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

(Stock Code : 363)

ANNUAL 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

Nomination 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

Registered Office

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

Company Stock Code

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

Company Website

www.sihl.com.hk

Auditor

Deloitte Touche Tohmatsu

ADR Depository Bank

The Bank of New York Mellon
BNY Mellon Shareowner Services
P.O. Box 358516,
Pittsburgh, PA 15252-8516, USA

Telephone	:	(1) 201 680 6825
Toll free (USA)	:	(1) 888 BNY ADRS
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INFORMATION FOR SHAREHOLDERS

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

Investor Relations
Telephone : (852) 2821 3936
Facsimile : (852) 2866 2989

Share Registrar

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

Our Website

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

Dividend

Proposed 2011 final dividend of HK58 cents per share (2010: HK58 cents) will be paid to shareholders on or about Tuesday, 12 June 2012 subject to shareholders' approval.

Subject to approval by shareholders of the final dividend and together with the 2011 interim dividend of HK50 cents (2010: HK50 cents) per share paid during the year, total dividends for the year amounts to HK108 cents (2010: HK108 cents) per share.

Closure of Register of Members

For the purpose of determining shareholders' eligibility to attend and vote at the annual general meeting, the register of members of the Company will be closed from Wednesday, 23 May 2012 to Friday, 25 May 2012, both days inclusive, during which period no transfer of shares will be effected. As such, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar by 4:30 p.m. on Tuesday, 22 May 2012.

For the purpose of determining shareholders' entitlement to the final dividend, the register of members of the Company will be closed from Thursday, 31 May 2012 to Friday, 1 June 2012, both days inclusive, during which period no transfer of shares will be effected. As such, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar by 4:30 p.m. on Wednesday, 30 May 2012.

Financial Calendar

2011 interim results announced	30 August 2011
2011 final results announced	30 March 2012
Despatch of 2011 annual report	on or about 20 April 2012
2012 Annual General Meeting	25 May 2012
Ex-dividend date for 2011 final dividend	29 May 2012
Record date for 2011 final dividend	1 June 2012
Despatch of notice of 2011 final dividend	on or about 12 June 2012

CHAIRMAN'S STATEMENT

Remarkable efficiency from core businesses brings brilliant profit contribution to the Group

I am pleased to report to our shareholders our results for 2011.

During the year, the Group continued to focus on its core businesses against difficult market conditions and stringent government policies locally and abroad. By making further efforts to strengthen business management, improve operational efficiency and consolidate internal control, the Group achieved continued growth for its different business segments, including infrastructure facilities, real estate and consumer products. The Group has also laid a solid foundation for its long-term development through actively promoting the integration and upgrading of its businesses and assets, and creating a favorable investment and financing platform for its real estate and water assets.

Teng Yi Long
Chairman

For the year ended 31 December 2011, the Group realized profits attributable to shareholders of HK$4,088 million, representing an increase of 37.3% over last year, after excluding disposal gain and profit contributions from the disposal of the medicine business during 2010. Total revenue for the year was HK$14,969 million, representing an increase of 3.7%.

The Board of Directors has recommended a final dividend of HK58 cents per share for 2011. Together with the interim dividend of HK50 cents per share paid during the year, total dividends for the year amounted to HK108 cents per share.

The Group's three core businesses continued to maintain their momentum with steady growth achieved during the year. Among those, the toll roads segment generated a strong cash flow and the water services business achieved rapid growth. Infrastructure facilities recorded earnings of HK$939 million, representing an increase of 14.3% over last year.

Benefitting from the disposal of its equity interests in lot F of the Qingpu land in Shanghai and the Four Seasons Hotel Shanghai, the real estate business recorded a significant increase in earnings for the year of 31.5%. SI Urban Development has made considerable efforts to improve its debt-equity ratio and strengthen its internal management and operational capabilities following the acquisition of its interest by the Group in mid 2010. Apart from this, the company's loss for the year declined significantly following the injection into it of a 59% equity interest in Shanghai Urban Development.

The consumer products business continued to grow steadily of which Nanyang Tobacco recorded a net profit of HK$610 million, an increase of 15.0%; Wing Fat Printing recorded a disposal gain of HK$162 million through the disposal of a 78.13% equity interest in Hebei Yongxin Paper in May 2011 and reported a net profit for the year of HK$320 million, representing a significant increase of 106%.

