note iii)	**36,435**	145,858
	Interest paid	**—**	401
廣西中煙工業公司	Purchase of materials	**327**	—
Chifeng Pharmaceutical (Group) Co., Ltd.	Purchase of raw materials (note iii)	**—**	3,136
Hangzhou Huqingyutang Pharmaceutical Co. Ltd.	TCM Extraction services (note ii)	**10,626**	—
Fellow subsidiaries of minority shareholders of subsidiaries:			
Four Season Hotels and Resorts Asia Pacific Pte. Ltd.	Hotel advisory services (note ii)	**14,321**	19,469
Four Seasons Shanghai B.V.	Hotel management services (note ii)	**862**	976
Four Seasons Hotels Limited	Hotel services (note ii)	**8,561**	8,611
福建省廈門醫藥採購供應站	Sales of medicine products (note iii)	**14,521**	9,006
Balances			
Minority shareholders of subsidiaries:			
China Qingchunbao and its subsidiaries	Balance at 31st December		
	– trade receivables	**312**	301
	– trade payables	**698**	708
	– dividend payable	**26,613**	36,325
Xuchong Cigarette Factory	Balance at 31st December		
	– trade receivables	**37,356**	30,566
	– bills receivable	**—**	11,752
Entities controlled by Xuhui SAAC	Balance at 31st December		
	– non-trade receivables	**194,308**	387,450
	– non-trade payables	**603,568**	1,117,670

49. Connected and Related Party Transactions and Balances (Continued)

(I) Connected Persons (Continued)

(a) (Continued)

Notes:

(i) The rentals were charged in accordance with the relevant tenancy agreements and the prevailing rent was equivalent or approximate to the open market rentals as certified by an independent firm of professional property valuers when the tenancy agreements were entered into.

(ii) The terms of these transactions were determined and agreed by both parties.

(iii) These transactions were carried out at market prices or, where no market price was available, at cost plus a percentage of profit mark-up.

(b) At 31st December 2008, SI Pharmaceutical had given guarantees amounting to approximately HK$10 million (2007: HK$30 million) to banks in respect of banking facilities granted to Guangdong Techpool Biochem Pharma Co. Ltd. (“Guangdong Techpool”), a non-wholly owned subsidiary of SI Pharmaceutical. The guarantees were indemnify by Guangdong Techpool by providing pledge of raw materials, equipment and inventories of Guangdong Techpool in an aggregate amount of RMB11,670,000 (equivalent to HK$13,255,000) (2007: RMB24,030,000 (equivalent to HK$25,673,000)) in favour of SI Pharmaceutical. Details of this provision of financial assistance were included in a published announcement of the Company on 15th November 2007.

(c) Pursuant to an agreement dated 26th December 2002 entered into between Xuhui State-owned Assets Management Co. Ltd (“State-owned Management Company”) and Shanghai Urban Development (the “Cross Guarantee Agreement”), the parties thereto agreed to guarantee each other’s obligations in respect of certain loans/facilities from time to time obtained from banks or credit unions by them respectively to the extent of not more than RMB700 million. In respect of those guarantees which have already been entered into by the State-owned Management Company and Shanghai Urban Development pursuant to the Cross Guarantee Agreement, they will continue until the underlying loans/facilities mature/expire and all amounts owed are fully repaid.

As at 31st December 2008, the total amount of loans/facilities obtained by the State-owned Management Company in respect of which guarantees were provided by Shanghai Urban Development amounted to approximately RMB686 million (equivalent to approximately HK$779 million) (2007: RMB686 million (equivalent to approximately HK$733 million)).

The provision of the aforesaid guarantees by Shanghai Urban Development constitutes non-exempt continuing connected transactions for the Company. Upon any variation of the Cross Guarantee Agreement, the Company shall then have the obligation to comply in full all applicable reporting, disclosure and independent shareholders’ approval requirements of Chapter 14A of the Listing Rules.

(d) Details of operating lease commitments with connected parties are set out in note 44.

(e) Details of the Acquisition are set out in note 2(b).

(f) Details of the disposal of subsidiary are set out in note 43(a).

49. Connected and Related Party Transactions and Balances (Continued)

(II) Related Parties, other Than Connected Persons

(a) In addition to the transactions with ultimate holding company and fellow subsidiaries as mentioned in note 49(I) (a) above, the significant transactions with related parties, during the year, and significant balances with them at the balance sheet date, are as follows:

