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

(Stock Code : 363)

Interim Report 2011

Contents

Corporate Information

Directors

Executive Directors

Mr. Teng Yi Long *(Chairman)*
Mr. Cai Yu Tian
(Vice Chairman & Chief Executive Officer)
Mr. Lu Ming Fang
Mr. Zhou Jie *(Executive Deputy CEO)*
Mr. Qian Shi Zheng *(Deputy CEO)*
Mr. Zhou Jun *(Deputy CEO)*
Mr. Qian Yi *(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. Guo Fa Yong

Company Secretary

Mr. Yee Foo Hei

Qualified Accountant

Mr. Lee Kim Fung, Edward

Authorized Representatives

Mr. Cai Yu Tian
Mr. Yee Foo Hei

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Company Stock Code

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

Company Website

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Auditor

Deloitte Touche Tohmatsu

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ADR Depository Bank

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Information for Shareholders

Dividend Notice

Interim Dividend

The Board of Directors has resolved to pay an interim dividend of HK50 cents (2010: HK50 cents) per share for the six months ended 30 June 2011, which will be payable on or about Wednesday, 28 September 2011 to Shareholders whose names appear on the register of members of the Company on Friday, 16 September 2011.

Closure of Register of Members

The register of members of the Company will be closed from Thursday, 15 September 2011 to Friday, 16 September 2011, both days inclusive, during which period no transfer of shares will be effected. Notice of dividend will be dispatched to Shareholders on or about Wednesday, 28 September 2011. In order to qualify for the entitlement of the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong by 4:30 p.m. on Wednesday, 14 September 2011.

Financial Calendar

2011 interim results	Announced on Tuesday, 30 August 2011
Closure of register of members	To be closed from Thursday, 15 September 2011 to Friday, 16 September 2011, both days inclusive
Ex-dividend date for 2011 interim dividend	Monday, 12 September 2011
Record date for 2011 interim dividend	Friday, 16 September 2011
Notice of 2011 interim dividend	To be dispatched to Shareholders on or about Wednesday, 28 September 2011

Chairman's Statement

I am pleased to announce that the Group's unaudited profits attributable to shareholders for the six months ended 30 June 2011 amounted to HK$3,023 million, representing an increase of 149.7%, excluding disposal gains and profit contributions from the medicine business, which was disposed of during the same period last year. The Group's revenue dropped 17.1% to HK$5,528 million due to slowdown in sales from its real estate business during the period following impacts from related government policies in China. For the rest of the year, the Group will further increase its efforts to integrate the assets of its real estate business in order to strategically build up a platform for sustainable development. During the period, active measures have been taken to restructure the resources for its water services business. For the infrastructure facilities segment, stable cash revenue was realized and steady growth was seen in the consumer products business. All in all, the Group continued to maintain its earnings momentum during the period.

The Board of Directors has resolved to declare an interim dividend of HK50 cents (2010: HK50 cents) per share for the six months ended 30 June 2011 to Shareholders whose names appear on the register of members of the Company on Friday, 16 September 2011. The interim dividend will be paid to Shareholders on or about Wednesday, 28 September 2011.

Maintaining a stable development in toll roads and enhancing our investments in water services

With highly efficient road management and maintenance capabilities, the Group achieved continued growth in toll revenue and increased traffic flow from its three toll roads during the period. Operating a total of three major wholly-owned toll roads in Shanghai, the Group owns premium highway assets in the city that provide steady cash flow to the Group and further strengthens its capital base which is essential to facilitate the overall development of its business.

In light of gradual expansion through mergers and acquisitions and capital operation, the Group achieved economies of scale for its water investments in recent years, with a total daily operating capacity of up to 6,349,000 tonnes as at the end of June 2011, providing more development opportunities for its infrastructure business. Following successful acquisitions of water projects in the mainland and overseas last year, the Group is planning to accelerate the pace of restructuring and integration for its investments in water services in order to create a unified platform for the expansion of its water business and enabling it to become the leading capital operator in China's water services market.

Integrating quality real estate resources to realize our strategic national coverage

During the first half of the year, the Group has taken active steps to consolidate its real estate business with the introduction of a strategic partner to jointly develop lots F and G of the Qingpu land project in Shanghai while the Four Seasons Hotel Shanghai will be jointly operated by the two parties. Capital operation was further implemented with the injection of a 59% equity interest in Shanghai Urban Development into SI Urban Development, thereby significantly enhancing SI Urban Development's operating capabilities and creating synergies. The acquisition of a 63.65% equity interest in SI Development was also completed in July this year, further expanding the scale of the Group's real estate investment. A unified real estate business operating platform with a significant size and overall competitiveness will be gradually formed through a series of asset restructuring in the future. Taking into account SI Development as well as lot G of the Qingpu land, the Group currently has a planned total gross floor area of up to 24,460,000 square meters.

Chairman's Statement

The Group will adopt a two-thronged approach of both residential development and commercial property investment for the strategic development of its real estate business with a focus in Shanghai and supplemented by second and third tier cities in the coastal regions of eastern China and along the Yangtze River, the Yangtze River Delta, the Bohai Rim and central and western China striving to become one of the most prominent enterprises in the domestic real estate sector within the next three to five years. The Group also aims to secure a leading position in commercial real estate development in mainland China.

Maintaining steady growth in consumer products business and optimizing its assets structure

During the period, Nanyang Tobacco made continuous efforts to further enhance its strategy of product mix adjustments by focusing on high value-added products. The company also achieved higher cost efficiency and successfully expanded into new business markets. Overall operating efficiency and profitability have been further strengthened. The company has been able to maintain a stable and progressive development during the period through constant improvement of its marketing mechanism, development of exquisite products production capacity and efforts on creating brand advantages.

Following last year's new metal packaging operations, Wing Fat Printing further optimized its assets structure earlier this year to completely withdraw from the containerboard industry which generated relatively lower gross margin by the disposal of all its equity interests in Hebei Yongxin Paper, which, in addition to a disposal gain of HK$162 million, has enabled Wing Fat Printing to focus its resources on the development of the more profitable packaging printing business, thereby improving the company's overall income level to achieve steady business growth.

Prospects

The Group's real estate business has now built up the scale of its operation; toll roads and water services both perform satisfactorily in the development of their business while our consumer products business continues to achieve steady growth. The Group will continue with the development strategies for focusing on its core businesses while capitalizing on state-owned assets restructuring and market opportunities in response to external circumstances to formulate a strategic plan for sustainable growth and generate higher returns for its Shareholders.

Regarding the infrastructure facilities business, the Group will continue to pursue acquisition and merger of toll roads and water services to enlarge the scale of its investments in the areas. With ample room for appreciation in water investment, the Group will be committed to building up a development platform for its water services business to obtain full brand benefits and economies of scale.

As to the real estate business, the Group owns plenty of superior and relatively low-cost land reserves and, with its competitive strength in integrated regional development, is committed to take advantage of opportunities in the market in acquiring more high-quality projects and building up a unified strategic operating platform through resources consolidation.

Chairman's Statement

For consumer products business, while remarkable results have been achieved in Nanyang Tobacco's product structure adjustment, continuous efforts will be made to promote technical advancement; Wing Fat Printing successfully optimized its assets structure with enhanced overall gross margin of its products. It is expected that the Group's consumer products business will maintain a steady growth momentum and deliver steady cash flows for the Group.

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

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Teng Yi Long
Chairman

Hong Kong, 30 August 2011

Group Business Structure

As at 30 August 2011

Infrastructure Facilities

Business	Interests held by the Group	Company name
Toll roads	100%	Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd.
	100%	Shanghai Luqiao Development Co., Ltd.
	100%	Shanghai Shen-Yu Development Co., Ltd.
Water services	50%	General Water of China Co., Ltd.
	73.08%	Asia Water Technology Ltd. (5GB SGX)
	60.4%	United Runtong Water Co., Ltd.

Real Estate

Business	Interests held by the Group	Company name
Real estate	59%	Shanghai Urban Development (Holdings) Co., Ltd.
	45.02%	Shanghai Industrial Urban Development Group Ltd. (563 HKSE)
	63.65%	Shanghai Industrial Development Co., Ltd. (600748 SSE)
	100%	Shanghai Feng Mao Properties Ltd.
	100%	Shanghai Feng Qi Properties Ltd.
	10%	Shanghai Feng Tao Properties Ltd.
Hotel operation	10%	Shanghai SIIC South Pacific Hotel Co., Ltd.

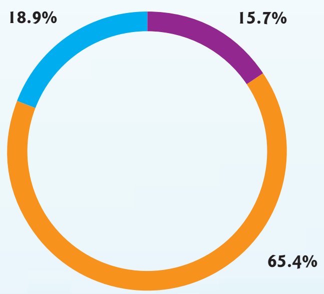
Consumer Products

Business	Interests held by the Group	Company name
Tobacco	100%	Nanyang Brothers Tobacco Co., Ltd.
Printing	93.44%	The Wing Fat Printing Co., Ltd.

Business Review, Discussion and Analysis

For the six months ended 30 June 2011, the Group recorded an unaudited revenue of HK$5,528 million, down 17.1% over the same period last year. Profits attributable to shareholders amounted to HK$3,023 million, representing a year-on-year increase of 149.7%, excluding disposal gains and profit contributions from the medicine business disposed of last year. During the period, the Group's three core businesses continued to achieve stable growth while all its plans for restructuring and integration progressed in an orderly manner.

Profit contributions from the Group's core businesses



Infrastructure Facilities

During the period, profit contributions from the infrastructure facilities business amounted to HK$486 million, representing a year-on-year increase of 17.8% and accounting for approximately 15.7% of the Group's Net Business Profit.

Hu-Ning Expressway recorded a net profit of HK$168 million for the first half of the year, representing an increase of 35.8%. Notwithstanding impacts from snow and floods on the road sections and surrounding areas, toll revenue for Jing-Hu Expressway (Shanghai Section) recorded a year-on-year increase of 8.7% to HK$272 million, benefiting from continuous growth in the total number of private cars and self-drive tours. Traffic flow increased to 16.26 million vehicle journeys, up 4.8%. During the period, the company successfully went through the National Trunk Highway Maintenance and Management Inspection (National Inspection). The snowy weather conditions and peak holiday seasons were strategically tackled while effective operation and management of the "green channel" for proper handling of fresh agricultural produce were implemented to ensure smooth road operations and avoid omission of toll revenue receivables.

Luqiao Development's net profit for the first half of the year was HK$168 million, representing a year-on-year increase of 40.4%. Toll revenue from Hu-Kun Expressway (Shanghai Section) for the period reached HK$413 million, a record high among the same period in all previous years and representing a rise of 21.2%; traffic flow increased to 16.84 million vehicle journeys, a year-on-year increase of 14.5%. During the period, the number of vehicles using Electronic Toll Collection (ETC) cards also increased significantly by 1.3 times. With the increase in the number of ETC users and dedicated-ETC lanes operated at the gates of Dagang, Shihudang, Xinbang, etc., further increases in revenue are expected. During the period, National Inspection has greatly intensified road maintenance and management and enhanced public service capabilities. Measures against traffic congestions were also properly implemented during Formula One World Championship Race and holiday seasons in the first half of the year.

Business Review, Discussion and Analysis

During the period, Shanghai Shen-Yu recorded a net profit of HK$73.45 million, representing a rise of 22.2%. Hu-Yu Expressway (Shanghai Section) showed an increase in both toll revenue and traffic flow, mainly driven by an increase in the total number of private cars and the number of vehicles travelling to and from the shopping venues near the highways as well as tourist attractions. Toll revenue and traffic flow for the first half of 2011 amounted to HK$217 million and 14.97 million vehicle journeys, representing an increase of 10.9% and 9.9% respectively. During the period, the management standard for road section maintenance has been greatly enhanced through National Inspection. In May this year, Shanghai Shen-Yu significantly reduced its finance costs through the restructuring of its existing loans.

During the first half of the year, General Water of China was committed to expand its markets, promote regional deployment, and actively explore new business opportunities in sludge treatment, water-related real estates, industrial wastewater, etc. focusing mainly on urban water services. During the period, the company recorded a revenue of HK$528 million, representing a year-on-year increase of 36.7%; net profit amounted to HK$21.44 million, a decrease of 47.9%, as certain government subsidies and water price adjustments have yet to be materialized. In the second half of the year, the company will continue to adhere to its profit-oriented and value creation strategy to strengthen project management, improve project returns and to further facilitate business expansion and explore new profit drivers.

Asia Water announced at the end of last year a rights issue of 1,217,789,975 shares at S$0.06 each. Completed in the first quarter of 2011, the rights issue raised a net proceed of S$72 million. During the period, Asia Water recorded a revenue of RMB110 million, a decrease of 11.1%, and a net profit of RMB7.41 million, representing an increase of 47.6% over the same period last year. The company achieved major breakthroughs during the period to enter into a desalination system project in Guangdong, China with a contract amount of approximately RMB46.50 million, representing its first project secured in the paper-making industry. In July this year, a subsidiary of Asia Water entered into an agreement to acquire a project company, which owns a 50% equity interest in a waste incineration power generation BOT project in Wenling, for a total consideration of approximately RMB120 million.

During the period, all sewage treatment plants under United Runtong Water operated in good order while water supply plants maintained a high level of sales. The company's two sewage treatment plants in Luohe City and western Weifang both commenced operation during the period. In March 2011, United Runtong Water made a capital contribution of RMB30 million to set up a project company in Yiyang, Hunan for a sewage treatment plant franchised BOT project in the new zone of eastern Gaoxin District, Yiyang, Hunan with a daily production capacity of 30,000 tonnes for Phase I. The construction of the new project is expected to commence in late July. In June, Weifang Hanting United Runtong Water Co., Ltd., a project company in which United Runtong Water owns a 51% equity interest, also commenced operation of an urban and rural water supply project in Hanting District, Weifang which will have a daily production capacity of 60,000 tonnes. During the period, United Runtong Water recorded a revenue of HK$191 million and a net profit of HK$44.89 million.