Continued growth achieved for toll roads and rapid expansion recorded for water assets

During the year, the Group's three quality highway assets continued to deliver steady cash flows and maintain continued growth. Increases were recorded in both toll revenue and traffic flow, driven by an increase in the total number of private cars and the number of shopping venues and tourist attractions nearby. Meanwhile, the operation and management of the respective highways were improved and better road maintenance and monitoring were introduced to ensure smooth traffic flow and enhance operational efficiency. Capitalizing on such opportunities, the Group will continue to expand the scale of its investments in the toll roads business in order to strengthen the profitability of its core businesses.

The scale of the Group's water assets has also expanded rapidly. During the year, the entire equity interests in United Environment were injected into Asia Water by the Group pursuant to a strategic cooperation framework agreement entered into with China Energy. Under the agreement, Asia Water will become an investment and financing platform for the Group's water services segment. Through capital operation and acceleration of integration, the Group will further expand the assets of its water business and enhance its overall management capability and market competitiveness. The overall strength in production and operation of the Group's water business continued to improve with a total daily operating capacity of up to 7,189,000 tonnes as at the end of 2011.

Greater efforts to integrate real estate business bring significant growth to operating results

By selling a 90% equity interest in lots F and G of the Qingpu land in Shanghai and 77% equity interest in the Four Seasons Hotel Shanghai, the Group successfully brought in the Chow Tai Fook Group as a strategic partner. The transaction effectively revitalized its capital funds and increased project brand presence, in addition to generating considerable profits for the Group. Furthermore, the Group completed the acquisition from its parent company of a 63.65% equity interest in SI Development, and successfully injected a 59% equity interest in Shanghai Urban Development into SI Urban Development for a total consideration of HK$6,110 million, resulting in an increase in the Group's shareholding in SI Urban Development to approximately 70%. In December 2011, the Group further strengthened its cash flow conditions by making an early disposal of its entire equity interest in the Shanghai Bay project to Glorious Property at a cash consideration of RMB2 billion, resulting in an investment return and disposal gain for the year of an aggregate of HK$290 million. Since 2009, the entire project has been providing a favorable return of approximately 24.36% per year.

Asset integration and enhancement have helped the Group's respective real estate businesses to effectively strengthen their operating and development capabilities, create synergy, improve asset quality and optimize asset portfolio. This has also further laid the foundation for creating a unified platform for development, investment and financing of the real estate business as a whole. Currently, the Group has a planned total gross floor area of up to 24.68 million square meters located in Shanghai as well as 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. With superior quality and relatively low-cost land resources, together with its professional management and operations teams, the Group's real estate business has demonstrated great appreciation and profitability potential.

Record operational efficiency achieved as structure for consumer products business continues to optimize

In 2011, Nanyang Tobacco further optimized its brand structure and benefits have been seen gradually. During the year, careful plans have been made for the implementation of the "Double Happiness" project, where processing and production will be carried out in cooperation with a large PRC domestic tobacco company. In addition, continued efforts have been made to upgrade equipment and technology, strengthen research and development, reduce costs, increase quality production capacity and improve efficiency in an attempt to strive for stable earnings growth.

During the year, Wing Fat Printing maintained stable growth in production and operations. Following the disposal of its 78.13% equity interests in Hebei Yongxin Paper in May 2011, Wing Fat Printing totally withdrew from its containerboard business, which generated relatively low gross margins, and focused its resources on the development of the more profitable packaging printing business. Active steps were taken during the year to secure cigarette and wine packaging orders from external markets. Internal sales to Nanyang Tobacco also recorded sustained growth, resulting in a steady increase in overall profitability.

Prospects

Through restructuring and integration plans as well as revitalization of its assets, the Group has laid a solid foundation for its real estate business. Despite challenges ahead, such as mainland's real estate control policy and the volatility of the capital markets in Europe and the Unites States, the Group will continue to consolidate and upgrade its real estate business platforms, including SI Development and SI Urban Development. By creating synergy and capitalizing on its competitive strength, the Group is confident of being able to generate higher returns from its real estate business.

As for toll roads and water services, the Group will continue to pursue acquisitions and mergers to expand the scale of its investments, with the intention to grow and strengthen the two core businesses through capital operations and to obtain full brand benefits and economies of scale to conform with the Group's strategic positioning.

In the coming year, Nanyang Tobacco and Wing Fat Printing will continue to optimize its operation and product mix and increase production capacity. Equipment and technology will be further upgraded to improve production and operational efficiencies. All these efforts will help continue to contribute strong and stable earnings to the Group.