Related parties	Nature of transaction	THE GROUP 2008 HK$'000	2007 HK$'000
Transactions			
Associates:			
上海申永燙金材料有限公司 (Shanghai Shen Yong Stamping Foil Co., Ltd.) ("Shanghai Shen Yong Stamping Foil")	Purchase of materials	**2,601**	2,059
浙江天外包裝印刷股份有限公司 (Zhejiang Tianwai Package Printing Co., Ltd.) ("Zhejiang Tianwai Package Printing")	Sales of cigarette box packaging materials	**—**	162
四川科美紙業有限公司 (Sichuan Kemei Paper Co., Ltd.) ("Sichuan Kemei Paper")	Printing services income	**—**	1,949
廣西甲天下水松紙有限公司 (Guangxi Jiatianxia Tipping Paper Co., Ltd.) ("Guangxi Jiatianxia Tipping Paper")	Printing services income	**17,633**	14,088
西安環球印務股份有限公司 (Xian Global Printing Stock Co., Ltd.)	Sales of materials	**—**	464
陝西永鑫紙業包裝有限公司 (Xian Yong Xin Packing Co., Ltd.) ("Xian Yong Xin Packing")	Sales of materials	**99**	3,011
北京友興紙源再生資源回收有限公司	Purchase of materials	**204,397**	—
	Interest income	**431**	—

49. Connected and Related Party Transactions and Balances (Continued)

(II) Related Parties, other Than Connected Persons (Continued)

(a) (Continued)

Related parties	Nature of transaction	THE GROUP 2008 HK$'000	2007 HK$'000
Balances			
Jointly controlled entities:			
杭州胡慶餘堂國藥號有限公司 (Hangzhou Huqingyutang Drugstore Co., Ltd.)	Balance at 31st December – non-trade receivable	**2,840**	2,671
中環保水務投資有限公司 (General Water of China Co., Ltd) ("General Water of China")	Balance at 31st December – short-term loan receivable	**—**	21,367
Associates:			
Shanghai Shen Yong Stamping Foil	Balance at 31st December – trade payable	**1,302**	1,676
Zhejiang Tianwai Package Printing	Balance at 31st December – trade receivable	**—**	4
Sichuan Kemei Paper	Balance at 31st December		
	– trade receivable	**—**	1,076
	– shareholder loan	**—**	3,979
Guangxi Jiatianxia Tipping Paper	Balance at 31st December – trade receivable	**2,434**	2,089
Xian Global Printing	Balance at 31st December		
	– trade receivable	**—**	557
	– non-trade receivable	**495**	—
Xian Yong Xin Packing	Balance at 31st December – trade receivable	**18**	290
Shanghai Jiadeli	Balance at 31st December – non-trade payable	**—**	153,558
北京友興紙源再生回收有限公司	Balance at 31st December – trade payable	**56,166**	—

(b) Details of the transactions with a minority shareholder of a subsidiary, Xuhui SAAC, during the year ended 31st December 2007 are set out in note 42A(b).

49. Connected and Related Party Transactions and Balances (Continued)

(III) Compensation of Key Management Personnel

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

	2008 HK$'000	2007 HK$'000
Short-term benefits	**24,656**	27,805
Share-based payments	**1,186**	3,020
	25,842	30,825

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

The Company's outstanding balances with related parties are set out in the balance sheet of the Company and in note 41.

50. Material Transactions and Balances With other State-Controlled Enterprises

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("state-controlled entities"). In addition, the Group itself is part of a larger group of companies under SIIC which is controlled by the PRC government. Apart from the transactions with SIIC, other connected persons and related parties disclosed in note 49, the Group also conducts business with other state-controlled entities. The directors consider those state-controlled entities are independent third parties so far as the Group's business transactions with them are concerned.

In establishing its pricing strategies and approval process for transactions with other state-controlled entities, the Group does not differentiate whether the counter-party is a state-controlled entity or not.

Material transactions/balances with other state-controlled entities are as follows:

	2008 HK$'000	2007 HK$'000
Transactions		
Trade sales	**962,251**	1,099,961
Trade purchases	**282,363**	422,743
Balances		
Amounts due from other state-controlled entities	**187,502**	260,388
Amounts due to other state-controlled entities	**31,363**	26,706

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.

50. Material Transactions and Balances With other State-Controlled Enterprises (Continued)

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.

51. Government Grants

Government subsidies received by the Group towards the cost of acquisition of plant and machinery had been deducted from the carrying amount of the relevant assets in the respective years. The amount is transferred to income in the form of reduced depreciation charges over the useful lives of the relevant assets. This policy has resulted in a credit to income in the current year of HK$3,104,000 (2007: HK$2,919,000). As at 31st December 2008, an amount of HK$13,350,000 (2007: HK$19,119,000) remains to be amortised.

In addition, government grants of approximately HK$214.4 million (2007: HK$131.7 million) was received in the current year as compensation for the decrease of the toll fee income arising from the widening project of the toll road and approximately HK$1.4 million (2007: HK$1.8 million) was received as incentives given by the PRC government for the re-investment in the PRC subsidiaries. The amount has been included in other income for the year.