Business Review, Discussion and Analysis

Set out below is a summary of the Group's water projects as at 30 June 2011:

	Projects of General Water of China	Project type	Daily production capacity	Interests 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%	The project is in operation.
2	Sewage treatment project in eastern Wenzhou, Zhejiang	Sewage treatment	100,000 tonnes	100%	The project is in operation.
3	Sewage treatment project in central Wenzhou, Zhejiang	Sewage treatment	200,000 tonnes	70%	• The project is in operation. • Prophase preparation will commence during the year for the sewage treatment plant Phase II franchised BOT project.
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.
6	Sewage treatment project in river east of Xiangtan, Hunan	Sewage treatment	100,000 tonnes	100%	The project is in operation.
7	Water generation project in Xiamen, Fujian	Water generation	1,155,000 tonnes	45%	The project is in operation.
8	Sewage treatment project in Xiamen, Fujian	Sewage treatment	834,000 tonnes	55%	The project is in operation.
9	Water supply project in Bengbu, Anhui	Water supply	430,000 tonnes	60%	The project is in operation.
10	Project on sewage treatment plant in Longhua, Shenzhen, Guangdong	Sewage treatment	150,000 tonnes	90%	The project is in operation.
11	Yinshi Guo Wei water supply project in Xianyang, Shaanxi	Water supply	180,000 tonnes	50%	The company is in preparatory stage.
12	Water generation project in Xianyang, Shaanxi	Water generation	300,000 tonnes	100%	The project was completed and is ready for operation.
13	Project on Wuhua Mountain reservoir and water supply project in Suifenhe, Heilongjiang	Water supply	195,000 tonnes	100%	• Phase I of the water supply project is in operation. • Construction of the Wuhua Mountain reservoir and city sewage treatment plant commenced in the first half of 2010 and is expected to be completed by mid-2013. • Construction of the water supply project for the third water treatment plant commenced in April 2011 and is expected to be completed by mid-2013.
14	City sewage treatment project in Suifenhe, Heilongjiang	Sewage treatment	20,000 tonnes	100%	The project is expected to commence operation in the second half of 2011.
	Sub-toal		4,339,000 tonnes		

	Projects of Asia Water	Project type	Daily production capacity	Interests attributable to Asia Water	Project progress
1	Sewage treatment project in the Wuhan City Economic Zone of Wuhan, Hubei	Sewage treatment	60,000 tonnes	100%	The project is in operation while Phase II is under planning.
2	Water supply project in Tianmen, Hubei	Water supply	150,000 tonnes	100%	The project is in operation.
3	Sewage treatment project in Hanxi, Wuhan, Hubei	Sewage treatment	400,000 tonnes	43%	Phase I is in operation while Phase II is under planning.
4	Drainage network project in Dongxihu, Wuhan, Hubei	Sewage pipelines	N/A	70%	The project is an extension of drainage network covering 101 square kilometers for the sewage treatment project in Hanxi of Wuhan, Hubei, and is in operation.
5	Sewage treatment project in Huangshi, Hubei	Sewage treatment	125,000 tonnes	100%	The project is in operation.
6	Water supply project in Huangpi, Wuhan, Hubei	Water supply	150,000 tonnes	100%	The project is in operation. Other facilities such as the Wuhu water plant are yet to be set up.
7	Sewage treatment project in Qianchuan, Wuhan, Hubei	Sewage treatment	30,000 tonnes	100%	The project is in operation.
8	Sewage treatment project in Panlong, Wuhan, Hubei	Sewage treatment	22,500 tonnes	100%	• The first stage of the project is scheduled to commence trial operation. • The second stage is yet to be constructed.
9	Sewage treatment project in Taizhou, Zhejiang	Sewage treatment	12,500 tonnes	100%	• The first stage of Phase I project is in operation. • The construction of the second and third stages is expected to commence within the next one to five years.
10	Water supply project in Lvliang, Shanxi	Water Supply	55,000 tonnes	100%	The project is in operation.
11	Water supply project in Bengbu, Anhui	Water supply	10,000 tonnes	100%	The project is in operation.
Sub-toal			1,015,000 tonnes		

Projects of United Runtong Water	Project type	Daily production capacity	Interests attributable to United Runtong Water	Project progress
1 Sewage treatment plant TOT project in Weifang, Shandong	Sewage treatment	100,000 tonnes	100%	The project is in operation.
2 Sewage treatment plant BOT project in Gaoxin District, Weifang, Shandong	Sewage treatment	50,000 tonnes	100%	The project is in operation.
3 Sewage treatment plant TOT project in Dezhou, Shandong	Sewage treatment	100,000 tonnes	100%	The project is in operation.
4 Sewage treatment plant BOT project in Dalang, Dongguan, Guangdong	Sewage treatment	100,000 tonnes	100%	The project is in operation.
5 Sewage treatment plant BOT project in Beiliu, Guangxi	Sewage treatment	40,000 tonnes	100%	The project is in operation.
6 Sewage treatment plant BOT project in Yiyang, Hunan	Sewage treatment	40,000 tonnes	100%	The project is in operation.
7 Sewage treatment plant BOT project in Taojiang, Hunan	Sewage treatment	20,000 tonnes	100%	The project is in operation.
8 Sewage treatment plant TOT+BOT project in Zecheng District, Zaozhuang, Shandong	Sewage treatment	40,000 tonnes	100%	• Phase I TOT project is in operation. • Phase II BOT project started construction in May 2011.
9 Sewage treatment plant BOT project in eastern Luohe City, Henan	Sewage treatment	20,000 tonnes	100%	The project is in operation.
10 Sewage treatment plant BOT project in western Weifang, Shandong	Sewage treatment	40,000 tonnes	100%	The project is in operation.
11 Sewage treatment plant BOT project in the new zone of eastern Gaoxin District, Yiyang, Hunan	Sewage treatment	30,000 tonnes	100%	Project started construction in late July 2011.
12 Water supply project in Weifang, Shandong	Water supply	320,000 tonnes	68%	The project is in operation.
13 Sewage treatment plant water recycling project in Weifang, Shandong	Water recycling	35,000 tonnes	100%	The project is in operation.
14 Water supply project in Hanting District, Weifang, Shandong	Water supply	60,000 tonnes	51%	The project is in operation.
Sub-toal		995,000 tonnes		
Total		**6,349,000 tonnes**		

Business Review, Discussion and Analysis

Real Estate

During the period, the real estate business contributed a profit of HK$2,021 million to the Group, representing a year-on-year increase of 168.5% and accounting for approximately 65.4% of the Group's Net Business Profit. With the intention to create a sizable and competitive operating platform, the Group made considerable efforts in 2011 in the restructuring and integration of its real estate business.

In February this year, the Company announced the disposal of its 90% equity interest in lots F and G of the Qingpu land project and 77% equity interest in the Four Seasons Hotel Shanghai project to Chow Tai Fook group. In relation to this, the parties will jointly develop the respective land lots and operate the Four Seasons Hotel Shanghai. The final total consideration for the disposals were RMB2,432 million and HK$1,164 million respectively and the transaction for the disposal of the said equity interests in lot F and the Four Seasons Hotel Shanghai project was completed at the end of June this year. The disposal resulted in a gain of approximately HK$1,842 million, effectively revitalizing our capital funds while enabling the joint cooperation projects to commence as soon as possible. The disposal of 90% equity interest in lot G of the Qingpu land is expected to be completed next year.

In addition to a 10% equity interest held in the said lot F, the Group currently owns lots D and E of the Qingpu land and indirectly owns lots A, B and C of the Qingpu land through SI Development; lot G is yet to be injected into the Group. Comprising a planned total gross floor area of 1,429,200 square meters, the Qingpu land lots will be developed into property projects under an approach that integrates both sole development and joint development with strategic partners. SIIC South Pacific Hotel recorded a loss of HK$13.75 million for the period as opportunities arising from the Shanghai World Expo no longer exist, in addition to rising domestic operating costs in the mainland. With the introduction of a new strategic partner, the hotel is expected to become more competitive and profitable.

Following the completion of the Group's acquisition of a 45.02% equity interest in the Hong Kong-listed SI Urban Development (formerly known as Neo-China) last year, the Company announced in April this year the disposal to SI Urban Development of its 59% equity interest held in Shanghai Urban Development together with an assignment of dividend receivable amounting to RMB395 million for a total consideration of approximately HK$6,110 million. SI Urban Development will issue approximately 2,180,000,000 new shares at HK$2.8 each to the Group for settlement of the consideration. The transaction is conditional upon the approval of the Stock Exchange and the SFC as well as independent shareholders of SI Urban Development. This move is expected to significantly enhance the operating capabilities of SI Urban Development while creating synergy with optimization of the Group's real estate portfolio.

In addition, the Company announced in August last year the acquisition from its parent company of a 63.65% equity interest in SI Development, a company listed in the A shares market in Shanghai, for a consideration of RMB5,130 million. The transaction was completed in early July this year and the annual results of SI Development for 2011 will be consolidated into the Group's accounts according to the merger accounting method in the second half of the year. During the period, SI Development recorded a net profit of RMB228 million and a revenue amounting to RMB1,736 million. As at 30 June 2011, SI Development had a total portfolio of 20 projects, most of which are located in Shanghai, Huzhou, Harbin, Qingdao, Quanzhou, Chongqing, Chengdu and Dali with a planned total gross floor area of 5,972,600 square meters. The company has also been given priority right to participate in the development of the Chongming Island, Shanghai. Such acquisition will strengthen the earnings base of the Group's real estate business and further increase the Group's land resources.

Business Review, Discussion and Analysis

For the first half of the year, Shanghai Urban Development recorded a revenue of HK$1,148 million and a net profit of HK$139 million, representing a year-on-year decrease of 67.0% and 52.1% respectively. While sales slowed down during the period, sales amounted to HK$1,041 million, accounting for a total gross floor area of 52,702 square meters. During the period, presale amounted to HK$680 million, accounting for a total gross floor area of 38,238 square meters. As at the end of June 2011, the company owned 11 projects with a planned total gross floor area of 4,688,000 square meters. Rental income totalled HK$83.78 million and accounting for an additional total gross floor area of 77,056 square meters. During the period, Shanghai Urban Development transferred its equity interests in the "Rose Town City Villa" project together with debt interests of RMB239 million through open bidding at a price of RMB500 million. The new Xinzhuang metro superstructure project acquired a land area of 117,825 square meters during the period. In July this year, Shanghai Urban Development took a pioneering initiative to adopt an e-commerce approach for the launching of its "Yoooou.net" project and "Urban Cradle • Up County", the deluxe apartment project, that successfully drove market purchasing power with its quality brand name and immediately set a sales record upon launching.

Since the Group's acquisition of SI Urban Development in the middle of last year, active measures have been taken to integrate and restructure its existing business and management platform. To date, the company has significantly reduced its debt levels with the property sale process now being accelerated. During the first half of 2011, a revenue of HK$882 million was recorded, representing a decrease of 63.5%; sales from real estates totalled HK$798 million and accounting for a total gross floor area of 110,000 square meters. Completed and sold projects mainly included "Laochengxiang" in Tianjin, "Forest Garden" in Changsha, "Top City" in Chongqing and "Youngman Point" in Beijing. Rental income for the first half of the year totalled HK$32.87 million; a turnaround was made with a net profit of approximately HK$56.70 million. A presale amount of approximately HK$521 million was recorded for the period. As at 30 June 2011, SI Urban Development owned 15 projects mainly located in Beijing, Shanghai, Tianjin, Chongqing, Chengdu, Xian, Changsha and Zhuhai with a planned total gross floor area of approximately 12,720,000 square meters.

Shanghai Bay, a project invested by the Group in 2009, made a profit contribution of approximately HK$65 million during the period. On 29 July this year, the Group and Glorious Property reached an agreement and announced the disposal of the entire equity interest in an overseas holding company of the project to Glorious Property, at an equivalent consideration to supersede the original repurchase agreement. The transaction is expected to be completed on or before 1 December upon satisfaction of certain conditions with the consideration to be paid in Hong Kong.

Set out below is a summary of the main property developments of the Group as at 30 June 2011:

Major Development Properties

Projects of Shanghai Urban Development	Type of property	Interests attributable to Shanghai Urban Development	Approximate site area	Planned total GFA	Pre-sold GFA during the period	Total GFA sold	Date of completion
Urban Cradle (萬源城) Minhang District, Shanghai	Residential	90%	943,000 square meters, of which 560,463 square meters are for residential areas at Lots B, C, D, E and F	1,307,369 square meters (included basement carpark and public facilities)	8,598 square meters	504,513 square meters	2007 to 2015, in phases
Royal Villa (璟城帝景園) Kunshan, Jiangsu	Hotel, commercial and residential	90%	205,017 square meters	268,021 square meters	2,343 square meters	80,822 square meters	2007 to 2014, in phases
Toscana (托斯卡納) Changsha, Hunan	Commercial and residential	55%	180,541 square meters	202,425 square meters	16,043 square meters	113,021 square meters	2006 to 2012, in phases
Ivy Aroma Town (常青藤 • 緹香小鎮) Chongqing	Residential	55%	289,812 square meters	203,588 square meters	2,278 square meters	21,335 square meters	2009 to 2014, in phases
Yoooou.net (游站) Kunshan, Jiangsu	Composite	52%	34,223 square meters	129,498 square meters	8,976 square meters	–	2009 to 2013, in phases
Urban Development International Centre (上海中心 • 城開國際) Wuxi Lihu Economic Development Area	Hotel and commercial	100%	24,041 square meters	191,660 square meters	–	–	2009 to 2013, in phases
Shanghai Jing City (上海晶城) Minhang Distrct, Shanghai	Residential	100%	259,182 square meters	604,620 square meters	–	–	2009 to 2013, in phases
Shanghai Jingjie (上海晶杰) Xinzhuang Town, Shanghai	Residential	100%	49,764 square meters	125,485 square meters	–	–	2010 to 2012, in phases
Sub-total			1,985,580 square meters	3,032,666 square meters			