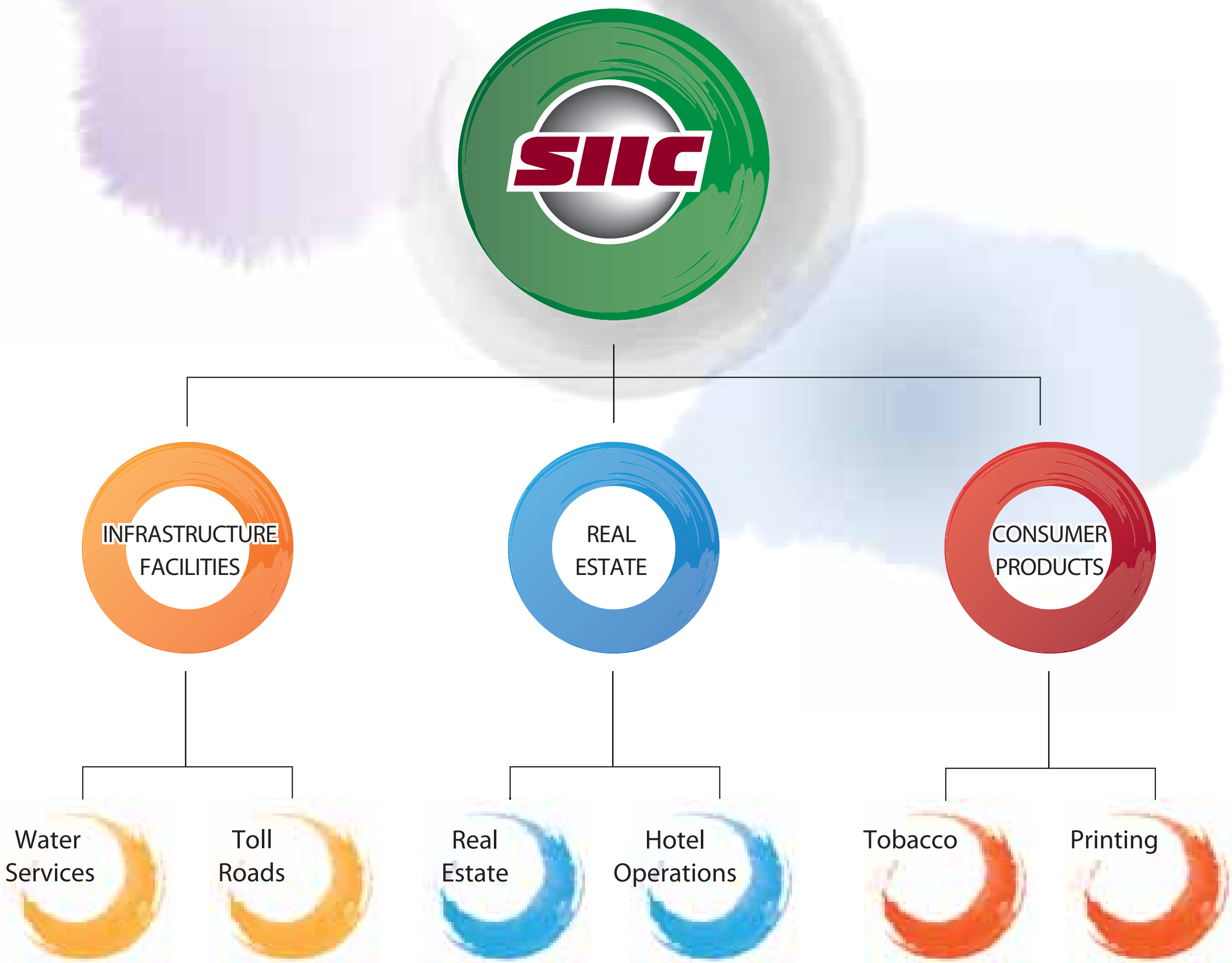
On behalf of the Board of Directors, I wish to thank our shareholders and business partners for their continued patronage and support to the Group, and extend my sincere gratitude to our management team and staff members for their dedication and contributions in the development of our business.