52. Principal Subsidiaries

Particulars of the Company's principal subsidiaries at 31st December 2008 and 2007 are as follows:

Name of subsidiary	Place of incorporation or establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Percentage of issued share/ registered capital held by the Company/subsidiaries 2008	2007	Principal activities
正大青春寶藥業有限公司 (Chia Tai Qingchunbao Pharmaceutical Co., Ltd.)(note i)	PRC	RMB128,500,000	55%	55%	Manufacture and sale of Chinese medicine and health products
上海滬寧高速公路(上海段)發展有限公司 (Shanghai Hu-Ning Expressway (Shanghai Section) Company Limited) (note ii)	PRC	RMB3,000,000,000	100%	100%	Holding of a right to operate a toll road
Shanghai Urban Development (note i)	PRC	RMB301,330,000	59%	59%	Property development and investment
SIIC MedTech Health Products Limited	Hong Kong	Ordinary shares – US$2	100%	100%	Investment holding
		Non-voting deferred shares – US$2	100%	100%	

52. Principal Subsidiaries (Continued)

Name of subsidiary	Place of incorporation or establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Percentage of issued share/ registered capital held by the Company/subsidiaries 2008	2007	Principal activities
S.I. Infrastructure Holdings Limited	British Virgin Islands/ Hong Kong	US$1	100%	100%	Investment holding
SIHL Treasury Limited	Hong Kong	Ordinary shares – HK$2	100%	100%	Investment
SIIC Medicial Science and Technology (Group) Limited	Cayman Islands/ Hong Kong	Ordinary shares – HK$40,893,400	100%	100%	Investment holding
Nanyang Tobacco (Marketing) Company, Limited	British Virgin Islands/PRC and Macau	Ordinary shares – US$1 – HK$100,000,000	100%	100%	Sale and marketing of cigarettes and raw materials sourcing
Nanyang Brothers Tobacco Company, Limited	Hong Kong	Ordinary shares – HK$2	100%	100%	Manufacture and sale of cigarettes
		Non-voting deferred shares – HK$8,000,000	—	—	
The Wing Fat Printing Company, Limited	Hong Kong	Ordinary shares – HK$2,000,000	93.44%	93.44%	Manufacture and sale of packaging materials, printed products and paper making
SI Pharmaceutical (note iii) (note 5)	PRC	Ordinary shares – RMB367,814,821	43.62%	43.62%	Investment holding
廈門中藥廠有限公司 (Xiamen Traditional Chinese Medicine Co., Ltd.) (note i)	PRC	RMB84,030,000	61%	61%	Manufacture and sale of Chinese medicine
遼寧好護士藥業(集團)有限責任公司 Liaoning Herbapex Pharmaceutical (Group) Co., Ltd. (note i)	PRC	RMB51,000,000	55%	55%	Manufacture and sale of Chinese medicine
上海三維生物技術有限公司 (Shanghai Sunway Biotech Co., Ltd.) (note i)	PRC	US$15,343,300	70.41%	70.41%	Manufacture and sale of Biomedicine

52. Principal Subsidiaries (Continued)

Name of subsidiary	Place of incorporation or establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Percentage of issued share/ registered capital held by the Company/subsidiaries 2008	2007	Principal activities
杭州胡慶餘堂藥業有限公司 (Hangzhou Huqingyutang Pharmaceutical Co., Ltd.) (note i)	PRC	RMB53,160,000	51.0069%	51.0069%	Manufacture and sale of Chinese medicine and health products
上海上實南洋大酒店有限公司 (Shanghai SIIC South Pacific Hotel Co., Ltd.) (note i)	PRC	US$72,000,000	87%	—	Operation of a hotel
上海路橋發展有限公司 (Shanghai Luqiao Development Co., Ltd.) (note ii)	PRC	RMB1,600,000,000	100%	—	Holding of a right to operate a toll road

Notes:

(i) These companies were established in the PRC as sino-foreign equity joint venture companies.

(ii) These companies were established in the PRC as wholly foreign owned enterprises.

(iii) The company was listed on the A share market of the Shanghai Stock Exchange.

With the exception of S. I. Infrastructure Holdings Limited, SIHL Treasury Limited and Shanghai Urban Development, all the above subsidiaries are indirectly held by the Company.

None of the deferred shares are held by the Group. The deferred shares carry no rights to receive notice of or to attend or vote at any general meeting of the respective companies and have practically no rights to dividends or to participate in any distributions on winding up.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

53. Principal Jointly Controlled Entities

Particulars of the Group's principal jointly controlled entities at 31st December 2008 and 2007 are as follows:

Name of jointly controlled entity	Place of incorporation or establishment/ operations	Percentage of registered capital attributable to the Group 2008	2007	Principal activities
General Water of China	PRC	**50%**	50%	Joint investment and operation of water-related and environment protection business in the PRC
微創醫療器械(上海)有限公司 (Microport Medical (Shanghai) Co., Ltd.)	PRC	**19.09%**	19.09%	Manufacture and sale of medical instruments
浙江金華甬金高速公路有限公司 (Zhejiang Jinhua Yongjin Expressway Co., Ltd.)	PRC	**—**	30%	Construction and operation of a toll road
上海市信息投資股份有限公司 (Shanghai Information Investment Inc.)	PRC	**—**	20%	Development of communication infrastructure and cable network and provision of internet-related services

All the above jointly controlled entities are sino-foreign equity joint venture companies and indirectly held by the Company and the Group has member in the board of the respective entities.