Projects of SI Urban Development	Type of property	Interests attributable to SI Urban Development	Approximate site area	Planned total GFA	Pre-sold GFA during the period	Total GFA sold	Date of completion
Youngman Point (青年匯) Chaoyang District, Beijing	Residential and commercial	100%	112,700 square meters	348,664 square meters	1,240 square meters	240,060 square meters	2007 to 2013, in phases
American Rock (後現代城) Chaoyang District, Beijing	Residential and commercial	100%	121,499 square meters	523,833 square meters	–	453,279 square meters	Completed
Phoenix Tower (鳳凰大廈) Futian Distrct, Shenzhen	Office, commercial and apartment	91%	11,038 square meters	106,190 square meters	–	69,841 square meters	Completed
West Diaoyutai (西釣魚台嘉園) Haidian District, Beijing	Residential and serviced apartment	90%	42,541 square meters	250,930 square meters	–	160,470 square meters	2007 to 2013, in phases
Laochengxiang (老城廂) Nankai District, Tianjin	Residential, commercial, office and hotel	100%	244,252 square meters	752,883 square meters	2,215 square meters	514,617 square meters	2006 to 2013, in phases
Jiujiu Youth City (九久青年城) Songjiang District, Shanghai	Residential and commercial	100%	57,944 square meters	212,126 square meters	–	118,967 square meters	2009 to 2012, in phases
Neo Water City (滻灞半島) Chan-Ba Ecological District, Xi'an	Residential, commercial and hotel	71.5%	2,082,486 square meters	3,534,736 square meters	23,726 square meters	1,485,824 square meters	2008 to 2014, in phases
Top City (城上城) Jiulongbo District, Chongqing	Residential, commercial, office and hotel	100%	120,014 square meters	785,225 square meters	5,557 square meters	255,907 square meters	2008 to 2014, in phases
Park Avenue (公園大道) Wenjiang District, Chengdu, Sichuan	Residential and commercial	100%	228,107 square meters	625,670 square meters	9,258 square meters	200,139 square meters	2011 to 2014, in phases
Forest Garden (森林海) Wangcheng District, Changsha, Hunan	Residential and commercial	67%	667,749 square meters	895,705 square meters	30,765 square meters	195,471 square meters	2007 to 2014, in phases
Tai Yuan Street (太原街) Heping District, Shenyang, Liaoning	Serviced apartment, commercial and hotel	80%	22,651 square meters	239,651 square meters	–	–	2012 to 2014, in phases
Sub-total			3,710,981 square meters	8,275,613 square meters			
Total			**5,696,561 square meters**	**11,308,279 square meters**			

Business Review, Discussion and Analysis

Major Future Development Properties

Projects of Shanghai Urban Development	Type of property	Interests attributable to Shanghai Urban Development	Approximate site area	Planned total GFA	Anticipated project commencement and completion date
Xujiahui Centre (徐家匯中心) Xuhui District, Shanghai	Composite	60%	132,000 square meters dividing into six parcels of land (35,343 square meters obtained)	629,000 square meters (212,058 square meters obtained)	2012 to 2018, in phases
Mei Long Nanfang Shangcheng (Note) **(梅隴南方商務區)** Minheng District, Shanghai	Commercial, hotel and office	40%	87,327 square meters	421,300 square meters	under planning
Xinzhuang metro superstructure project (莘莊地鐵上蓋項目) Xinzhuang Town, Shanghai	Residential	35%	117,825 square meters	605,000 square meters	2011 to 2018, in phases
Sub-total			337,152 square meters (Note)	1,655,300 square meters (Note)	
Projects of SI Urban Development	**Type of property**	**Interests attributable to SI Urban Development**	**Approximate site area**	**Planned total GFA**	**Anticipated project commencement and completion date**
Yanjiao (燕郊) Yanjiao Economic Technology Development Zone, Hebei	Residential, commercial and hotel	100%	333,333 square meters	666,600 square meters	2012 to 2014, in phases
Beichen (北辰) Yixinfu Old Village, Tianjin	Residential, commercial, apartment and hotel	40%	1,115,476 square meters	2,263,000 square meters	2012 to 2014, in phases
Mei Long Nanfang Shangcheng (Note) **(梅隴南方商務區)** Minheng District, Shanghai	Commercial, hotel and office	25%	87,327 square meters	421,300 square meters	under planning
Qi Ao Island (淇澳島) Tang Jia Gaoxin District, Zhuhai, Guangdong	Tourist resort, commercial and high-end residential properties	100%	2,215,516 square meters	1,090,000 square meters	under planning
Sub-total			3,751,652 square meters (Note)	4,440,900 square meters (Note)	
Projects of the Group	**Type of property**	**Interests attributable to the Group**	**Approximate site area**	**Planned total GFA**	**Anticipated project commencement and completion date**
Lots D, Zhujiajiao Town Qingpu District, Shanghai	Villa	100%	511,877 square meters	255,939 square meters	under planning
Lots E, Zhujiajiao Town Qingpu District, Shanghai	Villa	100%	434,855 square meters	217,428 square meters	under planning
Lots F, Zhujiajiao Town Qingpu District, Shanghai	Villa	10%	350,533 square meters	175,267 square meters	under planning
Sub-total			1,297,265 square meters	648,634 square meters	
Total			**5,386,069 square meters** (Note)	**6,744,834 square meters** (Note)	

Note: The Mei Long Nanfang Shangcheng, Shanghai project is a project obtained by, inter alia, Shanghai Urban Development and SI Urban Development by way of consortium bidding, with the two companies held 40% and 25% interest therein respectively.

Major Investment Properties

Projects of Shanghai Urban Development	Type of property	Interests attributable to Shanghai Urban Development	Planned total GFA
Urban Development International Tower (上海城開國際大廈) Xuhui District, Shanghai	Office	100%	45,420 square meters
Huimin Commercial Tower (滙民商廈) Xuhui District, Shanghai	Commercial	100%	14,235 square meters
Others Shanghai	Commercial and office	100%	17,401 square meters
Sub-total			77,056 square meters
Projects of SI Urban Development	**Type of property**	**Interests attributable to SI Urban Development**	**Planned total GFA**
Laochengxiang (老城廂) Nankai District, Tianjin	Residential, commercial, office and hotel	100%	36,863 square meters
Jiujiu Youth City (九久青年城) Songjiang District, Shanghai	Apartment and office	100%	16,349 square meters
Top City (城上城) Jiulongbo District, Chongqing	Residential, commercial, office and hotel	100%	158,584 square meters
Phoenix Tower (鳳凰大厦) Futian Distrct, Shenzhen	Office	91%	1,048 square meters
Sub-total			212,844 square meters (Note)
Total			**289,900 square meters**

Note: This figure is included in the table of "Major Development Properties".

Business Review, Discussion and Analysis

Consumer Products

During the first half of 2011, the consumer products business recorded a profit of HK$585 million, representing a year-on-year increase of 44.5% and accounting for approximately 18.9% of the Group's Net Business Profit.

Nanyang Tobacco continued to record growth, of which "Double Happiness" cigarette achieved an increase in total sales of 9.5%. During the period, effective product structure and price adjustments, cost control measures which partially offset the rising costs of tobacco and materials and favourable sales performance in all markets, all contributed positively to the company's profitability. The company recorded a revenue of HK$1,226 million and a net profit of HK$359 million for the period, representing a year-on-year increase of 16.3% and 11.4% respectively. Active measures were taken during the period to expand overseas markets while various projects for technology transformation continued to make smooth progress. Construction works for the Yuen Long storage project is expected to be completed and commence operation in the third quarter of the year.

Wing Fat Printing maintained stable growth during the period with a revenue of HK$1,210 million, representing a decline of 10.1%, mainly due to decreases in operating income as a result of the disposal of its containerboard business. Net profit amounted to HK$245 million, a year-on-year increase of 186.8%. The development of the packaging printing business remained stable during the period. The company made satisfactory progress in the expansion of its cigarette and wine packaging businesses through actively securing orders in the external markets, while sales in metal can and packaging printing to Nanyang Tobacco also saw sustained growth. Due to volatility in the containerboard business, the Group disposed of its entire 78.13% equity interest held in Hebei Yongxin Paper in January this year for a consideration of RMB564 million. The transaction was completed in May this year and Wing Fat Printing recorded a disposal gain of HK$162 million while optimizing its assets structure.

Financial Review

Key Figures

	2011	2010	Change
	Unaudited		
	Six months ended 30th June		%
Results			
Revenue (HK$'000)	**5,527,959**	6,664,369	-17.1
Profit attributable to owners of the Company (HK$'000)	**3,022,668**	4,437,230	-31.9
Earnings per share – basic (HK$)	**2.80**	4.11	-31.9
Dividend per share – Interim (HK cents)	**50**	50	–
Dividend payout ratio	**17.9%**	12.2%	
Interest cover (note(a))	**15.1times**	13.3times	

	Unaudited	Audited	
	30th June	31st December	%
Financial Position			
Total assets (HK$'000)	**96,998,157**	87,830,776	10.4
Equity attributable to owners of the Company (HK$'000)	**32,560,366**	29,759,998	9.4
Net assets per share (HK$)	**30.15**	27.56	9.4
Net debt ratio (note(b))	**52.66%**	29.39%	
Gearing ratio (note(c))	**39.99%**	36.71%	
Number of shares in issue (shares)	**1,079,785,000**	1,079,785,000	

Note (a): (profit before taxation, interest expenses, depreciation and amortization)/interest expenses
Note (b): (interest-bearing loans – cash)/equity attributable to owners of the Company
Note (c): interest-bearing loans/(equity attributable to owners of the Company + non-controlling interests + interest-bearing loans)

Notes: The transactions in connection to the transfer of shareholdings in pharmaceutical companies to Shanghai Pharmaceuticals by the Company and the absorption and merger of SI Pharmaceutical with Shanghai Pharmaceuticals were completed in February 2010. Upon completion of the transactions, the Company totally withdrew from the medicine business and the medicine business is presented as discontinued operations according to the Hong Kong Financial Reporting Standard 5 "Non-current Assets Held for Sale and Discontinued Operations" in 2010.

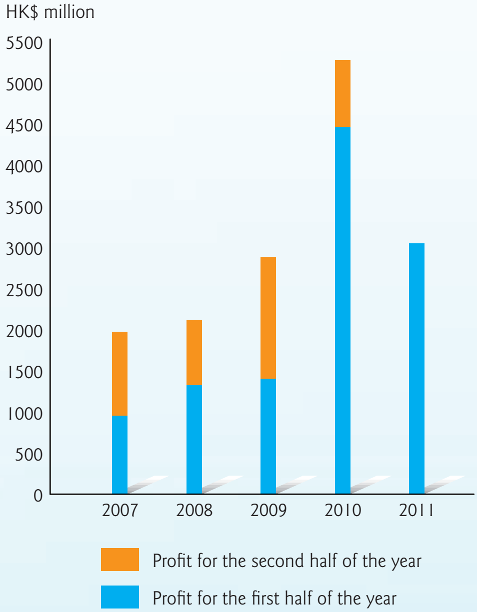
Financial Review

I Analysis of Financial Results

1 Profit attributable to owners of the Company

For the six months ended 30th June 2011, the Group recorded a profit attributable to owners of the Company of HK$3,022.67 million, a decrease of HK$1,414.56 million or approximately 31.9% as compared to the same period in 2010.

Excluded the net gains arising from disposal of the medicine business last year of the same period, profit attributable to owners of the Company for the period recorded an increase of HK$1,812.21 million or approximately 149.7% as compared to the same period in 2010. The growth in profit is mainly contributed by infrastructure facilities and real estate businesses.

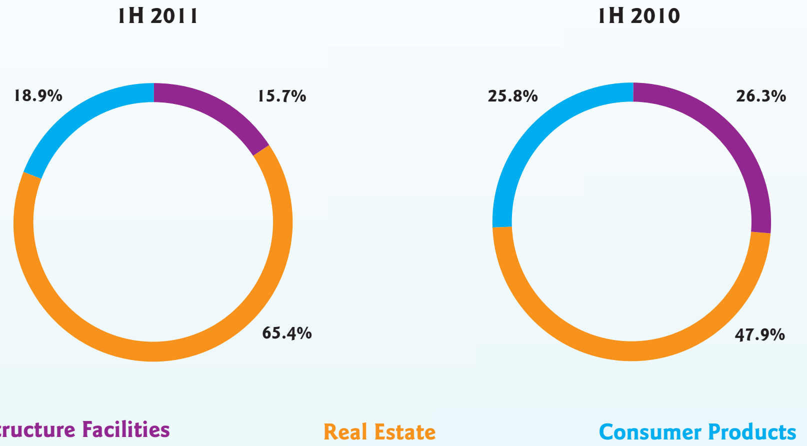


2 Profit Contribution from Each Business

The profit contributed by each business to the Group during the first half of 2011 and the comparative figures of the corresponding period last year was summarized as follows:

	2011	2010	Change
	Unaudited		
	Six months ended 30th June		
	HK$'000	HK$'000	%
Continuing operations			
Infrastructure Facilities	**485,940**	412,615	17.8
Real Estate	**2,020,983**	752,813	168.5
Consumer Products	**584,581**	404,468	44.5
Discontinued operations			
Medicine	**–**	3,226,774	-100.0

Financial Review



Net profit from the infrastructure facilities business was approximately HK$485.94 million during the period, accounting for 15.7% of Net Business Profit and representing an increase of 17.8% over the same period last year. Profit growth was mainly driven by the different levels of natural growth recorded by the three expressways as well as the profit contribution from last year's newly invested United Runtong Water. During the period, in light of the termination of the agreement on General Water of China's repurchase of SI Infrastructure's equity interest held in Asia Water, the Group's equity interest held in Asia Water was increased to a controlling stake, the results of Asia Water was thus started to consolidate and a one-time gain from bargain purchase of approximately HK$37.72 million was recorded.

The real estate business recorded a profit of approximately HK$2,020.98 million, accounting for 65.4% of Net Business Profit and representing a significant increase of HK$1,268.17 million as compared to the same period last year mainly due to a gain of HK$1,125.33 million on the disposal of 90% equity interest in Lot F of Qingpu land and a gain of HK$716.99 million on the disposal of 77% equity interest in Four Seasons Hotel Shanghai completed during the period. The increase in profit of the real estate business for the period was offset by a decrease in profit contribution from Shanghai Urban Development over the same period last year due to the small amount of property sales booked coupled with a decrease in investment income contributed by the investment in Shanghai Bay project during the period.

The consumer products business recorded a net profit of HK$584.58 million during the period, accounting for 18.9% of Net Business Profit. Net profit recorded an increase of HK$180.11 million, representing an increase of 44.5% over the same period last year, mainly due to the fact that Nanyang Tobacco recorded an increase of 9.54% in sales volume, an increase of 6.16% in average selling price per case, and an increase of 16.29% in net sales through continuous product mix and price adjustments during the period and that Chinese New Year season has been relatively favorable for high-end products. During the period, Wing Fat Printing maintained stable development in its packaging printing business and recorded an attributable gain of approximately HK$150 million upon completion of the disposal of its containerboard operation.

The disposal of the medicine business was completed in mid-February 2010. A disposal gain of HK$3,198.49 million and a one month's attributable profit of HK$28.28 million were recorded respectively in the same period last year.