Teng Yi Long
Chairman

Hong Kong, 30 March 2012

GROUP BUSINESS STRUCTURE

As at 30 March 2012



GROUP BUSINESS STRUCTURE

INFRASTRUCTURE FACILITIES

Business	Interests held by the Group	Company name	Principal business
Toll roads	100%	Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd.	Operation of Jing-Hu Expressway (Shanghai Section)
	100%	Shanghai Luqiao Development Co., Ltd.	Operation of Hu-Kun Expressway (Shanghai Section)
	100%	Shanghai Shen-Yu Development Co., Ltd.	Operation of Hu-Yu Expressway (Shanghai Section)
Water services	47.50%	General Water of China Co., Ltd.	Water supply and sewage treatment
	54.62%	Asia Water Technology Ltd. (5GB SGX)	Water supply and sewage treatment

REAL ESTATE

Business	Interests held by the Group	Company name	Principal business
Real estate	69.95%	Shanghai Industrial Urban Development Group Ltd. (563 HKSE)	Property development and investment
	63.65%	Shanghai Industrial Development Co., Ltd. (600748 SSE)	Property development and investment
	100%	Shanghai Feng Mao Properties Ltd.	Property development and investment
	100%	Shanghai Feng Qi Properties Ltd.	Property development and investment
	100%	Shanghai Feng Shun Properties Ltd.	Property development and investment
	10%	Shanghai Feng Tao Properties Ltd.	Property development and investment
Hotel operations	10%	Shanghai SIIC South Pacific Hotel Co., Ltd.	Operation of the Four Seasons Hotel Shanghai

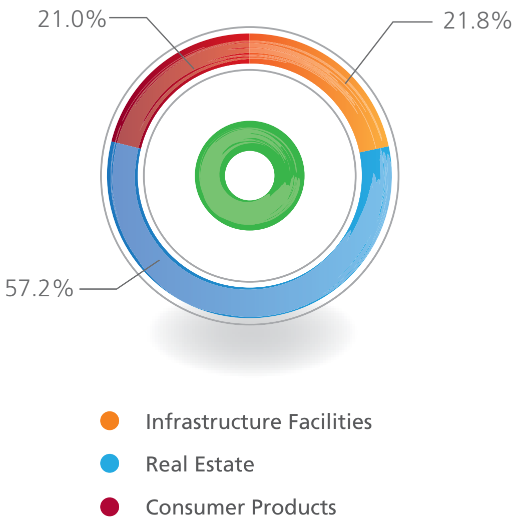
CONSUMER PRODUCTS

Business	Interests held by the Group	Company name	Principal business
Tobacco	100%	Nanyang Brothers Tobacco Co., Ltd.	Manufacture and sale of cigarettes
Printing	93.47%	The Wing Fat Printing Co., Ltd.	Manufacture and sale of packaging materials and printed products

BUSINESS REVIEW, DISCUSSION AND ANALYSIS

For the year ended 31 December 2011, the Group recorded profits attributable to shareholders of HK$4,088 million, representing an increase of 37.3%, after excluding disposal gain and profit contributions from the medicine business disposed of during 2010; revenue for the year stood at HK$14,969 million, up 3.7% over last year. During the year, our core businesses achieved steady growth and restructuring and integration plans progressed satisfactorily.

Profit contributions from the Group's core businesses



Infrastructure Facilities

During the year, profit contributions from the infrastructure facilities business amounted to HK$939 million, representing an increase of 14.3% and accounting for approximately 21.8% of the Group's Net Business Profit.

Toll Roads

Jing-Hu Expressway (Shanghai Section)

Hu-Ning Expressway recorded a net profit of HK$296 million for 2011, representing an increase of 3.4% over last year. Benefitting from steady increases in the total number of private cars in Shanghai, both toll revenue and traffic flow achieved growth, of which toll revenue for the year amounted to HK$577 million, representing an increase of 8.4%; traffic flow increased to 33.95 million vehicle journeys, representing an increase of 4.4%.

During the year, the company successfully passed the National Trunk Highway Maintenance and Management Inspection (National Inspection), and ensured smooth traffic operations during inclement weather conditions, holidays and crab seasons. In addition, countermeasures against traffic congestions at the Anting toll station continued to improve. Furthermore, all the 11 all-purpose lanes of the company have been converted into Electronic Toll Collection (ETC) lanes, bringing the total number of ETC lanes to 16 and considerably enhancing road capacity.

Hu-Kun Expressway (Shanghai Section)

Net profit of Luqiao Development for the year amounted to HK$332 million, representing a year-on-year increase of 25.4%. With enhanced traffic flow, Hu-Kun Expressway (Shanghai Section) continued with its growth momentum with toll revenue hitting a new record of HK$849 million this year, representing an increase of 15.3% over last year. The expressway's total revenue has accounted for approximately 16.4% of the total revenue from Shanghai road networks, and continued to be ranked first in the city. Traffic flow amounted to approximately 35.30 million vehicle journeys, an increase of 10.8%.