The above table lists the jointly controlled entities of the Group which, in the opinion of the directors, principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other jointly controlled entities would, in the opinion of the directors, result in particulars of excessive length.

54. Principal Associates

Particulars of the Group's principal associates at 31st December 2008 and 2007 are as follows:

Name of associate	Percentage of registered capital held by the subsidiaries 2008	held by the subsidiaries 2007	attributable to the Group 2008	attributable to the Group 2007	Principal activities
SMIC (note i) (note 9)	**8.21%**	9.78%	**8.21%**	9.78%	Investment holding and manufacture and marketing of advanced technology semiconductors
光明乳業股份有限公司 (Bright Dairy and Food Co., Ltd.) ("Bright Dairy") (note ii)	**35.176%**	25.171%	**35.176%**	25.171%	Manufacture, distribution and sale of dairy and related products

Notes:

(i) The company is listed on the Stock Exchange and the New York Stock Exchange.

(ii) The company is listed on the A share market of the Shanghai Stock Exchange.

All the above associates are indirectly held by the Company.

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

55. Post Balance Sheet Events

The following events were entered into by the Group subsequent to 31st December 2008:

1. On 16th January 2009, Shanghai Luqiao, a wholly-owned subsidiary of the Company entered into an agreement with Shanghai Public Road Construction Company, an independent third party, for the widening and alteration on the Xin-Song Section of Hu-Hang Expressway for an aggregate amount of RMB1,200 million (equivalent to approximately HK$1,363 million).

   Details of this were included in a published announcement of the Company on 16th January 2009.

2. On 21st January 2009, SI Pharmaceutical and Shanghai Hua Rui Investment Co. Limited, a wholly-owned subsidiary of SI Pharmaceutical, entered into the equity transfer agreement with Bailian Group Co. Limited ("Bailian"), an independent third party, to transfer the Group's entire equity interest in Shanghai Industrial United (Group) Commercial Network Development Company Limited ("SIUC") to Bailian at an aggregate consideration of RMB1,055.85 million (equivalent to approximately HK$1,199.28 million). The Group through SIUC holds a 21.17% shareholding in Lianhua Supermarket Holdings Co., Limited, a joint stock limited company with its H shares listed on the main board of the Stock Exchange. The transaction was completed in March 2009.

   The directors of the Company are in the progress of assessing the financial impact.

   Details of this were included in a published announcement of the Company on 21st January 2009.

56. Segment Information

For management purposes, the Group is currently 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 and hotel operation
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

Segment information about these businesses is presented below:

2008	Real estate HK$'000	Infrastructure facilities HK$'000	Medicine HK$'000	Consumer products HK$'000	Unallocated HK$'000	Consolidated HK$'000
Income statement:						
External sales	2,961,994	938,802	5,280,547	3,551,309	—	12,732,652
Segment results	1,029,190	831,197	670,701	666,162	—	3,197,250
Net unallocated corporate income						118,750
Finance costs						(322,224)
Share of results of jointly controlled entities	—	6,387	49,625	149	8,807	64,968
Share of results of associates	10,811	—	408	49,673	(167,288)	(106,396)
Net gain on disposal of interests in subsidiaries, associates and jointly controlled entities						556,618
Impairment loss recognised in respect of goodwill relating to a subsidiary						(1,115)
Impairment loss recognised in respect of available-for-sale investments						(1,527,388)
Discount on acquisition of interests in associates						1,410,222
Discount on acquisition of interest in a subsidiary						902
Profit before taxation						3,391,587
Income tax expenses						(533,821)
Profit for the year						2,857,766

56. Segment Information (Continued)

2008	Real estate HK$'000	Infrastructure facilities HK$'000	Medicine HK$'000	Consumer products HK$'000	Unallocated HK$'000	Consolidated HK$'000
Balance sheet:						
ASSETS						
Segment assets	18,776,725	12,037,055	5,474,782	5,096,222	100	41,384,884
Interests in jointly controlled entities	—	926,922	156,695	1,104	67,773	1,152,494
Interests in associates	35,250	—	12,567	1,928,860	2,068,112	4,044,789
Unallocated corporate assets						5,065,815
Consolidated total assets						51,647,982
LIABILITIES						
Segment liabilities	2,343,324	89,075	1,308,543	680,293	—	4,421,235
Unallocated corporate liabilities						15,345,735
Consolidated total liabilities						19,766,970
Other information:						
Capital additions	31,611	1,226,516	265,053	355,110	2,230	1,880,520
Depreciation and amortisation	75,553	210,278	173,595	150,511	2,618	612,555
Impairment loss on bad and doubtful debts	8,659	—	7,089	3,358	—	19,106
Impairment loss recognised in respect of goodwill relating to a subsidiary	—	1,115	—	—	—	1,115
Impairment loss recognised in respect of available-for-sale investments	—	—	—	—	1,527,388	1,527,388
Discount on acquisition of interest in a subsidiary	—	—	—	902	—	902
Equity-settled share-based payment expense	—	—	—	—	1,953	1,953