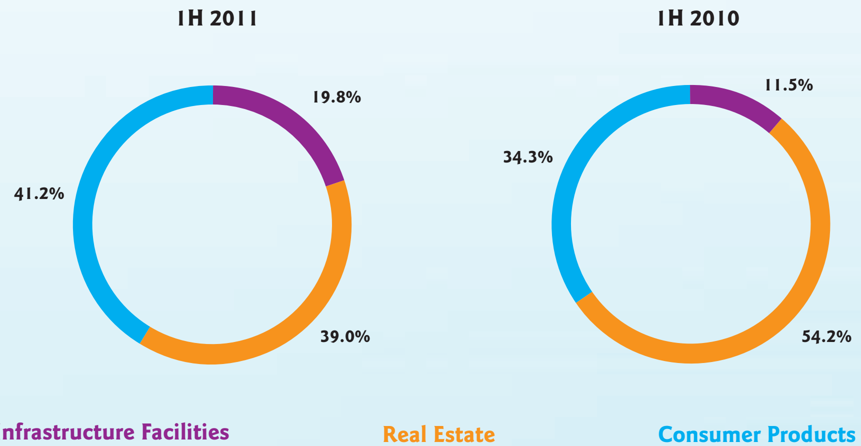
Full details of business operation and development of the respective businesses for the first half of 2011 are contained in "Business Review, Discussion and Analysis".

Financial Review

3. Revenue

The Group's revenue by principal businesses for the first half of 2011 and the comparative of the same period last year was summarized as follows:

	2011	2010	Change
	Unaudited		
	Six months ended 30th June		
	HK$'000	HK$'000	%
Infrastructure Facilities	**1,092,022**	762,191	43.3
Real Estate	**2,156,669**	3,614,801	-40.3
Consumer Products	**2,279,268**	2,287,377	-0.4
	5,527,959	6,664,369	-17.1



Revenue for the first half of 2011 decreased by 17.1% from the same period last year to approximately HK$5,527.96 million mainly due to a decrease in property sales booked in respect of the real estate business as compared to the same period last year, offsetting the growth in revenue recorded by the infrastructure facilities business by virtue of that revenue of both United Runtong Water and Asia Water were newly consolidated.

Notwithstanding an increase in revenue of the real estate business due to the completion of the acquisition of SI Urban Development in last June and thus which property sales were consolidated, a significant decrease in revenue was recorded owing to the fact that property sales recorded by Shanghai Urban Development were mainly related to remaining units of existing property projects. During the period, property sales from a small number of remaining residential property units under four projects was booked by Shanghai Urban Development which included Lot D Lounge City units of 18,166 square meters, Lot B Yuxi villa units of 1,290 square meters and remaining unit of Lot E of 4,657 square meters of Urban Cradle; 2 villas and 7 high-rise units of Kunshan Royal Villa totaling 1,946 square meters; Changsha Toscana of 2,203 square meters as well as the newly launched project Chongqing Ivy Aroma Town of 3,056 square meters; while the property sales booked by SI Urban Development for the period was also from a small number of remaining units under existing projects.

The increase in revenue of the infrastructure facilities business was mainly due to a considerable increase in toll revenue of Hu-Kun Expressway as the alteration and expansion works were completed, and that revenue for the first half of the year of United Runtong Water was consolidated upon completion of its acquisition in November last year and revenue of Asia Water was also consolidated starting from the second quarter as a controlling stake was obtained.

Regarding the revenue of consumer products business, Nanyang Tobacco maintained stable growth, which was offset by a decrease in sales of Wing Fat Printing as a result of the completion of its disposal of Hebei Yongxin Paper during the first half of the year.

4 Profit before Taxation

(1) Gross profit margin

Gross profit margin for the period was 40.4%, an increase of 4.6 percentage points as compared to 35.8% for the same period last year. The increase in gross profit margin was mainly due to the property sales booked in respect of the real estate business for the period were higher gross margin commodity housing.

(2) Net investment income

Investment income decreased as compared to the same period last year mainly due to the fact that Shanghai Bay project contributed an investment income of only approximately HK$65 million for the period.

(3) Other income

Other income increased as compared to the same period last year mainly attributable to the gains from change in fair value of investment properties of HK$489.54 million.

(4) Share of results of jointly controlled entities

The Group's share of results of jointly controlled entities dropped significantly mainly due to the non-recurrence of a share of gain from bargain purchase of approximately HK$76 million booked upon completion of the acquisition of equity interest in Asia Water for the same period last year.

(5) Gain on disposal of interests in subsidiaries holding property interests and net gain on disposal of interests in other subsidiaries and an associate

During the period, the Group completed the disposal of 90% equity interest in Lot F of Qingpu land and recorded a pre-tax disposal gain of approximately HK$1,261.59 million. During the period, the Group completed the disposals of 77% equity interest in Four Seasons Hotel Shanghai and the entire 78.13% equity interest in Hebei Yongxin Paper and recorded pre-tax disposal gains totaling HK$986.45 million.

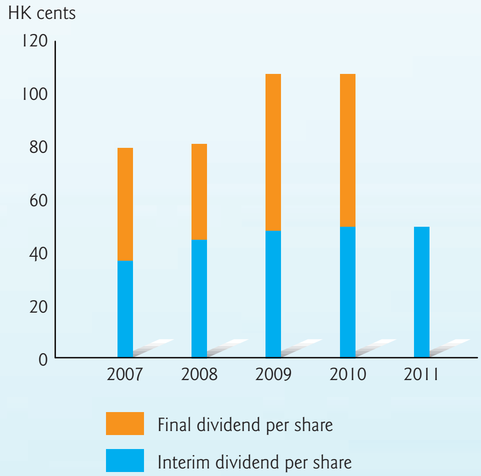
Financial Review

(6) Gain from bargain purchase of interests in subsidiaries and impairment loss on available-for-sale investments

During the period, due to the termination of the agreement on General Water of China's repurchase of SI Infrastructure's equity interest held in Asia Water, the Group's equity interest held in Asia Water was increased to a controlling stake and a gain from bargain purchase of approximately HK$37.72 million was recorded; whereas the Group completed the acquisition of 45.02% equity interest in SI Urban Development and recorded a gain from bargain purchase of HK$361.06 million for the same period last year. In last year, impairment loss was provided with reference to the fair value of the available-for-sale investments.

5 Dividends

The Group continues to adopt a stable dividend policy. The Board of Directors has determined to declare an interim dividend of HK50 cents per share, maintain the same interim dividend of HK50 cents per share in 2010.

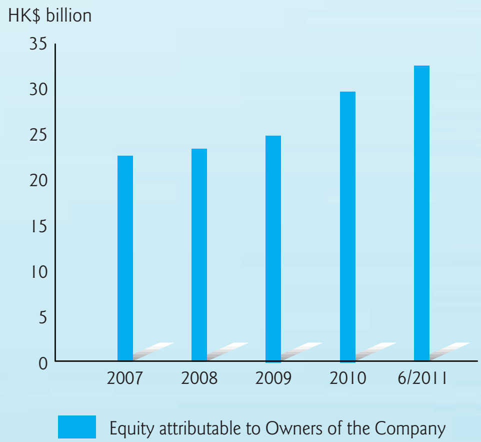


II Financial Position of the Group

1 Capital and Equity attributable to Owners of the Company

The Group had a total of 1,079,785,000 shares in issue as at 30th June 2011, which was the same as the number of shares as at the end of 2010.

The equity attributable to owners of the Company reached HK$32,560.37 million as at 30th June 2011, which was attributable to the net profits after deducting the dividend actually paid during the period.



2 Indebtedness

(1) Borrowings

The Group obtained two syndication loan facilities of a total of HK$5.20 billion in last year through a wholly-owned subsidiary, SIHL Finance Limited. During the period, the Company concluded bilateral bank loan facilities of RMB1 billion for its subsidiary's debt refinancing. The loan facilities were both drawn during the period and applied to refinance the existing debts.

As at 30th June 2011, the total borrowings of the Group including bank borrowings, other borrowings, senior notes and convertible notes amounted to approximately HK$29,782.84 million (31st December 2010: HK$24,006.97 million), of which 76.9% (31st December 2010: 70.0%) was unsecured credit facilities.

(2) Pledge of assets

As at 30th June 2011, the following assets were pledged by the Group in order to secure general credit facilities granted to the Group:

(a) investment properties with an aggregate carrying value of HK$5,640,651,000 (31st December 2010: HK$2,614,606,000);

(b) plant and machineries with an aggregate carrying value of HK$62,611,000 (31st December 2010: HK$66,130,000);

(c) leasehold land and buildings with an aggregate carrying value of HK$130,610,000 (31st December 2010: HK$128,199,000);

(d) trade receivables of HK$25,512,000 (31st December 2010: Nil);

(e) properties under development held for sale with an aggregate carrying value of HK$3,746,401,000 (31st December 2010: HK$5,122,497,000);

(f) properties held for sale with an aggregate carrying value of HK$24,097,000 (31st December 2010: HK$38,536,000);

(g) two toll road operating rights of HK$10,644,314,000 (31st December 2010: HK$10,594,414,000);

(h) receivables under service concession arrangements with an aggregate carrying value of HK$546,859,000 (31st December 2010: HK$175,560,000); and

(i) bank deposits with an aggregate carrying value of HK$385,718,000 (31st December 2010: HK$108,862,000).

In addition, as at 30th June 2011, SI Urban Development, a subsidiary of the Company, had pledged its interest in an associate as a security for a real estate project held by that associate which SI Urban Development is responsible for the payment of demolishment and re-settlement expenses in excess of the original budget cost of the project.

(3) Contingent liabilities

As at 30th June 2011, the guarantees given to banks by the Group in respect of banking facilities utilised by an entity controlled by Xuhui District State Owned Asset Administrative Committee and property buyers amounted to approximately HK$501 million and HK$3,182 million (31st December 2010: HK$550 million and HK$3,264 million) respectively.

3 Capital Commitments

As at 30th June 2011, the Group had capital commitments mainly contracted for business development and investments in fixed assets of HK$5,562.05 million (31st December 2010: HK$18,226.95 million). The Group had sufficient internal resources or credit facilities from the financial markets to finance its capital expenditures.

4 Bank Deposits and Short-term Investments

As at 30th June 2011, bank balances and short-term investments held by the Group amounted to HK$12,635.35 million (31st December 2010: HK$15,261.56 million) and HK$713.84 million (31st December 2010: HK$144.71 million) respectively. The proportions of US dollars and other foreign currencies, Renminbi and HK dollars were 6%, 71% and 23% (31st December 2010: 6%, 64% and 30%) respectively. Short-term investments mainly consisted of investments such as equity linked notes, bonds, Hong Kong and PRC listed shares.

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

III Management Policies for Financial Risk

1 Currency Risk

The Group mainly operates in China and the Hong Kong Special Administrative Region and the exposure in exchange rate risks mainly 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 period. However, management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

2 Interest Rate Risk

The Group's fair value and cash flow interest rate risks mainly relate to fixed and variable rates borrowings. In order to exercise prudent management against interest rate risk, the Group continues 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.

4 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.

Report on Review of Interim Financial Information

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF SHANGHAI INDUSTRIAL HOLDINGS LIMITED
(incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 30 to 62, which comprises the condensed consolidated statement of financial position of Shanghai Industrial Holdings Limited (the "Company") and its subsidiaries as of 30th June 2011 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
30th August 2011

Condensed Consolidated Income Statement

For the six months ended 30th June 2011

	Notes	Six months ended 30th June 2011 HK$'000 (unaudited)	2010 HK$'000 (unaudited)
Continuing operations			
Revenue	3	5,527,959	6,664,369
Cost of sales		(3,295,005)	(4,276,746)
Gross profit		2,232,954	2,387,623
Net investment income		174,880	286,135
Other income		820,895	130,724
Selling and distribution costs		(375,112)	(402,792)
Administrative expenses		(740,182)	(384,645)
Finance costs		(322,108)	(193,557)
Share of results of jointly controlled entities		30,567	109,903
Share of results of associates		20,551	12,309
Gain from bargain purchase of interests in subsidiaries	19	37,718	361,060
Gain on disposal of interests in subsidiaries holding property interests	20	1,261,588	–
Net gain on disposal of interests in other subsidiaries and an associate	4	949,791	–
Impairment loss on available-for-sale investments		–	(284,224)
Profit before taxation		4,091,542	2,022,536
Income tax expense	5	(935,082)	(596,244)
Profit for the period from continuing operations		3,156,460	1,426,292
Discontinued operations			
Profit for the period from discontinued operations		–	3,269,339
Profit for the period	6	3,156,460	4,695,631
Profit for the period attributable to			
– Owners of the Company		3,022,668	4,437,230
– Non-controlling interests		133,792	258,401
		3,156,460	4,695,631
Earnings per share	8		
		HK$	HK$
From continuing and discontinued operations			
– Basic		2.80	4.11
– Diluted		2.80	N/A
From continuing operations			
– Basic		2.80	1.12
– Diluted		2.80	N/A

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th June 2011

	Six months ended 30th June 2011 HK$'000 (unaudited)	2010 HK$'000 (unaudited)
Profit for the period	3,156,460	4,695,631
Other comprehensive income (expense)		
Exchange differences arising from translation of foreign operations		
– subsidiaries	736,124	2,668
– jointly controlled entities	23,024	–
– associates	10,917	–
Fair value adjustment on available-for-sale investments	(24,872)	(98,458)
Impairment loss on available-for-sale investments	–	194,524
Gain on cash flow hedges	2,458	580
Reclassification of hedging reserve upon termination of hedging relationship	8,254	–
Reclassification of other comprehensive income upon disposals of interests in subsidiaries/the disposal group held for sale	(177,736)	(344,654)
Other comprehensive income (expense) for the period	578,169	(245,340)
Total comprehensive income for the period	3,734,629	4,450,291
Total comprehensive income attributable to		
– Owners of the Company	3,355,488	4,191,890
– Non-controlling interests	379,141	258,401
	3,734,629	4,450,291

Condensed Consolidated Statement of Financial Position

At 30th June 2011

	Notes	30th June 2011 HK$'000 (unaudited)	31st December 2010 HK$'000 (audited)
Non-Current Assets			
Investment properties	9	5,909,271	5,221,079
Property, plant and equipment	9	2,557,161	2,680,953
Prepaid lease payments – non-current portion		106,739	386,496
Toll road operating rights		14,330,087	14,289,125
Other intangible assets	10	1,143,521	560,922
Interests in jointly controlled entities	11	1,682,281	1,204,498
Interests in associates	11	1,881,602	584,891
Investments	12	608,960	3,192,154
Receivables under service concession arrangements – non-current portion		1,508,751	897,284
Consideration receivables	20	563,236	–
Deposits paid on acquisition of property, plant and equipment		70,612	55,092
Deposits paid on acquisition of subsidiaries	24(iii)	6,157,669	–
Restricted bank deposits		79,968	76,476
Deferred tax assets		250,957	144,700
		36,850,815	29,293,670
Current Assets			
Inventories	13	40,245,552	36,655,225
Trade and other receivables	14	3,242,376	3,564,038
Prepaid lease payments – current portion		15,552	13,737
Investments	12	3,502,188	144,710
Receivables under service concession arrangements – current portion		146,410	224,821
Prepaid taxation		345,601	482,210
Pledged bank deposits		385,718	108,862
Short-term bank deposits		2,386,764	3,060,563
Bank balances and cash		9,862,869	12,092,133
		60,133,030	56,346,299
Assets classified as held for sale	21	14,312	2,190,807
		60,147,342	58,537,106