With an increase in the number of ETC users and additional ETC lanes operated at the gates of Songjiang and Xinqiao, revenue from ETC lanes increased steadily with better traffic flow, accounting for 10.30% of total toll revenues. The company successfully passed the National Inspection and was fully endorsed by the authority in the areas of overall road conditions, management standardization and toll station services, etc. Luqiao Development effectively reduced its finance expenses through the restructuring of its existing loans carried out in October 2011.

Hu-Yu Expressway (Shanghai Section)

Shanghai Shen-Yu recorded a net profit for the year of HK$149 million, up 27.7% over last year. Toll revenue and traffic flow from Hu-Yu Expressway (Shanghai Section) reached HK$455 million and 30.95 million vehicle journeys, representing an increase of 11.0% and 11.7% respectively, mainly driven by sustained growth in the total number of vehicles and the number of tourists travelling to and from scenic attractions along the expressway.

During the year, smooth traffic operations were successfully accomplished during severe weather conditions and national holidays and management standards improved significantly through the successful completion of the National Inspection. During the year, the company actively implemented ETC works for increasing road capacity with the addition of a second dedicated-ETC lane at Xujing Toll Station. Meanwhile, the company's 10 all-purpose lanes have all been converted into dedicated ETC lanes, thereby boosting efficiency and traffic flow for ETC cars. In May 2011, Shanghai Shen-Yu significantly reduced its finance costs through the restructuring of its existing loans.

Water Services

During the year, the Group entered into a strategic cooperation framework agreement with China Energy, a shareholder of General Water of China pursuant to which China Energy made a capital injection of approximately RMB103 million into General Water of China in July, resulting in an adjustment of the shareholdings between China Energy and the Group to 52.5% and 47.5% respectively. In August, China Energy acquired 21% equity interests in Asia Water from the Group for a consideration of HK$168 million. With the completion of these two transactions prior to the end of last year, the Group currently holds 54.62% equity interests in Asia Water.

Asia Water

In October 2011, the Group's entire equity interest in United Environment was injected into Asia Water. Pursuant to the transaction, Asia Water (i) acquired 60.4% equity interests in United Environment held by the Group for a total consideration of RMB483.20 million, which shall be satisfied by way of a cash payment of RMB217.44 million and issue of new shares; and (ii) acquired a 15.1% equity interest in United Environment held by another shareholder of the company for a consideration of RMB120.80 million, which shall be satisfied in full by way of issue of new shares. With the completion of the transaction in late December, Asia Water then held 75.5% equity interest in United Environment, and with the consolidation of United Environment's results into its accounts following the acquisition, Asia Water's results for the year improved further. A provisional negative goodwill and provisional fair value gain resulting in the acquisition of a project company were also recorded. For the year 2011, the company recorded a net profit of RMB110 million and a revenue of RMB519 million, representing a year-on-year increase of nearly four-fold and 84% respectively.

As the Group's water services business continued to grow, Asia Water will further expand the scale of its operations and strive for better performance. The company will also seek merger and acquisition opportunities for quality water assets, and take full advantage of its financing edge as a listing platform to support the company's future expansion. At the end of 2011, Asia Water owned 13 water supply plants, 18 sewage treatment plants, a total pipe network of 1,596 kilometers and a daily production capacity of 2,030,000 tonnes. In the first quarter of 2011, Asia Water completed a rights issue of 1,217,789,975 shares and raised a net proceed of approximately S$72 million. In July, Asia Water acquired a project company, which owns a 50% equity interest in a waste incineration power generation BOT project in Wenling City, China, for a total consideration of approximately RMB120 million. Pending payment of the third installment of the consideration, the transaction is expected to be completed during the first half of the year.

General Water of China

As at the end of 2011, General Water of China had total assets of RMB5,483 million, comprising 23 water supply facilities and 16 sewage treatment plants as well as two reservoirs with a gross storage tank volume of 18,232 cubic meters and a pipe network of 2,300 kilometers in total. Daily production capacity for the company reached 5,159,000 tonnes. Revenue for the year stood at HK$1,239 million, a year-on-year increase of 18.7%, reflecting increased revenues across main business operations; net profit for the year amounted to HK$56.87 million, a decline of 56.1%, mainly due to a reduction in government subsidies received by the Suifenhe Project in 2011.