56. Segment Information (Continued)

2007 (restated)	Real estate HK$'000	Infrastructure facilities HK$'000	Medicine HK$'000	Consumer products HK$'000	Unallocated HK$'000	Consolidated HK$'000
Income statement:						
External sales	369,983	446,690	4,322,141	3,293,486	—	8,432,300
Segment results	81,086	427,653	533,134	743,500	—	1,785,373
Net unallocated corporate income						509,434
Finance costs						(158,466)
Share of results of jointly controlled entities	4,375	(2,379)	39,522	119,976	115,962	277,456
Share of results of associates	—	—	18,313	170,757	(30,909)	158,161
Net gain on disposal of interests in subsidiaries, associates and jointly controlled entities						159,332
Impairment losses recognised in respect of goodwill relating to subsidiaries						(157,614)
Discount on acquisition of interest in a subsidiary						2,563
Profit before taxation						2,576,239
Income tax expenses						(295,130)
Profit for the year						2,281,109

56. Segment Information (Continued)

2007 (restated)	Real estate HK$'000	Infrastructure facilities HK$'000	Medicine HK$'000	Consumer products HK$'000	Unallocated HK$'000	Consolidated HK$'000
Balance sheet:						
ASSETS						
Segment assets	15,713,405	9,229,753	4,768,515	4,879,985	100	34,591,758
Interests in jointly controlled entities	—	823,695	130,017	955	543,803	1,498,470
Interests in associates	39,453	—	168,117	1,337,753	2,283,321	3,828,644
Unallocated corporate assets						7,570,075
Consolidated total assets						47,488,947
LIABILITIES						
Segment liabilities	3,714,199	85,118	1,079,934	454,168	—	5,333,419
Unallocated corporate liabilities						12,070,654
Consolidated total liabilities						17,404,073
Other information:						
Capital additions	600,017	6,050,585	186,619	197,114	1,847	7,036,182
Depreciation and amortisation	64,924	99,977	133,331	137,066	2,601	437,899
Impairment loss on bad and doubtful debts	25	—	10,559	2,082	—	12,666
Impairment loss recognised in respect of goodwill relating to subsidiaries	—	129,275	28,339	—	—	157,614
Discount on acquisition of interest in a subsidiary	—	—	2,563	—	—	2,563
Equity-settled share-based payment expense	—	—	—	—	5,460	5,460

56. Segment Information (Continued)

Geographical Segments

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods and services:

	Sales revenue by geographical market	
	2008 HK$'000	2007 HK$'000 (restated)
PRC	**11,275,721**	6,930,166
Asia	**913,294**	959,939
Hong Kong	**413,017**	428,696
Other areas	**130,620**	113,499
	12,732,652	8,432,300

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	2008 HK$'000	2007 HK$'000 (restated)	**2008 HK$'000**	2007 HK$'000 (restated)
Geographical region				
PRC	**39,045,995**	32,212,786	**1,743,383**	6,998,392
Asia	**10,038**	1,035	**—**	—
Hong Kong	**2,328,851**	2,377,937	**137,137**	37,790
	41,384,884	34,591,758	**1,880,520**	7,036,182

57. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 36, net of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and accumulated profits.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the repayment of existing debt.

58. Financial Instruments

(a) Categories of Financial Instruments

	The Group		The Company	
	2008 HK$'000	2007 HK$'000 (restated)	**2008 HK$'000**	2007 HK$'000
Financial assets				
Fair value through profit or loss				
Held-for-trading	**23,824**	393,593	**—**	—
Designated as at FVTPL	**21,718**	2,742,628	**—**	2,280,379
Loans and receivables (including cash and cash equivalents)	**13,423,771**	8,913,133	**16,839,658**	14,189,379
Available-for-sale investments	**558,649**	442,742	**—**	—
Held-to-maturity investments	**142,798**	—	**—**	—
Financial liabilities				
Amortised cost	**15,734,324**	12,754,801	**1,809,346**	1,476,687

(b) Reclassification of Financial Assets

In the current year, the Group has made the following reclassification in respect of financial assets:

	2008 HK$'000
Reclassification of held-for-trading investments into:	
– available-for-sale investments (note)	**303,927**
– held-to-maturity investments (note)	**142,798**

Note: During the current year, the Group has reclassified certain financial assets following the severe deterioration of the world's financial market during the third quarter of 2008, certain investments previously held by the Group for short-term profit-taking are no longer held for trading purpose. The severe deterioration of the financial market is considered as a rare circumstance, such investments are reclassified to held-to-maturity investments or available-for-sale investments in July 2008.