Condensed Consolidated Statement of Financial Position

At 30th June 2011

	Notes	30th June 2011 HK$'000 (unaudited)	31st December 2010 HK$'000 (audited)
Current Liabilities			
Trade and other payables	15	7,673,778	7,388,742
Customer deposits from sales of properties	16	9,615,020	9,831,780
Convertible notes		–	2,607
Derivative financial instrument – warrants	17	7,854	16,600
Taxation payable		2,895,238	2,296,945
Bank and other borrowings	18	7,770,011	9,516,906
		27,961,901	29,053,580
Liabilities associated with assets classified as held for sale	21	3,199	1,033,800
		27,965,100	30,087,380
Net Current Assets		32,182,242	28,449,726
Total Assets less Current Liabilities		69,033,057	57,743,396
Capital and Reserves			
Share capital		107,979	107,979
Share premium and reserves		32,452,387	29,652,019
Equity attributable to owners of the Company		32,560,366	29,759,998
Non-controlling interests		12,130,449	11,622,046
Total Equity		44,690,815	41,382,044
Non-Current Liabilities			
Provision for major overhauls		79,921	74,579
Senior notes	17	3,061,066	3,071,744
Bank and other borrowings	18	17,536,327	9,597,238
Deferred tax liabilities		3,664,928	3,617,791
		24,342,242	16,361,352
Total Equity and Non-Current Liabilities		69,033,057	57,743,396

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June 2011

	Attributable to owners of the Company													Attributable to non-controlling interests				
	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$'000 (note iii)	Hedging reserve HK$'000	Investment revaluation reserve HK$'000	Translation reserve HK$'000	PRC statutory reserves HK$'000 (note iv)	Retained profits HK$'000	Sub-total HK$'000	Convertible notes equity reserve of a listed subsidiary HK$'000	Share options reserve of listed subsidiaries HK$'000	Share of net assets of subsidiaries HK$'000	Sub-total HK$'000	Total HK$'000
At 1st January 2010 (audited)	107,977	13,344,886	4,091	1,071	13,668	2,944	(1,536,780)	(15,013)	(36,528)	1,802,704	477,084	10,735,146	24,901,250	-	-	9,196,106	9,196,106	34,097,356
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	4,437,230	4,437,230	-	-	258,401	258,401	4,695,631
Exchange differences arising from translation of foreign operations of subsidiaries	-	-	-	-	-	-	-	-	-	2,668	-	-	2,668	-	-	-	-	2,668
Fair value adjustment on available-for-sale investments	-	-	-	-	-	-	-	-	(98,458)	-	-	-	(98,458)	-	-	-	-	(98,458)
Impairment loss on available-for-sale investments	-	-	-	-	-	-	-	-	194,524	-	-	-	194,524	-	-	-	-	194,524
Gain on cash flow hedges	-	-	-	-	-	-	-	580	-	-	-	-	580	-	-	-	-	580
Reclassified on disposal of the disposal group held for sale	-	-	-	-	-	-	-	-	(80,212)	(264,442)	-	-	(344,654)	-	-	-	-	(344,654)
Total comprehensive income (expense) for the period	-	-	-	-	-	-	-	580	15,854	(261,774)	-	4,437,230	4,191,890	-	-	258,401	258,401	4,450,291
Transfers	-	-	-	-	-	-	-	-	-	-	48,447	(48,447)	-	-	-	-	-	-
Capital contributions by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	60,649	60,649	60,649
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(100,512)	(100,512)	(100,512)
Acquisition of subsidiaries under common control	-	-	-	-	-	-	(156,988)	-	-	-	-	-	(156,988)	-	-	-	-	(156,988)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	2,580	227,080	4,388,075	4,617,735	4,617,735
Acquisition of additional interest in a subsidiary	-	-	-	-	-	262	-	-	-	-	-	-	262	-	-	(26,178)	(26,178)	(25,916)
Disposal of the disposal group held for sale	-	-	(4,091)	-	-	-	14,255	-	-	-	(157,302)	156,616	9,478	-	-	(2,995,913)	(2,995,913)	(2,986,435)
Dividends paid (note 7)	-	-	-	-	-	-	-	-	-	-	-	(647,859)	(647,859)	-	-	-	-	(647,859)
At 30th June 2010 (unaudited)	107,977	13,344,886	-	1,071	13,668	3,206	(1,679,513)	(14,433)	(20,674)	1,540,930	368,229	14,632,686	28,298,033	2,580	227,080	10,780,628	11,010,288	39,308,321

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June 2011

	Attributable to owners of the Company													Attributable to non-controlling interests				
	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$'000 (note iii)	Hedging reserve HK$'000	Investment revaluation reserve HK$'000	Translation reserve HK$'000	PRC statutory reserves HK$'000 (note iv)	Retained profits HK$'000	Sub-total HK$'000	Convertible notes equity reserve of a listed subsidiary HK$'000	Share options reserve of listed subsidiaries HK$'000	Share of net assets of subsidiaries HK$'000	Sub-total HK$'000	Total HK$'000
At 1st January 2011 (audited)	107,979	13,345,715	44,341	1,071	13,668	3,206	(1,679,513)	(10,712)	89,957	2,439,348	373,671	15,031,267	29,759,998	20	63,743	11,558,283	11,622,046	41,382,044
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	3,022,668	3,022,668	-	-	133,792	133,792	3,156,460
Exchange differences arising from translation of foreign operations																		
– subsidiaries	-	-	-	-	-	-	-	-	-	490,775	-	-	490,775	-	-	245,349	245,349	736,124
– jointly controlled entities	-	-	-	-	-	-	-	-	-	23,024	-	-	23,024	-	-	-	-	23,024
– associates	-	-	-	-	-	-	-	-	-	10,917	-	-	10,917	-	-	-	-	10,917
Fair value adjustment on available-for-sale investments	-	-	-	-	-	-	-	-	(24,872)	-	-	-	(24,872)	-	-	-	-	(24,872)
Gain on cash flow hedges	-	-	-	-	-	-	-	2,458	-	-	-	-	2,458	-	-	-	-	2,458
Reclassification to profit or loss	-	-	-	-	-	-	-	8,254	-	-	-	-	8,254	-	-	-	-	8,254
Reclassified on disposal of interests in subsidiaries (note 20)	-	-	-	-	-	-	-	-	-	(112,606)	-	-	(112,606)	-	-	-	-	(112,606)
Reclassified on disposal of the disposal group held for sale (note 21)	-	-	-	-	-	-	-	-	-	(65,130)	-	-	(65,130)	-	-	-	-	(65,130)
Total comprehensive income (expense) for the period	-	-	-	-	-	-	-	10,712	(24,872)	346,980	-	3,022,668	3,355,488	-	-	379,141	379,141	3,734,629
Recognition of equity-settled share-based payments	-	-	34,282	-	-	-	-	-	-	-	-	-	34,282	-	12,852	-	12,852	47,134
Transfers	-	-	-	-	-	-	-	-	-	-	45,949	(45,949)	-	-	-	-	-	-
Capital contributions by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	339,790	339,790	339,790
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(332,985)	(332,985)	(332,985)
Acquisition of a subsidiary (note 19)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15,323	503,860	519,183	519,183
Acquisition of a jointly controlled entity from SIIC	-	-	-	-	-	(9,384)	-	-	-	-	-	-	(9,384)	-	-	-	-	(9,384)
Acquisition of additional interests in subsidiaries	-	-	-	-	-	3,634	-	-	-	359	-	-	3,993	-	-	(182,253)	(182,253)	(178,260)
Deemed disposal of interest in a subsidiary	-	-	-	-	-	1,988	-	-	-	-	-	-	1,988	-	-	-	-	1,988
Disposal of interests in subsidiaries (note 20)	-	-	-	-	38,167	-	-	-	-	-	-	-	38,167	-	-	(76,931)	(76,931)	(38,764)
Disposal of the disposal group held for sale (note 21)	-	-	-	-	2,100	-	-	-	-	-	-	-	2,100	-	-	(150,385)	(150,385)	(148,285)
Transfer to retained profits upon redemption of convertible notes of a listed subsidiary	-	-	-	-	-	-	-	-	-	-	-	9	9	(20)	-	11	(9)	-
Dividends paid (note 7)	-	-	-	-	-	-	-	-	-	-	-	(626,275)	(626,275)	-	-	-	-	(626,275)
At 30th June 2011 (unaudited)	107,979	13,345,715	78,623	1,071	53,935	(556)	(1,679,513)	-	65,085	2,786,687	419,620	17,381,720	32,560,366	-	91,918	12,038,531	12,130,449	44,690,815

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June 2011

Notes:

(i) Other revaluation reserve represents fair value adjustment on acquisition of subsidiaries relating to interests previously held by the Company and its subsidiaries (collectively referred to as the "Group") as associates/jointly controlled entities.

(ii) Other reserve as at 1st January 2010 represented the difference between the amount of cash consideration paid to the ultimate parent, Shanghai Industrial Investment (Holdings) Company Limited ("SIIC"), for the acquisition of 20% equity interest in上海星河數碼投資有限公司("Shanghai Galaxy"), and the net assets of this company.

During the six months ended 30th June 2011, the Group further acquired 30% equity interest in Shanghai Galaxy by making an additional capital contribution of RMB326,777,000 (equivalent to HK$393,423,000) to Shanghai Galaxy. Shanghai Galaxy is a jointly controlled entity of the Group upon completion of the capital contribution and the other 50% equity interest continues to be owned by SIIC. The difference between the contributed capital and the Group's additional share of interest in Shanghai Galaxy after the capital contribution of HK$9,384,000 was recognised as an equity transaction in other reserve. Shanghai Galaxy is an investment holding company holding various listed investments and the carrying amount of its net assets approximates the corresponding fair value.

The Group has also accounted for other changes in the Group's ownership interest in existing subsidiaries that do not result in the Group losing control over those subsidiaries as equity transactions and recognised any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received in other reserve.

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

(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.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30th June 2011

	Notes	Six months ended 30th June 2011 HK$'000 (unaudited)	2010 HK$'000 (unaudited)
Net cash used in operating activities		(3,129,844)	(2,462,686)
Net cash (used in) from investing activities:			
Deposits paid on acquisition of subsidiaries		(6,157,669)	–
Capital injection to an associate		(1,186,935)	–
Capital injection to a jointly controlled entity		(393,423)	–
Entrusted fund placed with a jointly controlled entity	14	(361,185)	–
Purchase of property, plant and equipment		(311,545)	(245,935)
Acquisition of subsidiaries	19	696,802	18,775
Disposal of other subsidiaries (net of cash and cash equivalents disposed of)	20	589,041	–
Disposal of the disposal group held for sale (net of cash and cash equivalents disposed of)	21	533,040	3,243,062
Disposal of subsidiaries holding property interests (net of cash and cash equivalents disposed of)	20	474,778	–
Decrease (increase) in bank deposits		464,560	(190,463)
Repayment from the vendor of a PRC investment project	14	436,424	620,173
Interest received		424,628	411,344
Proceeds from disposal of investment properties		113,637	–
Proceeds from disposal of interest in an associate		5,462	–
Acquisition of subsidiaries under common control		–	(1,595,350)
Other investing cash flows		1,075,995	(33,818)
		(3,596,390)	2,227,788
Net cash from financing activities:			
Bank and other borrowings raised		7,789,786	6,447,328
Capital contributions by non-controlling interests		339,790	60,649
Repayment of bank and other borrowings		(2,071,489)	(1,756,610)
Dividends paid		(626,275)	(647,859)
Interest paid		(340,686)	(222,862)
Dividends paid to non-controlling interests		(332,985)	(100,512)
(Repayment to) advance from Xuhui SAAC and its subsidiaries	15	(304,931)	64,931
Acquisition of additional interests in subsidiaries		(3,343)	(25,916)
Other financing cash flows		(2,604)	–
		4,447,263	3,819,149

Condensed Consolidated Statement of Cash Flows

For the six months ended 30th June 2011

	Six months ended 30th June	
	2011	2010
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Net (decrease) increase in cash and cash equivalents	(2,278,971)	3,584,251
Cash and cash equivalents at 1st January	12,144,179	11,412,868
Cash and cash equivalents at 30th June	9,865,208	14,997,119
Represented by:		
Bank balances and cash	9,862,869	14,997,119
Bank balances and cash classified as assets held for sale	2,339	–
	9,865,208	14,997,119

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June 2011

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June 2011 are the same as those followed in the preparation of the annual financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31st December 2010 except as described below.

In the current interim period, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations ("new or revised HKFRSs") issued by the HKICPA:

- "Improvements to HKFRSs" issued in 2010
- HKAS 24 (as revised in 2009) "Related Party Disclosures"
- Amendments to HKAS 32 "Classification of Rights Issues"
- Amendments to HK(IFRIC) – Int 14 "Prepayments of a Minimum Funding Requirement"
- HK(IFRIC) – Int 19 "Extinguishing Financial Liabilities with Equity Instruments"

HKAS 24 "Related Party Disclosures" (as revised in 2009)

The Group has applied HKAS 24 "Related Party Disclosures" (as revised in 2009) in full for the first time in the current period. The application of HKAS 24 (as revised in 2009) has resulted in changes in related party disclosures on the following two aspects:

(a) The Company is a government-related entity as defined in HKAS 24 (as revised in 2009). HKAS 24 (as revised in 2009) provides a partial exemption from the disclosure requirements for government-related entities whilst the previous version of HKAS 24 did not contain specific exemption for government-related entities. Under HKAS 24 (as revised in 2009), the Group has been exempted from making the disclosures required by paragraph 18 of HKAS 24 (as revised in 2009) in relation to related party transactions and outstanding balances (including commitments) with (a) the government that has control, joint control or significant influence over the Group and (b) other entities that are controlled, jointly controlled or significantly influenced by the same government. Rather, in respect of these transactions and balances, HKAS 24 (as revised in 2009) requires the Group to disclose (a) the nature and amount of each individually significant transaction, and (b) a qualitative or quantitative indication of the extent of transactions that are collectively, but not individually, significant.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

HKAS 24 "Related Party Disclosures" (as revised in 2009) (continued)

(b) In addition, HKAS 24 (as revised in 2009) has revised the definition of a related party but the application had no material impact to the Group.