Taking advantage of its brand and scale, General Water of China has been recognized as the "Top 10 Most Influential Enterprises in China's Water Industry" for nine consecutive years. With promising prospects for the development of domestic water services business driven by the acceleration of the urbanization process in mainland China, the company will step up its efforts to strengthen profit contribution, seek core business collaboration, make continued investments in scientific research and bring in additional funds through capital operation. During the year, General Water of China acquired the Xiangyang water supply project, representing its first operation and management rights for a water project in Hubei Province. The acquisition offered an additional water supply capacity of 1,000,000 tonnes per day for the company. Regarding industrial wastewater, the company won a tender for two landfill leachates treatment projects with a total contract sum of RMB18.13 million.

Details of the water development projects of the Group as at 31 December 2011 are as follows:

	Projects of Asia Water	Project type	Daily production capacity (tonnes)	Interests attributable to Asia Water	Project progress
1	Water supply project in Xinnong, Tianmen, Hubei	Water supply	Not applicable	70%	The project is in operation.
2	Sewage treatment project in the Wuhan City Economic Zone, Hubei	Sewage treatment	60,000	100%	The project is in operation.
3	Water supply project in Tianmen, Hubei	Water supply	150,000	100%	The project is in operation.
4	Sewage treatment project in Qianchuan, Wuhan, Hubei	Sewage treatment	30,000	100%	The project is in operation.
5	Sewage treatment project in Panlong, Wuhan, Hubei	Sewage treatment	22,500	100%	• Phase I project is in operation. • Construction of phase II project has yet to commence.
6	Sewage treatment project in Hanxi, Wuhan, Hubei	Sewage treatment	400,000	80%	• Phase I project is in operation. • Phase II project is under planning.
7	Sewage treatment project in Huangshi, Hubei	Sewage treatment	125,000	100%	The project is in operation.
8	Water supply project in Huangpi, Wuhan, Hubei	Water supply	150,000	100%	The project is in operation. Other facilities are yet to be set up.
9	Water supply project in Lvliang, Shanxi	Water Supply	55,000	100%	The project is in operation.
10	Water supply project in Bengbu, Anhui	Water supply	10,000	100%	The project is in operation.
11	Sewage treatment plant BOT project in Weifang City High Technology Industrial Development District, Shandong	Sewage treatment	50,000	75.5%	The project is in operation.
12	Sewage treatment plant TOT project in Dezhou, Shandong	Sewage treatment	100,000	75.5%	The project is in operation.
13	Sewage treatment plant TOT+BOT project in Yicheng District, Zaozhuang, Shandong	Sewage treatment	40,000	75.5%	• Phase I TOT project is in operation. • Construction of Phase II BOT project is expected to commence in 2012.
14	Sewage treatment plant BOT project in western Weifang, Shandong	Sewage treatment	40,000	75.5%	The project is in operation.
15	Water supply project in Weifang, Shandong	Water supply	320,000	51.3%	The project is in operation.
16	Water supply project in Hanting District, Weifang, Shandong	Water supply	60,000	26.2%	The project is in operation.
17	Sewage treatment plant franchise project in Shanting District, Zaozhuang, Shandong	Sewage treatment	20,000	75.5%	The project is officially in operation from 1 January 2012.
18	Sewage treatment plant TOT project in Weifang, Shandong	Sewage treatment	100,000	75.5%	The project is in operation.
19	Sewage treatment plant water recycling project in Weifang, Shandong	Water recycling	35,000	75.5%	The project is in operation.
20	Sewage treatment plant BOT project in Dalang, Dongguan, Guangdong	Sewage treatment	100,000	75.5%	The project is in operation.
21	Sewage treatment plant BOT project in Beiliu, Guangxi	Sewage treatment	40,000	75.5%	The project is in operation.
22	Sewage treatment plant BOT project in northern Yiyang, Hunan	Sewage treatment	40,000	75.5%	The project is in operation.
23	Sewage treatment plant BOT project in Taohuajiang, Taojiang, Hunan	Sewage treatment	20,000	75.5%	The project is in operation.
24	Sewage treatment plant BOT project in the new zone of eastern Gaoxin District, Yiyang, Hunan	Sewage treatment	30,000	75.5%	The project is expected to commence operation in the second half of 2012.
25	Sewage treatment plant BOT project in eastern Luohe City, Henan	Sewage treatment	20,000	75.5%	The project is in operation.
26	Sewage treatment project in Taizhou, Zhejiang	Sewage treatment	12,500	100%	• Phase I project is in operation. • Construction of Phase II & III projects are expected to commence in the next one to five years.
	Sub-total		2,030,000		