As at 31st December 2008, the carrying amount and fair value of the financial assets that have been reclassified are as follows:

	Carrying amount HK$'000	**Fair value HK$'000**
Available-for-sale investments	196,660	196,660
Held-to-maturity investments	142,798	130,696

58. Financial Instruments (Continued)

(b) Reclassification of Financial Assets (Continued)

The effects of the reclassification of the financial assets upon adoption of the amendments to HKAS 39 during the current year are:

	HK$'000
Decrease of fair value losses	119,369
Increase in impairment loss	(64,348)
Increase in profit for the year	55,021
Net increase of fair value losses recognised in equity	(42,919)

The financial effects recognised in the current year in respect of the financial assets that were reclassified in July 2008 are as follows:

	Recognised in	
	Profit or loss HK$'000	**Equity HK$'000**
Before reclassification:		
– change in fair value of financial assets classified as held-for-trading	7,172	—
After reclassification:		
– Loss on fair value changes of available-for-sale investments	—	(107,267)
– impairment loss	(64,348)	64,348
	(57,176)	(42,919)

In the current year, additional fair value decreases of HK$55,021,000 would had been recognised as an expense in profit or loss had the financial assets not been reclassified out of held-for-trading investments.

At the date of reclassification, the range of effective interest rates and the estimated amounts of cash flows expected to recover in respect of the debt instruments that are reclassified from held-for-trading investments are 6.3% (2007: nil) and HK$150,242,000 (2007: nil).

58. Financial Instruments (Continued)

(c) Financial Risk Management Objectives and Policies

The Group's major financial instruments include available-for-sale investments, loan receivables, trade and other receivables, financial assets at fair value through profit or loss, restricted bank deposits, pledged bank deposits, short-term bank deposits, bank balances, trade and other payables and bank and other borrowings. The Company's major financial instruments include other receivables, amounts due from subsidiaries, financial assets at fair value through profit or loss, short-term bank deposits, bank balances and amounts due to subsidiaries. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market Risk

(i) Currency Risk

The Group mainly operates in the PRC and Hong Kong and the exposure in exchange rate risks mainly arises from fluctuations in the United States dollar, Hong Kong dollar and Renminbi exchange rates. Exchange rate fluctuations and market trends have always been the concern of the Group. As Renminbi is under managed floating system, after reviewing the Group's exposure for the time being, the Group did not enter into any derivative contracts aimed at minimising exchange rate risks during the year. However, management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2008 HK$'000	2007 HK$'000	**2008 HK$'000**	2007 HK$'000
Renminbi	**15,101**	8,426	**7**	265
United States dollar	**2,934,513**	3,605,385	**34,318**	50,043
Hong Kong dollar	**324**	2	**—**	72,000

The following table details the Group's sensitivity to a 5% increase and decrease in the functional currency of each group entity against the above foreign currency. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% increase in foreign currency rates. A positive number below indicates an increase in profit/investment revaluation reserve where the above foreign currency strengthens 5% against the functional currency of each group entity.

	2008 HK$'000	2007 HK$'000
Increase in profit after taxation	**116,245**	161,838
Increase in investment revaluation reserve	**2,079**	12,737

58. Financial Instruments (Continued)

(c) Financial Risk Management Objectives and Policies (Continued)

Market Risk (Continued)

(ii) Interest Rate Risk

The Group's fair value and cash flow interest rate risks mainly relate to fixed and variable rates borrowings respectively. The Group and the Company's held-to-maturity investments, prepayment for investment and pledged bank deposits have exposure to fair value interest rate risk due to the fixed interest rate on these instruments. The Group and the Company's bank balances also have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances.

The management monitors interest rate exposure on ongoing basis and will consider hedging significant interest rate change should the need arise.

Sensitivity Analysis

The sensitivity analysis below have been determined based on the exposure to interests rates for its variable rate bank balances and short term bank deposit (collectively referred to as the "Bank Balances") and borrowings at the balance sheet date.

For variable rate borrowings and Bank Balances, the analysis prepared assuming the amount of liability/asset outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point and 10 basis point higher/lower are used for variable rate borrowings and Bank Balances, respectively, when reporting interest rate risk internally to key management personnel and represents management assessment of the reasonably possible change in interest rate.

If interest rates had been 50 basis point and 10 basis point higher/lower and all other were variables were held constant, the Group's profit after taxation for the year ended 31st December 2008 would decrease/increase by HK$24,937,000 (2007: decrease/increase by HK$7,006,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances and borrowings.

(Iii) Equity Price Risk

The Group and the Company is exposed to equity price risk through its investment in equity securities classified as either available-for-sale investments or financial assets at fair value through profit or loss. Management manages this exposure by maintaining a portfolio of investments with different risks. The Group and the Company's equity price risk is mainly concentrated on equity instruments quoted in the Stock Exchange and the Shanghai Stock Exchange. In addition, management has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

The sensitivity analyses below have been determined based on the exposure to equity price risks on quoted equity investments at the reporting date:

If the prices of the respective quoted equity instruments had been 5% higher/lower:

- profit after taxation for the year ended 31st December 2008 would increase/decrease by HK$994,000 (2007: increase/decrease by HK$19,680,000) as a result of the changes in fair value of financial assets at fair value through profit or loss; and

- investment revaluation reserve would increase/decrease by HK$11,037,000 (2007: increase/decrease by HK$6,381,000) for the Group as a result of the changes in fair value of available-for-sale investments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2008

58. Financial Instruments (Continued)

(c) Financial Risk Management Objectives and Policies (Continued)

Credit Risk

As at 31st December 2008, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet; and

- the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 46.