HKAS 24 (as revised in 2009) requires retrospective application. The application of HKAS 24 (as revised in 2009) has had no effect on the amounts recognised or recorded in the condensed consolidated financial statements for the current and prior periods. The relevant disclosures are set out in note 24.

The application of the other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and disclosures set out in these condensed consolidated financial statements.

The Group has not early applied new or revised standards and amendments that have been issued but are not yet effective. The following new or revised standards and amendments have been issued after the date the consolidated financial statements for the year ended 31st December 2010 were authorised for issuance and are not yet effective:

HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[2]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]

[1] Effective for annual periods beginning on or after 1st January 2013
[2] Effective for annual periods beginning on or after 1st July 2012

The five new or revised standards on consolidation, joint arrangements and disclosures were issued by the HKICPA in June 2011 and are effective for annual periods beginning on or after 1st January 2013. Earlier application is permitted provided that all of these five new or revised standards are applied early at the same time. The directors of the Company anticipate that these new or revised standards will be applied in the Group's consolidated financial statements for financial year ending 31st December 2013.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements. Under HKFRS 10, there is only one basis for consolidation, that is control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios including cases where an inventor may control an investee with less than majority of the voting rights. The directors of the Company are still assessing the financial effect of the application of HKFRS 10 on the Group.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

HKFRS 11 replaces HKAS 31 "Interests in Joint Ventures". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, there are two types of joint arrangements: joint ventures and joint operations. The classification in HKFRS 11 is based on parties' rights and obligations under the arrangements. In contrast, under HKAS 31, there are three different types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting. The application of HKFRS 11 is not expected to have significant impact to the Group. The Group's jointly controlled entities that are currently accounted for using the equity method of accounting would be classified as joint ventures and accounted for in accordance with HKFRS 11.

Other than disclosed above, the directors of the Company anticipate that the application of the new or revised standards and amendment will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

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

Infrastructure facilities	–	investment in toll road projects and water-related business
Real estate	–	property development and investment and hotel operation
Consumer products	–	manufacture and sale of cigarettes, packaging materials and printed products

3. SEGMENT INFORMATION (continued)

The following is an analysis of the Group's revenue and results by operating segment for the period under review:

For the six months ended 30th June 2011

Continuing operations

	Infrastructure facilities HK$'000	Real estate HK$'000	Consumer products HK$'000	Consolidated HK$'000
SEGMENT REVENUE				
External sales	1,092,022	2,156,669	2,279,268	5,527,959
Segment profit	617,315	926,482	553,104	2,096,901
Net unallocated corporate income				16,534
Finance costs				(322,108)
Share of results of jointly controlled entities				30,567
Share of results of associates				20,551
Gain from bargain purchase of interests in subsidiaries				37,718
Gain on disposal of interests in subsidiaries holding property interests				1,261,588
Net gain on disposal of interests in other subsidiaries and an associate				949,791
Profit before taxation (continuing operations)				4,091,542

3. SEGMENT INFORMATION (continued)

For the six months ended 30th June 2010

Continuing operations

	Infrastructure facilities HK$'000	Real estate HK$'000	Consumer products HK$'000	Consolidated HK$'000
SEGMENT REVENUE				
External sales	762,191	3,614,801	2,287,377	6,664,369
Segment profit	443,899	1,066,607	539,323	2,049,829
Net unallocated corporate expense				(32,784)
Finance costs				(193,557)
Share of results of jointly controlled entities				109,903
Share of results of associates				12,309
Gain from bargain purchase of interests in subsidiaries				361,060
Impairment loss on available-for-sale investments				(284,224)
Profit before taxation (continuing operations)				2,022,536

Segment profit represents the profit earned by each segment without allocation of net corporate income (expense), finance costs, share of results of jointly controlled entities, share of results of associates, gain from bargain purchase of interests in subsidiaries, gain on disposal of interests in subsidiaries holding property interests, net gain on disposal of interests in other subsidiaries and an associate and impairment loss on available-for-sale investments. This is the measure reported to the board of directors of the Company for the purposes of resource allocation and performance assessment.

3. SEGMENT INFORMATION (continued)

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

	30th June 2011 HK$'000	31st December 2010 HK$'000
Infrastructure facilities	20,132,504	17,448,501
Real estate	59,313,878	52,844,178
Consumer products	4,708,671	4,050,364
Total segment assets	84,155,053	74,343,043
Other unallocated assets	12,843,104	13,487,733
Total assets	96,998,157	87,830,776

4. NET GAIN ON DISPOSAL OF INTERESTS IN OTHER SUBSIDIARIES AND AN ASSOCIATE

Continuing operations

The amount for the six months ended 30th June 2011 comprised net gain on disposal of interests in subsidiaries of approximately HK$765 million (see note 20), gain on disposal of interests in subsidiaries classified as the disposal group held for sale as at 31st December 2010 of approximately HK$183 million (see note 21) and gain on disposal of interest in an associate of approximately HK$2 million.

5. INCOME TAX EXPENSE

	Six months ended 30th June 2011 HK$'000	2010 HK$'000
Continuing operations		
Current tax		
– Hong Kong	77,798	66,005
– PRC Land appreciation tax ("PRC LAT")	188,417	276,910
– PRC Enterprise income tax ("PRC EIT") (including PRC withholding tax of HK$60,217,000 (six months ended 30th June 2010: HK$30,063,000))	783,998	252,853
	1,050,213	595,768
Underprovision in prior periods		
– Hong Kong	9	1,881
– PRC EIT	16,529	–
	16,538	1,881
Deferred taxation for the current period	(131,669)	(1,405)
	935,082	596,244

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

Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. For companies that were qualified under old law or regulations for incentive tax rate of 15%, the tax rate will progressively increase from 18% in year 2008 to 20%, 22%, 24% and 25% in years 2009, 2010, 2011 and 2012, respectively. For a subsidiary that was still entitled to certain exemption and reliefs ("Tax Benefit") from PRC EIT, the EIT Law allowed that subsidiary to continue to enjoy the Tax Benefit. The relevant tax rate in the year 2011 is 12% and will increase to 12.5% in the year 2012 and afterwards to 25%.

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

6. PROFIT FOR THE PERIOD

	Six months ended 30th June	
	2011	2010
	HK$'000	HK$'000
Continuing operations		
Profit for the period has been arrived at after charging (crediting) the following items:		
Amortisation of toll road operating rights (included in cost of sales)	251,963	211,590
Amortisation of other intangible assets:		
– included in cost of sales	15,431	–
– included in administrative expenses	833	594
Depreciation of property, plant and equipment	167,037	131,671
Release of prepaid lease payments	7,776	6,966
Change in fair value of investment properties (included in other income)	(489,536)	–
Dividend income from investments (included in net investment income)	(1,110)	(3,752)
Loss (gain) on disposal of property, plant and equipment	203	(8,230)
Interest income (included in net investment income)	(86,148)	(71,493)
Change in fair value of financial assets at fair value through profit or loss (included in net investment income)	(53,949)	(209,160)
Net foreign exchange (gain) loss	(168,959)	5,881
Compensation to customers as a result of late delivery of properties	102,412	–
Share of PRC EIT of jointly controlled entities (included in share of results of jointly controlled entities)	15,883	2,747
Share of PRC EIT of associates (included in share of results of associates)	1,259	259

7. DIVIDENDS

	Six months ended 30th June 2011 HK$'000	2010 HK$'000
2010 final dividend declared and paid of HK58 cents (six months ended 30th June 2010: 2009 final dividend paid of HK60 cents) per share	626,275	647,859

Subsequent to the end of the interim period, the directors have determined that an interim dividend of HK50 cents (2010 interim dividend: HK50 cents) per share will be paid to the shareholders of the Company whose names appear on the Company's register of members on 16th September 2011.

8. EARNINGS PER SHARE

From continuing and discontinued operations

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

	Six months ended 30th June 2011 HK$'000	2010 HK$'000
Earnings:		
Earnings for the purpose of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	3,022,668	4,437,230
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,079,785,000	1,079,765,000
Effect of dilutive potential ordinary shares	–	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,079,785,000	N/A

8. EARNINGS PER SHARE (continued)

From continuing and discontinued operations (continued)

The computation of diluted earnings per share for the current interim period does not assume:

i) the exercise of the Company's outstanding options because the exercise price of those options was higher than the average market price for the period;

ii) the conversion of convertible notes outstanding during the period and issued by Shanghai Industrial Urban Development Group Limited ("SI Urban Development"), a listed subsidiary of the Group, since they are anti-dilutive;

iii) the exercise of options/warrants issued by SI Urban Development because the options/warrants are anti-dilutive; and

iv) the exercise of options issued by AWT (as defined in note 19) since they are anti-dilutive.

Diluted earnings per share is not presented for the six months ended 30th June 2010 as there were no potential ordinary shares outstanding during that period.

From continuing operations

The calculation of basic and diluted earnings per share from continuing operations attributable to the owners of the Company is based on the following data:

	Six months ended 30th June	
	2011 HK$'000	2010 HK$'000
Earnings figures are calculated as follows:		
Profit for the period attributable to owners of the Company	3,022,668	4,437,230
Less: profit for the period from discontinued operations attributable to owners of the Company	–	(28,285)
gain on disposal from discontinued operations	–	(3,198,489)
Earnings for the purpose of basic and diluted earnings per share from continuing operations	3,022,668	1,210,456

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

8. EARNINGS PER SHARE (continued)

From discontinued operations

Basic earnings per share from discontinued operations for the six months ended 30th June 2010 was HK$2.99 per share, based on the profit for the period from the discontinued operations attributable to owners of the Company and gain on disposal from discontinued operations of HK$3,226,774,000 and the denominators detailed above for basic earnings per share.

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

During the period, the Group incurred costs for construction in progress of approximately HK$220 million (six months ended 30th June 2010: HK$62 million) and acquired other property, plant and equipment at an aggregate cost of approximately HK$129 million (six months ended 30th June 2010: HK$39 million) for the purpose of expanding the Group's businesses. In addition, the Group acquired property, plant and equipment with an aggregate carrying value of approximately HK$41 million during the period through acquisition of subsidiaries (see note 19).

Investment properties of the Group have been fair valued by Messrs. Debenham Tie Leung Limited, an independent firm of qualified professional valuers not connected with the Group, as at 30th June 2011. Messrs. Dehenham Tie Leung Limited is a member of the Institute of Valuers. The valuations were arrived at by reference to net rental income allowing for reversionary income potential and market evidence of transaction prices for similar properties in the same locations and conditions, where appropriate. The Group recognised an increase in fair value of investment properties of approximately HK$490 million in profit or loss for the period (six months ended 30th June 2010: Nil).

10. OTHER INTANGIBLE ASSETS

Other intangible assets as at 30th June 2011 and 31st December 2010 mainly comprised operating concessions representing the rights to operate sewage and water treatment plants in the PRC. During the current period, the Group acquired other intangible assets of HK$585,259,000 through acquisition of subsidiaries (see note 19).

11. SIGNIFICANT MOVEMENTS IN INTERESTS IN JOINTLY CONTROLLED ENTITIES AND INTERESTS IN ASSOCIATES

During the current period, the Group contributed additional capital of RMB326,777,000 (equivalent to HK$393,423,000) to Shanghai Galaxy, transforming Shanghai Galaxy from a 20% owned associate to a 50% owned jointly controlled entity, and acquired AWT as a subsidiary of the Group, previously a jointly controlled entity. These two transactions are detailed in note (ii) to the condensed consolidated statement of changes in equity and note 19, respectively.

In addition, the Group and certain independent third parties established a new company in the PRC in December 2010. This company is an associate owned by the Group as to 35% and is engaged in property development and sales. An amount of approximately RMB998 million (equivalent to approximately HK$1,187 million) was contributed by the Group as capital during the period.

12. INVESTMENTS

During the current period, the Group reclassified certain financial assets designated as at fair value through profit or loss of HK$2,487,359,000 from non-current assets to current assets according to their remaining time to maturity.

13. INVENTORIES

Inventories as at 30th June 2011 and 31st December 2010 mainly represented properties under development held for sale. Included in the amount is HK$22,083,960,000 (31st December 2010: HK$24,917,029,000) which is not expected to be realised within one year.

14. TRADE AND OTHER RECEIVABLES

The Group generally allows credit periods ranging from 30 days to 180 days to its trade customers, other than property buyers. For property sales, due to the nature of business, the Group generally grants no credit period to property buyers.

The following is an analysis of trade receivables by age, presented based on the invoice date. The analysis below includes those classified as part of a disposal group held for sale, net of allowance for doubtful debts.

	30th June 2011 HK$'000	31st December 2010 HK$'000
Within 30 days	191,210	365,394
Within 31 – 60 days	141,007	163,755
Within 61 – 90 days	72,062	65,603
Within 91 – 180 days	37,877	30,649
Within 181 – 365 days	38,248	14,006
Over 365 days	40,947	9,214
	521,351	648,621

Other receivables as at 30th June 2011 represented (i) consideration receivable of HK$320,285,000 on disposal of subsidiaries (see note 20) (31st December 2010: Nil), (ii) an amount due from entities controlled by Xuhui District State Owned Asset Administrative Committee ("Xuhui SAAC") of HK$124,284,000 (31st December 2010: HK$114,579,000), which is unsecured, non-interest bearing and repayable on demand, (iii) an entrusted fund with a guaranteed annual return rate of 8% placed with a jointly controlled entity of HK$361,185,000 (31st December 2010: Nil) and (iv) other taxes recoverable, various deposits, prepayments and temporary payments, dividend receivables, etc..

14. TRADE AND OTHER RECEIVABLES (continued)

As at 31st December 2010, other receivables also included an advance to the vendor of an investment project in the PRC of HK$436,424,000, which was secured by the equity interests of the vendor held in the investment and interest-bearing at a fixed rate of 8% per annum. The amount was fully settled in February 2011.

15. TRADE AND OTHER PAYABLES

The following is an analysis of trade payables by age, presented based on the invoice date. The analysis below includes those classified as part of a disposal group classified as held for sale.