BUSINESS REVIEW, DISCUSSION AND ANALYSIS

	Projects of General Water of China	Project type	Daily production capacity (tonnes)	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	100%	The project is in operation.
2	Sewage treatment project in eastern Wenzhou, Zhejiang	Sewage treatment	100,000	100%	The project is in operation.
3	Sewage treatment project in central Wenzhou, Zhejiang	Sewage treatment	200,000	70%	The project is in operation.
4	Sewage treatment project in the new district of eastern Huzhou, Zhejiang	Sewage treatment	50,000	100%	The project is in operation.
5	Water supply project in Xiangtan, Hunan	Water supply	425,000	70%	The project is in operation.
6	Sewage treatment project in river east of Xiangtan, Hunan	Sewage treatment	100,000	100%	The project is in operation.
7	Water generation project in Xiamen, Fujian	Water generation	1,155,000	45%	The project is in operation.
8	Sewage treatment project in Xiamen, Fujian	Sewage treatment	834,000	55%	The project is in operation.
9	Water supply project in Bengbu, Anhui	Water supply	430,000	60%	The project is in operation.
10	Project on sewage treatment plant in Longhua, Shenzhen, Guangdong	Sewage treatment	150,000	90%	The project is in operation.
11	Water generation project in Xianyang, Shaanxi	Water generation	300,000	100%	The project is expected to commence operation in July 2012.
12	Project on Wuhua Mountain reservoir and water supply project in Suifenhe, Heilongjiang	Water supply	195,000	100%	• Phase I of the water supply project is in operation. • Construction of the Wuhua Mountain reservoir and the water supply project for the third water treatment plant are expected to be completed in 2013.
13	City sewage treatment project in Suifenhe, Heilongjiang	Sewage treatment	20,000	100%	The project is in operation.
14	Water supply project in Xiangyang, Hubei	Water supply	1,000,000	50%	The project company has completed business registration by end of 2011.
	Sub-total		5,159,000		
	Total		**7,189,000**		

Real Estate

In 2011, the real estate business recorded a profit of HK$2,463 million, up 31.5% over last year and accounting for approximately 57.2% of the Group's Net Business Profit. Revenue for the year also rose 8.0% to HK$8,583 million due to increases in property sales proceeds as recorded in the books of SI Development. During the year, the Group focused its efforts on integrating and upgrading the underlying assets of the business.

In February 2011, the Group entered into sale and purchase agreements with the Chow Tai Fook Group for the disposal to it of a 90% equity interest in lots F and G of the Qingpu land in Shanghai and 77% equity interest in the Four Seasons Hotel Shanghai for a final total consideration of RMB2,432 million and HK$1,164 million respectively. The transactions for the disposal of lot F and Four Seasons Hotel Shanghai were completed in late June last year resulting in a disposal gain for the year of approximately HK$1,842 million, effectively revitalizing our capital funds. The parties have pledged to enhance the project brand by jointly undertaking the development of the respective land lots and hotel operation. Lot G has now been injected into the Group and it is expected that the transaction for the disposal thereof will be completed during the first half of this year.

In April 2011, the Company announced the injection into SI Urban Development of its 59% equity interest held in Shanghai Urban Development together with an assignment of dividend receivable. The entire transaction was completed in mid-November 2011, boosting the Group's shareholding in SI Urban Development to approximately 70%. The transaction for the acquisition by the Group from its parent company of a 63.65% equity interest in SI Development was also completed in July last year. The transaction also raised its profits for the year as a result of the consolidation of SI Development's full-year results together with last year's comparative figures (as restated) into its accounts according to merger accounting. A unified real estate business operating platform with a significant size and overall competitiveness will be gradually formed through asset restructuring in the future.

Land Reserve

SI Urban Development's total land reserve across the country after consolidation has been greatly enhanced, following the successful acquisition by it of a 59% equity interest in Shanghai Urban Development. More high-quality medium-and high-end residential properties were added to its portfolio. As at 31 December 2011, SI Urban Development had a total of 25 development projects located in the key cities of mainland China including Beijing, Sanhe, Shenyang, Tianjin, Shanghai, Kunshan, Wuxi, Xi'an, Chengdu, Chongqing, Changsha, Shenzhen and Zhuhai with a planned total gross floor area exceeding 17 million square meters (including investment properties).

Currently, SI Development has a total of 20 real estate investment projects, most of which are located in Shanghai, Huzhou, Harbin, Qingdao, Quanzhou, Chongqing, Chengdu and Dali with a planned total gross floor area of approximately 6.45 million square meters (including investment properties) as at the end of December 2011. The successful acquisition of the equity interest of SI Development further expanded the land reserve of the Group.