The Group's principal financial assets are restricted bank deposits, short-term bank deposits, bank balances and cash, equity and debt investments, and trade and loan receivables.

The Group's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the consolidated balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

With respect to the credit risk of the Group's treasury operations, management has established internal procedures to monitor the Group's bank balances and cash, securities investments to be placed and entered into with financial institutions of good reputation. These internal procedures also impose limitation on the amount outstanding and to mange the credit ratings on equity investments to be held, so as to minimise the Group's credit risk exposure.

The Group's concentration of credit risk by geographical locations of customers are mainly on the PRC and Hong Kong which accounted for 93% (2007: 81%) and 7% (2007: 19%), respectively, of the trade receivables at 31st December 2008.

The Group's credit risk on bank balances and bank deposits is limited because the counterparties are banks with good reputation.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

58. Financial Instruments (Continued)

(c) Financial Risk Management Objectives and Policies (Continued)

Liquidity Risk

The Group's liquidity position is monitored closely by management of the Company. The following table details the Group's contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average interest rate %	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2008 HK$'000
THE GROUP							
2008							
Non-interest bearing	—	2,381,822	560,992	3,111,688	25,728	6,080,230	6,080,230
Fixed interest rate instruments	3.21	—	—	901,318	2,228,248	3,129,566	3,032,099
Variable interest rate instruments	1.08	300,127	5,330	2,745,215	3,785,350	6,836,022	6,621,995
		2,681,949	566,322	6,758,221	6,039,326	16,045,818	15,734,324

	Weighted average interest rate %	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2007 HK$'000 (restated)
THE GROUP							
2007							
Non-interest bearing	—	1,655,810	388,492	4,630,048	39,205	6,713,555	6,713,555
Fixed interest rate instruments	2.90	—	—	1,958,359	1,960,384	3,918,743	3,808,321
Variable interest rate instruments	2.01	—	11,054	495,408	1,906,038	2,412,500	2,232,925
		1,655,810	399,546	7,083,815	3,905,627	13,044,798	12,754,801

58. Financial Instruments (Continued)

(c) Financial Risk Management Objectives and Policies (Continued)

Liquidity Risk (Continued)

	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2008 HK$'000
THE COMPANY					
2008					
Non-interest bearing	**7,541**	**—**	**1,801,805**	**1,809,346**	**1,809,346**

	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2007 HK$'000
THE COMPANY					
2007					
Non-interest bearing	18,434	—	1,458,253	1,476,687	1,476,687

(d) Fair Value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices;

- the fair value of financial assets designated at fair value through profit or loss are determined by reference to bid prices quoted in active markets or prices provided by the respective issuing banks or financial institutions using valuation technique; and

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost, except for held-to-maturity investments (see note 25), in the consolidated financial statements approximate their fair values.

PARTICULARS OF MAJOR PROPERTIES

Details of the Group's major properties held for investment purposes as at 31st December 2008 are as follows:

	Location	Term of lease	Type of use	Group's interest
1.	Urban Development International Tower (城開國際大廈) situated at No. 386 Guangyuan Road West, Xuhui District, Shanghai, the PRC	Held under a land use right for a term expiring on 7th October 2053	Commercial	59%
2.	20 office units on Levels 8, 9 and 10 and 12 car parks situated at No. 333 Zhaojiabang Road, Xuhui District, Shanghai, the PRC	Held under a land use right for a term expiring on 5th December 2042	Commercial	59%
3.	Huimin Commercial Tower (滙民商廈) Levels 1 to 3, Nos. 498 and 500 Lane 388 Pubei Road, Xuhui District, Shanghai, the PRC	Held under a land use right for a term expiring on 30th June 2050	Commercial	59%
4.	A commercial building and non-motor vehicle shed situated at Nos. 111 and 123 Tianyaoqiao Road, Xuhui District, Shanghai, the PRC	Held under a land use right with an unspecified term	Commercial	59%
5.	A detached villa situated at No. 3 Lane 16, Gaoyou Road, Xuhui District, Shanghai, the PRC	Held under a land use right with an unspecified term	Residential	59%
6.	A detached villa situated at No. 11 Lane 905, Huashan Road, Xuhui District, Shanghai, the PRC	Held under a land use right with an unspecified term	Residential	59%

PARTICULARS OF MAJOR PROPERTIES

Details of the Group's properties under development as at 31st December 2008 are as follows:

	Location	Stage of completion	Expected completion date	Site area/ Gross floor area	Type of use	Group's interest
1.	Urban Cradle (萬源城) situated at Lots B, C, D, E and F, Wan Yuan Residential Area, Minhang District, Shanghai, the PRC	Lot E and Lot B of the property are completed and Lot D are under construction whilst the remaining portion of the site is vacant	2007-2012 in phases	560,643 sq.m./ 1,307,369 sq.m.	Residential	53.1%
2.	Toscana (托斯卡納) situated at Xiangfu Road, Yuhua District, Changsha, Hunan Province, the PRC	Under construction	2006-2010 in phases	180,541 sq.m./ 202,425 sq.m.	Commercial/ Residential	32.45%
3.	Rose City (玫瑰紳城) situated at The 2nd Ring South Road, Hefei, Anhui Province, the PRC	Under construction	2008-2010 in phases	187,060 sq.m./ 445,551 sq.m.	Commercial/ Residential	59%
4.	Kuncheng Dijing Garden (琨城帝景園) situated at south of Yingbin Road, west of Han Pu Tang, Zhoushi Town, Kunshan, Jiangsu Province, the PRC	Under construction	2007-2010 in phases	205,016 sq.m./ 268,020 sq.m.	Commercial/ Residential	53.1%
5.	A parcel of composite land Xujiahui Centre (徐家匯中心) at Site 88, 150 Jiefang, Xujiahui, Xuhui District, Shanghai, the PRC	Under planning	2009-2017	35,343 sq.m./ 320,700 sq.m.	Commercial/ Residential/ Hotel	35.4%
6.	A parcel of composite land Wuxi Lihu Technology Building (無錫蠡湖科技大廈) situated at Wuxi Lihu Economic Development Area, Wuxi, the PRC	Under planning	2009-2012	24,041 sq.m./ 191,660 sq.m.	Commercial/ Hotel	59%
7.	A parcel of residential land Ivy International Community (常青藤國際社區) Chongqing, the PRC	Under planning	2009-2011	126,540 sq.m./ 79,085 sq.m.	Residential	32.45%
8.	A parcel of composite land Huaqiao International Services Business Park Lot C-25 (花橋國際商務城 C-25地段) Kunshan, the PRC	Under planning	2009-2011	34,223 sq.m./ 136,892 sq.m.	Commercial/ Residential/ Hotel	30.68%

PARTICULARS OF MAJOR PROPERTIES

Details of the Group's major properties held for sale as at 31st December 2008 are as follows:

	Location	Gross floor areas	Type of use	Group's interest
1.	80 villa units of Urban Cradle（萬源城）situated at Lots B Wan Yuan Residential Area, Minhang District, Shanghai, the PRC	39,829.75 sq.m.	Residential	53.1%
2.	174 units of Phase I, Kuncheng Dijing Garden（琨城帝景園）situated at South of Yingbin Road, west of Han Pu Tang, Zhoushi Town, Kunshan, Jiangsu Province, the PRC	36,545.28 sq.m.	Residential	53.1%
3.	198 units of Phase I Toscana（托斯卡納）situated at Xiangfu Road, Yuhua District, Changsha, Hunan Province, the PRC	25,086 sq.m.	Residential	32.45%
4.	A club house, an office building and several shops situated at Lane 88, Nos. 1-21 and Nos. 32-68 (even), Sanjiang Road, Xuhui District, Shanghai, the PRC	4,817.70 sq.m.	Office/Residential	59%

GLOSSARY OF TERMS

Term used	Brief description
Bright Dairy	Bright Dairy and Food Co. Ltd. (SSE stock code: 600597)
Changzhou Pharmaceutical	Changzhou Pharmaceutical Co. Ltd.
COD	Chemical oxygen demand, an index that measures the relative content of organic substance in water in order to monitor the discharge of water pollutants
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.
Hebei Yongxin Paper	Heibei Yongxin Paper 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. (Stock Exchange stock code: 980)
Liaoning Herbapex	Liaoning Herbapex Pharmaceutical (Group) Co. Ltd.
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange
Luqiao Development	Shanghai Luqiao Development Co. Ltd.
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
Mysun Pharmaceutical	Chifeng Mysun Pharma. Co. Ltd.
Nanyang Tobacco	Nanyang Brothers Tobacco Co. Ltd.
Net Business Profit	Net profit excluding net corporate expenses
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 Investments 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.
SIIC South Pacific Hotel	Shanghai SIIC South Pacific Hotel Co. Ltd.
SMIC	Semiconductor Manufacturing International Corporation (Stock Exchange 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.
Wing Fat Printing	The Wing Fat Printing Co. Ltd.
Xiamen TCM	Xiamen Traditional Chinese Medicine Co. Ltd.
Yongjin Expressway	Zhejiang Jinhua Yongjin Expressway Co. Ltd.

For the purposes of the "Chairman's Statement" and "Business Review, Discussion and Analysis" of this Annual Report, the exchange rates of HK$1.00 to RMB0.8804 and HK$7.80 to US$1.00 have been used, where applicable, for purpose of illustration only and does not constitute a representation that any amounts have been, could have been or may be exchanged at any particular rate on the date or dates in question or any other date.

Shanghai Industrial Holdings Limited

26th Floor, Harcourt House
39 Gloucester Road, Wanchai, Hong Kong.
Telephone : (852) 2529 5652
Facsimile : (852) 2529 5067
www.sihl.com.hk