	30th June 2011 HK$'000	31st December 2010 HK$'000
Within 30 days	609,399	586,698
Within 31 – 60 days	137,337	50,883
Within 61 – 90 days	65,726	14,773
Within 91 – 180 days	50,588	20,155
Within 181 – 365 days	20,087	11,878
Over 365 days	219,353	232,495
	1,102,490	916,882

Other payables as at 30th June 2011 represented (i) an amount due to Xuhui SAAC and entities controlled by Xuhui SAAC by Shanghai Urban Development (Holdings) Company Limited, a subsidiary of the Company, of HK$335,908,000 (31st December 2010: HK$640,839,000), which is unsecured, non-interest bearing and repayable on demand, (ii) an amount due to a fellow subsidiary of HK$1,362,940,000 (31st December 2010: HK$1,776,535,000), which is unsecured, interest bearing at 6.4% (31st December 2010: 5.31%) per annum and repayable in April 2012, and (iii) various accruals, other taxes payable, sundry creditors, etc..

16. CUSTOMER DEPOSITS FROM SALES OF PROPERTIES

Customer deposits from sales of properties represent proceeds received on property unit sales that have not been recognised as revenue in accordance with the Group's revenue recognition policy. An amount of HK$1,996,524,000 (31st December 2010: HK$3,540,370,000) is expected to be recognised as revenue after more than one year.

17. SENIOR NOTES/WARRANTS

The senior notes of the Group represented the outstanding senior notes issued by SI Urban Development. On 23th July 2007, SI Urban Development issued 4,000 units of senior notes at a par value of US$400,000,000 (equivalent to HK$3,120,000,000) ("Senior Notes 2014") and 264,000,000 warrants ("Warrants 2012"). The Senior Notes 2014 bear interest at 9.75% and will mature on 23rd July 2014. The Senior Notes 2014 are guaranteed by all of SI Urban Development's existing subsidiaries at the date of issue other than those established under the laws of the PRC.

The Senior Notes 2014 and Warrants 2012 are separated immediately upon their issuance and the Warrants 2012 are detachable from the Senior Notes 2014. The fair value of Warrants 2012 as at 30th June 2011 was HK$7,854,000 (31st December 2010: HK$16,600,000). Accordingly, a change in fair value of warrants of HK$8,746,000 (six months ended 30th June 2010: Nil) was credited to profit or loss for the period. The fair value of Warrants 2012 is calculated using option pricing models.

As at 30th June 2011, 66,000,000 (31st December 2010: 66,000,000) of Warrants 2012 were outstanding. Exercise in full of the outstanding Warrants 2012 would result in the issue of 66,000,000 (31st December 2010: 66,000,000) additional shares of SI Urban Development with an aggregate subscription value of HK$443,520,000 (31st December 2010: HK$443,520,000).

Other than the liability element and Warrants 2012, Senior Notes 2014 also contain certain redemption rights granted to SI Urban Development. The redemption rights are separately accounted for at fair values at the end of the reporting period as derivative financial instruments and their fair values were insignificant as at 31st December 2010 and 30th June 2011.

The effective interest rate of the liability element was 8.87%.

18. BANK AND OTHER BORROWINGS

During the current period, the Group obtained new borrowings in the amount of approximately HK$7,790 million (six months ended 30th June 2010: HK$6,447 million). In addition, the Group recognised new borrowings of approximately HK$708 million (six months ended 30th June 2010: HK$2,534 million) during the period through acquisition of subsidiaries (see note 19). The Group also repaid borrowings of approximately HK$2,071 million (six months ended 30th June 2010: HK$1,757 million) during the period.

Included in the other borrowings is a loan of approximately HK$1,204 million (31st December 2010: HK$1,180 million) advanced from a fellow subsidiary through an entrusted loan agreement administrated by a bank.

The borrowings carry interest at market rates and are repayable within one to fourteen years.

19. ACQUISITION OF SUBSIDIARIES

On 28th March 2011, the Group and the joint venture partner of Asia Water Technology Limited ("AWT"), a then 36.6% owned jointly controlled entity of the Group since February 2010, entered into certain agreements. Pursuant to the agreements, (i) the Group waived an amount due from a jointly controlled entity of approximately HK$411 million, which was used to finance the acquisition of equity interest in AWT from independent third parties in February 2010; and (ii) the Group's effective equity interest in AWT increased from 36.6% to 52.86%. AWT then became a non-wholly owned subsidiary of the Group.

AWT is a company incorporated in the Republic of Singapore and is listed on the Singapore Exchange Securities Trading Limited. The principal activities of AWT are sewage treatment and water supply in the PRC.

Assets and liabilities recognised at the date of acquisition, at fair value

	HK$'000
Property, plant and equipment	41,469
Prepaid lease payments	11,172
Other intangible assets (note)	585,259
Interests in associates	47,214
Receivables under service concession arrangements (note)	441,881
Deposit paid on acquisition of an associate	61,838
Restricted bank deposits	1,716
Deferred tax assets	970
Inventories	9,339
Trade and other receivables	300,005
Bank balances and cash	696,802
Assets classified as held for sale	13,693
Trade and other payables	(430,439)
Taxation payable	(6,376)
Bank and other borrowings	(708,395)
Liabilities associated with assets classified as held for sale	(3,203)
Deferred tax liabilities	(18,013)
	1,044,932

Note: These amounts are related to nine service concession arrangements to operate sewage and water treatment plans with certain governmental authorities in the PRC with remaining service concession periods of 11.5 to 46.5 years. The effective interest rate applied in the determination of the financial assets portion (i.e. receivables under service concession arrangements) ranges from 10% to 13%.

19. ACQUISITION OF SUBSIDIARIES (continued)

Non-controlling interests

The non-controlling interests of 47.14% in AWT recognised at the acquisition date was measured by reference to the non-controlling interests' proportionate share of the fair value of the net assets of AWT and amounted to HK$519,183,000.

Gain from bargain purchase

	HK$'000
Waiver of an amount due from a jointly controlled entity	411,030
Share of post-acquisition profits of AWT	77,001
	488,031
Plus: non-controlling interests	519,183
Less: recognised amount of identifiable net assets acquired	(1,044,932)
Gain from bargain purchase	(37,718)

During the period, the Group recognised a gain resulting from the acquisition of AWT of HK$37,718,000. The introduction of the Company as the new controlling shareholder of AWT is expected to strengthen its capital base, meet its working capital requirement and facilitate its future business development and expansion. In the opinion of the directors of the Company, the above are the key factors leading to the recognition of a gain from the acquisition.

Net cash inflow arising on acquisition

	HK$'000
Cash and cash equivalent balances acquired	696,802

Impact of acquisition on the results of the Group

Included in the profit for the interim period is HK$14,515,000 attributable to AWT. Revenue for the period includes HK$73,821,000 which is also attributable to AWT.

Had the acquisition of AWT been effected at 1st January 2011, the revenue of the Group from continuing operations for the six months ended 30th June 2011 would have been approximately HK$5,587 million, and the profit for the period from continuing operations would have been approximately HK$3,145 million. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at 1st January 2011, nor is intended to be a projection of future results.

19. ACQUISITION OF SUBSIDIARIES (continued)

Gain from bargain purchase for the six months ended 30th June 2010

The gain from bargain purchase of HK$361,060,000 for the six months ended 30th June 2010 arose from the acquisition of 45.02% equity interest in SI Urban Development in that period. Details are set out in the Group's annual financial statements for the year ended 31st December 2010.

20. DISPOSAL OF SUBSIDIARIES

During the six months ended 30th June 2011, the Group disposed of the following subsidiaries:

(a) In June 2011, the Group disposed of its 90% equity interest in S.I. Feng Tao Properties (BVI) Limited ("Feng Tao"), previously a wholly-owned subsidiary of the Group, and assigned 90% of shareholder's loan (i.e. HK$110,072,000) that was outstanding and owing at the completion date of the disposal by Feng Tao to the Group, at a consideration of approximately HK$1,226 million, out of which payment of an amount of approximately HK$665 million would be deferred, resulting in a gain of HK$1,261,588,000. Upon completion of this disposal, the Group retained the remaining 10% equity interest in Feng Tao as an available-for-sale investment. Feng Tao owns a development project located at Qingpu District in Shanghai, the PRC.

(b) In June 2011, the Group disposed of its 88.5% equity interest in Good Cheer Enterprises Limited ("Good Cheer"), previously a wholly-owned subsidiary of the Group, and assigned 88.5% of the shareholder's loan (i.e. HK$397,007,000) that was outstanding and owing at the completion date of the disposal by Good Cheer to the Group, at a consideration of approximately HK$1,164 million, out of which payment of an amount of approximately HK$342 million would be deferred, resulting in a gain of HK$803,683,000. Upon completion of this disposal, the Group retained the remaining 11.5% equity interest in Good Cheer as an available-for-sale investment. Good Cheer, through its subsidiaries, engages in the hotel business in the PRC.

(c) In March 2011, the Group disposed of its 100% equity interest in Shanghai Urban Development Group Hefei Real Estate Co., Ltd. ("Shanghai Hefei") at a consideration of approximately HK$311 million to an independent third party, resulting in a loss of HK$38,512,000. Shanghai Hefei is principally engaged in property development and sales in the PRC.

As set out in note 21, the Group also disposed of a disposal group classified as held for sale as at 31st December 2010 during the current period and details of this disposal are disclosed therein.

20. DISPOSAL OF SUBSIDIARIES (continued)

The net assets of these subsidiaries at the respective dates of disposal were as follows:

	Feng Tao HK$'000	Good Cheer HK$'000	Shanghai Hefei HK$'000	Total HK$'000
Net assets disposed of	3,559	112,439	349,078	465,076
Reclassification of reserves upon disposal to profit or loss	(4,305)	(70,134)	–	(74,439)
	(746)	42,305	349,078	390,637
Non-controlling interests	–	(76,931)	–	(76,931)
	(746)	(34,626)	349,078	313,706
Gain (loss) on disposal				
– subsidiaries holding property interests	1,261,588	–	–	1,261,588
– other subsidiaries	–	803,683	(38,512)	765,171
Total consideration	1,260,842	769,057	310,566	2,340,465
Satisfied and represented by:				
Cash	561,347	425,236	310,566	1,297,149
Deferred cash consideration (note)				
– non-current	563,236	–	–	563,236
– current (included in other receivables)	–	320,285	–	320,285
Available-for-sale investments	136,259	99,697	–	235,956
Provision for onerous contracts (included in other payables)	–	(76,161)	–	(76,161)
	1,260,842	769,057	310,566	2,340,465
Net cash inflow arising on disposal:				
Total cash consideration received	561,347	425,236	310,566	1,297,149
Bank balances and cash disposed of	(86,569)	(117,662)	(29,099)	(233,330)
	474,778	307,574	281,467	1,063,819

Note: The deferred cash consideration on disposal of Feng Tao and Good Cheer will be settled in cash by the buyer by December 2013 and June 2012, respectively. These amounts have been arrived at by discounting the deferred consideration using a discount rate of 6.65%.

21. DISPOSAL GROUP HELD FOR SALE

As at 31st December 2010

In October 2010, the Group resolved to dispose of its entire 78.13% equity interest in a subsidiary, namely 河北永新紙業有限公司(Hebei Yongxin Paper Co., Ltd.) ("Hebei Yongxin"). Hebei Yongxin is a sino-foreign equity joint venture enterprise established in the PRC and is engaged in the containerboard business. In January 2011, the Group entered into an agreement with certain independent third parties (the "Counterparties") pursuant to which the Group would dispose of the said interest for an aggregate consideration of approximately RMB564 million (equivalent to approximately HK$671 million) while the Counterparties and their connected persons have the obligation to procure Hebei Yongxin to repay the shareholders' loan of approximately RMB466 million due to the Group in full within 10 business days from the date of completion of this disposal. The assets and liabilities attributable to Hebei Yongxin were classified as a disposal group held for sale as at 31st December 2010 and were presented separately in the consolidated statement of financial position as at 31st December 2010. The disposal was completed on 31st May 2011, on which date the Group lost control of Hebei Yongxin.

The major classes of assets and liabilities of Hebei Yongxin as at 31st December 2010, which were presented separately in the consolidated statement of financial position, are as follows:

	HK$'000
Property, plant and equipment	1,402,770
Prepaid lease payments	36,696
Other intangible assets	6,779
Goodwill	13,723
Inventories	185,150
Trade and other receivables	493,643
Bank balances and cash	52,046
Total assets classified as held for sale	2,190,807
Trade and other payables	324,240
Taxation payable	1,846
Bank and other borrowings	707,714
Total liabilities associated with assets classified as held for sale	1,033,800

21. DISPOSAL GROUP HELD FOR SALE (continued)

As at 31st December 2010 (continued)

The net assets of Hebei Yongxin at the date of disposal were as follows:

	HK$'000
Net assets disposed of (excluding goodwill)	687,780
Attributable goodwill	13,723
Reclassification of reserves upon disposal to profit or loss	(63,030)
	638,473
Non-controlling interests	(150,385)
	488,088
Gain on disposal	182,769
Total consideration, satisfied by cash	670,857
Net cash inflow arising on disposal:	
Total cash consideration received	670,857
Bank balances and cash disposed of	(137,817)
	533,040

22. CAPITAL COMMITMENTS

	30th June 2011 HK$'000	31st December 2010 HK$'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of		
– additions in properties under development	5,216,198	9,158,607
– investments in PRC subsidiaries	239,317	7,501,855
– acquisition of property, plant and equipment	91,017	139,587
– investment in an overseas project	15,516	131,860
– investment in a PRC associate	–	1,176,575
– additions in construction in progress	–	118,466
	5,562,048	18,226,950

23. CONTINGENT LIABILITIES

As at 30th June 2011, the guarantees given to banks by the Group in respect of banking facilities utilised by an entity controlled by Xuhui SAAC and property buyers amounted to approximately HK$501 million and HK$3,182 million (31st December 2010: HK$550 million and HK$3,264 million), respectively.

24. RELATED PARTY TRANSACTIONS

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government. In addition, the Group itself is part of a larger group of companies under Shanghai Industrial Investment (Holdings) Company Limited ("SIIC"), its ultimate holding company, which is controlled by the PRC government. Other than the transactions disclosed below, the Group also conducts business with other government-related entities in the ordinary course of business. In the opinion of the directors, these transactions are considered as individually and collectively insignificant to the operation of the Group.

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

Related party	Nature of transactions	Six months ended 30th June 2011 HK$'000	2010 HK$'000
Ultimate holding company	Rentals paid on premises	4,320	4,320
Fellow subsidiaries	Rentals paid on premises	14,040	13,918
	Trust subscription	300,987	–
A jointly controlled entity	Investment income received	25,504	–
	Capital injection to Shanghai Galaxy	393,423	–
Associates	Investment income received	–	11,813
	Printing service income received	–	3,560

24. RELATED PARTY TRANSACTIONS (continued)

(ii) Compensation of key management personnel

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

	Six months ended 30th June	
	2011	2010
	HK$'000	HK$'000
Directors' fee and committee remuneration	647	647
Basic salaries and allowance	8,755	6,941
Bonuses	4,679	4,500
Equity-settled share-based payment expense	18,399	–
Retirement benefits scheme contributions	218	280
	32,698	12,368

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

(iii) Deposits paid on acquisition of subsidiaries

On 16th August 2010, SIIC Shanghai (Holdings) Co., Ltd. ("SIIC Shanghai"), a wholly owned subsidiary of SIIC, the Company and S. I. Properties Development Limited ("S. I. Properties Development"), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement (the "Equity Transfer Agreement"). Pursuant to the Equity Transfer Agreement, it was conditionally agreed that the Company shall through S. I. Properties Development acquire 689,566,049 A Shares ("Subject Shares") of Shanghai Industrial Development Co., Ltd. ("SIDC", a joint stock limited liability company established under the laws of the PRC, whose A Shares are listed on the Shanghai Stock Exchange), representing approximately 63.65% of the issued share capital of SIDC, from SIIC Shanghai for an aggregate consideration of RMB5,130,371,000 (the "SIDC Transaction"), which was subject to the final determination of the State-owned Assets Administration Department, on and subject to the terms and conditions of the Equity Transfer Agreement. As a strategic foreign investor, S. I. Properties Development is subject to the relevant provisions promulgated by the Ministry of Commerce and is required to undertake not to dispose of the Subject Shares for a period of 3 years from the completion date. The consideration was funded by internal resources and/or bank financing.

24. RELATED PARTY TRANSACTIONS (continued)

(iii) Deposits paid on acquisition of subsidiaries (continued)

SIIC is authorised to operate SIIC Shanghai, a state-owned enterprise, and SIIC exercises the authority as the state-owned shareholder of SIIC Shanghai. As such, SIIC Shanghai is a connected person of the Company under the Listing Rules and the SIDC Transaction constitutes a connected transaction for the Company and is subject to the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Details of the transaction are set out in an announcement and a circular of the Company dated 16th August 2010 and 1st September 2010, respectively.

On 30th January 2011, the Company received the approval from the China Securities Regulatory Commission ("CSRC") pursuant to which the CSRC has granted the waiver in respect of the obligation of the Company and parties acting in concert with the Company to make a general offer for all the shares in SIDC as a result of the acquisition of the Subject Shares by the Company through its wholly-owned subsidiary, S. I. Properties Development. Pursuant to the Equity Transfer Agreement, the parties to the Equity Transfer Agreement shall take the necessary steps to implement the remaining procedures required in connection with the SIDC Transaction.

At the end of the reporting period, deposits of HK$6,157,669,000 were paid to SIIC Shanghai in respect of the SIDC Transaction and separately presented on the condensed consolidated statement of financial position.

25. EVENTS AFTER THE END OF THE INTERIM PERIOD

The following significant events took place after the end of the interim period:

(a) On 29th July 2011, the Company, S.I. Properties Holdings Limited ("S.I. Properties"), a wholly owned subsidiary of the Group, and a party (the "Purchaser") entered into a sale and purchase agreement, pursuant to which S.I. Properties agreed to sell its 100% equity interest in Better Score Limited ("Better Score") which, through its subsidiaries, holds a financial asset designated as at fair value through profit or loss, at a consideration of RMB2,000 million (equivalent to approximately HK$2,408 million). The completion of the transaction is subject to the availability of sufficient financing to the Purchaser, and the completion shall take place on the third business day after the date on which the Purchaser notifies S.I. Properties in writing that sufficient financing has been obtained.

The Purchaser is controlled by or beneficially owned by a director of 上海鵬暉置業有限公司 (Shanghai Penghui Real Estate Co., Ltd.), a wholly-owned subsidiary of Better Score. Under the Listing Rules, the Purchaser is connected person of the Company and the above disposal constitutes a connected transaction of the Company under the Listing Rules. Details of this transaction are set out in an announcement of the Company dated 29th July 2011.

Up to the date of approval of these condensed consolidated financial statements, notification has not been received from the Purchaser and the disposal is not yet completed.

(b) In July 2011, the SIDC Transaction as detailed in note 24(iii) was completed and the Group commenced to account for SIDC as its subsidiary using the principles of merger accounting as SIDC and the Group are under the common control of SIIC.

Other Information

Directors' Interests in Shares, Underlying Shares and Debentures

As at 30 June 2011, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register 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

Name of Director	Capacity	Nature of interests	Number of issued ordinary shares held	Number of outstanding shares options	Total	Approximate percentage of the issued share capital
Teng Yi Long	Beneficial owner	Personal	–	1,200,000	1,200,000	0.11%
Cai Yu Tian	Beneficial owner	Personal	722,000	1,000,000	1,722,000	0.16%
Lu Ming Fang	Beneficial owner	Personal	586,000	750,000	1,336,000	0.12%
Zhou Jie	Beneficial owner	Personal	333,000	850,000	1,183,000	0.11%
Qian Shi Zheng	Beneficial owner	Personal	679,000	750,000	1,429,000	0.13%
Zhou Jun	Beneficial owner	Personal	195,000	750,000	945,000	0.09%
Qian Yi	Beneficial owner	Personal	–	750,000	750,000	0.07%
Lo Ka Shui	Beneficial owner	Personal	966,560	120,000	1,086,560	0.10%
Woo Chia-Wei	Beneficial owner	Personal	–	120,000	120,000	0.01%
Leung Pak To	Beneficial owner	Personal	–	120,000	120,000	0.01%

All interests stated above represented long positions.

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

SI Urban Development

Name of Director	Capacity	Nature of Interests	Number of outstanding shares options	Approximate percentage of the issued share capital
Cai Yu Tian	Beneficial owner	Personal	9,000,000	0.34%
Qian Shi Zheng	Beneficial owner	Personal	7,000,000	0.27%
Zhou Jun	Beneficial owner	Personal	7,000,000	0.27%

All interests stated above represented long positions.

Shanghai Pharmaceuticals

Name of Director	Class of shares	Capacity	Nature of interests	Number of issued shares held	Approximate percentage of respective class of issued share capital
Lu Ming Fang	A share	Beneficial owner	Personal	37,674	0.002%
Lo Ka Shui	H share	Founder of a discretionary trust	Other	3,300,000	0.45%

All interests stated above represented long positions.

Other Information

Save as disclosed above, none of the Directors nor chief executives 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 30 June 2011.

Share Options

(I) SIHL Scheme

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

			Number of shares issuable under the share options		
	Date of grant	Exercise price per share HK$	Outstanding at 1.1.2011	Cancelled during the period	Outstanding at 30.6.2011
Category 1: Director					
Teng Yi Long	2. 11. 2010	36.60	1,200,000	–	1,200,000
Cai Yu Tian	2. 11. 2010	36.60	1,000,000	–	1,000,000
Lu Ming Fang	2. 11. 2010	36.60	750,000	–	750,000
Zhou Jie	2. 11. 2010	36.60	850,000	–	850,000
Qian Shi Zheng	2. 11. 2010	36.60	750,000	–	750,000
Zhou Jun	2. 11. 2010	36.60	750,000	–	750,000
Qian Yi	2. 11. 2010	36.60	750,000	–	750,000
Lo Ka Shui	2. 11. 2010	36.60	120,000	–	120,000
Woo Chia-Wei	2. 11. 2010	36.60	120,000	–	120,000
Leung Pak To, Francis	2. 11. 2010	36.60	120,000	–	120,000
Total			6,410,000	–	6,410,000
Category 2: Employee					
	2. 11. 2010	36.60	13,220,000	(530,000)	12,690,000
Category 3: Others					
	2. 11. 2010	36.60	6,250,000	–	6,250,000
Total for all categories			**25,880,000**	**(530,000)**	**25,350,000**

Share options granted in November 2010 under the SIHL Scheme are exercisable during the period from 3 November 2010 to 2 November 2015 in three batches, being:

- 3 November 2010 to 2 November 2011 (up to 40% of the share options granted are exercisable)
- 3 November 2011 to 2 November 2012 (up to 70% of the share options granted are exercisable)
- 3 November 2012 to 2 November 2015 (all share options granted are exercisable)

(II) SI Urban Development Scheme

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

			Number of shares issuable under the share options		
	Date of grant	Exercise price per share HK$	Outstanding at 1.1.2011	Cancelled during the period	Outstanding at 30.6.2011
Category 1: Directors of SI Urban Development who are also Directors of the Company					
Cai Yu Tian	24.9.2010	2.98	9,000,000	–	9,000,000
Qian Shi Zheng	24.9.2010	2.98	7,000,000	–	7,000,000
Zhou Jun	24.9.2010	2.98	7,000,000	–	7,000,000
Total			23,000,000	–	23,000,000
Category 2: Other directors of SI Urban Development					
	24.9.2010	2.98	33,000,000	–	33,000,000
Category 3: Employees					
	24.9.2010	2.98	55,500,000	20,500,000	35,000,000
Total for all categories			**111,500,000**	**20,500,000**	**91,000,000**

Share options granted in September 2010 under the SI Urban Development Scheme are exercisable during the period from 24 September 2010 to 23 September 2020 in three batches, being:

- 24 September 2010 to 23 September 2011 (up to 40% of the share options granted are exercisable)
- 24 September 2011 to 23 September 2012 (up to 70% of the share options granted are exercisable)
- 24 September 2012 to 23 September 2020 (all share options granted are exercisable)

Other Information

Arrangements to Purchase Shares or Debentures of the Company

Save as disclosed under the section of Share Options above, at no time during the period was the Company or any of its holding companies or any of its subsidiaries or fellow subsidiaries, a party to any arrangements 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 30 June 2011, 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	Approximate percentage of total issued share capital
SIIC	Interests held by controlled corporations	Corporate	593,241,748 *(Notes1 & 2)*	54.94%

Notes:

1. SIIC through its subsidiaries, namely Shanghai Investment Holdings Ltd., SIIC Capital (B.V.I.) Ltd., SIIC Treasury (B.V.I.) Ltd., Shanghai Industrial Financial (Holdings) Co. Ltd., Billion More Investments Ltd., SIIC Trading Co. Ltd., SIIC CM Development Funds Ltd., South Pacific International Trading Ltd., The Tien Chu Ve Tsin (Hong Kong) Co. Ltd. and SIIC CM Development Ltd. held 466,644,371 shares, 80,000,000 shares, 28,585,377 shares, 13,685,000 shares, 1,300,000 shares, 1,261,000 shares, 706,000 shares, 650,000 shares, 300,000 shares and 10,000 shares of the Company respectively, and was accordingly deemed to be interested in the respective shares held by the aforementioned companies.

2. SIIC through its subsidiary, The Tien Chu Ve Tsin (Hong Kong) Co. Ltd. held 100,000 underlying shares of the Company.

3. All interests stated above represented long positions.

Save as disclosed above, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO as at 30 June 2011.

Other Information

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

Changes in Directors' information since the date of the annual report 2010 up to the date of this report are set out below:

- Mr. Cai Yu Tian resigned as director and the chairman of SIIC South Pacific Hotel on 30 June 2011.
- Mr. Zhou Jie resigned as non-executive director of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. on 27 May 2011.
- Dr. Lo Ka Shui resigned as board member of the Hong Kong Airport Authority on 31 May 2011.

Employees

During the six months ended 30 June 2011, the Company has disposed of its containboard business and certain interests in hotel operation. Accordingly, the number of employees of the Group has dropped from 7,540 at last year end to 5,963 as at the end of the period under review, while there have been no material changes to the remuneration policies and staff training programmes of the Group since last year.

Review of Report

The Audit Committee has reviewed the Company's interim report for the six months ended 30 June 2011.

Corporate Governance

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2011.

Model Code for Securities Transactions by Directors

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

Purchase, Sale or Redemption of Listed Securities

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

Glossary of Terms

Term used	Brief description
Asia Water	Asia Water Technology Ltd. (SGX stock code: 5GB)
Chow Tai Fook Group	Chow Tai Fook Enterprises Ltd. and its subsidiaries
Company	Shanghai Industrial Holdings Limited
General Water of China	General Water of China Co., Ltd.
Glorious Property	Glorious Property Holdings Ltd.
Group	the Company and its subsidiaries
Hebei Yongxin Paper	Hebei Yongxin Paper Co., Ltd.
Hu-Ning Expressway	Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd.
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange
Luqiao Development	Shanghai Luqiao Development Co., Ltd.
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules
Nanyang Tobacco	Nanyang Brothers Tobacco Co., Ltd.
Neo-China	Neo-China Land Group (Holdings) Ltd. (now SI Urban Development)
Net Business Profit	Net profit excluding net corporate expenses
SFC	Securities and Futures Commission
SFO	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
Shanghai Pharmaceuticals	Shanghai Pharmaceuticals Holding Co., Ltd. (SSE stock code: 601607)
Shanghai Shen-Yu	Shanghai Shen-Yu Development Co., Ltd.
Shanghai Urban Development	Shanghai Urban Development (Holdings) Co., Ltd.
SI Development	Shanghai Industrial Development Co., Ltd. (SSE stock code: 600748)
SI Infrastructure	S.I. Infrastructure Holdings Limited
SI Pharmaceutical	Shanghai Industrial Pharmaceutical Investment Co., Ltd.
SI Urban Development	Shanghai Industrial Urban Development Group Ltd. (HKSE stock code: 563)
SI Urban Development Scheme	A share option scheme adopted by SI Urban Development as approved by the shareholders at the extraordinary general meeting held on 12 December 2002
SIHL Scheme	A share option scheme adopted by the Company as approved by the Shareholders at the extraordinary general meeting held on 31 May 2002
SIIC	Shanghai Industrial Investment (Holdings) Co., Ltd.
SIIC South Pacific Hotel	Shanghai SIIC South Pacific Hotel Co., Ltd.
SGX	Singapore Stock Exchange
SSE	Shanghai Stock Exchange
Stock Exchange or HKSE	The Stock Exchange of Hong Kong Ltd.
United Runtong Water	United Runtong Water Co., Ltd.
Wing Fat Printing	The Wing Fat Printing Co., Ltd.