In addition, the Group owns quality land resources in Qingpu District, Shanghai comprising, apart from the abovementioned lots F and G, lots A to E in the district which are currently owned directly by the Company or indirectly through SI Development. The land plots were all obtained at relatively low costs and are earmarked for the development of low density luxury residential blocks and villas that would offer great appreciation and profit potential. The Company is now actively implementing joint development plans for lots A to E with SI Development.

As at 31 December 2011, taking into account SI Urban Development's and SI Development's land reserves as well as lots A to F of the Qingpu land, the Group had a planned total gross floor area of 24.48 million square meters. This has been increased to 24.68 million square meters after the injection of lot G of the Qingpu land. A more solid foundation has now been laid for our real estate business through the business restructuring and asset revitalization last year. In the future, the Group will explore innovative development modes in response to industry conditions, implement further integration and enhance the benefits of business linkages.

Set our below is a summary of the main property developments of the Group as at 31 December 2011:

Major Development Properties

Projects of SI Urban Development	Type of property	Interest attributable to SI Urban Development	Approximate site area (square meters)	Planned total GFA (square meters)	Pre-sold GFA during the period (square meters)	Total GFA sold (square meters)	Date of completion
Urban Cradle (萬源城) Minhang District, Shanghai	Residential and commercial	53.1%	943,000 (of which 560,463 square meters are for residential areas at Lots B, C, D, E and F)	1,124,245 (included basement carpark and public facilities)	35,191	496,196	2007 to 2015, in phases
Jiujiu Youth City (九久青年城) Songjiang District, Shanghai	Residential and commercial	100%	57,944	212,126	2,407	121,375	2009 to 2012, in phases
Shanghai Jing City (上海晶城) Minhang District, Shanghai	Residential and commercial	59%	259,182	602,400	–	–	Under planning
Shanghai Jingjie (上海晶杰) Minhang District, Shanghai	Residential and commercial	59%	49,764	125,143	–	–	2010 to 2012, in phases
American Rock (後現代城) Chaoyang District, Beijing	Residential and commercial	100%	121,499	523,833	6,348	446,779	Completed
Youngman Point (青年匯) Chaoyang District, Beijing	Residential and commercial	100%	112,700	348,664	1,459	240,280	2007 to 2014, in phases
West Diaoyutai (西釣魚台嘉園) Haidian District, Beijing	Residential and serviced apartment	90%	42,541	250,930	405	160,874	2007 to 2014, in phases
Laochengxiang (老城廂) Nankai District,Tianjin	Residential, commercial, office and hotel	100%	244,252	752,883	3,404	517,023	2006 to 2013, in phases
Yoooou.net (游站) Huaqiao Town, Kunshan, Jiangsu	Residential, commercial and hotel	30.7%	34,223	129,498	13,292	13,292	2012 to 2013, in phases
Royal Villa (琨城帝景園) Northern District, Kunshan, Jiangsu	Residential	53.1%	205,017	267,350	6,160	92,766	2007 to 2014, in phases
Urban Development International Centre (上海中心城開國際) Binghu District, Wuxi, Jiangsu	Commercial and hotel	59%	24,041	193,368	1,361	1,361	2011 to 2013, in phases
Neo Water City (滻灞半島) Chan-Ba Ecological District, Xi'an, Shanxi	Residential, commercial and hotel	71.5%	2,101,675	4,012,093	57,077	1,521,815	2008 to 2017, in phases
Top City (城上城) Jiulongpo District, Chongqing	Residential, commercial, office and hotel	100%	120,014	785,225	24,827	275,177	2008 to 2014, in phases
Ivy Aroma Town (常青藤 • 緹香小鎮) Jiulongpo District, Chongqing	Residential and commercial	32.5%	289,812	194,697	2,278	39,237	2009 to 2014, in phases
Park Avenue (公園大道) Wenjiang District, Chengdu, Sichuan	Residential and commercial	100%	228,107	909,855	15,840	206,721	2011 to 2015, in phases
Tai Yuan Street (太原街) Heping District, Shenyang, Liaoning	Hotel, commercial and serviced apartment	80%	22,651	239,651	–	–	2012 to 2014, in phases
Toscana (托斯卡納) Yuhua District, Changsha, Hunan	Residential and commercial	32.5%	180,541	211,075	27,372	165,796	2006 to 2012, in phases
Forest Garden (森林海) Wangcheng District, Changsha, Hunan	Residential and commercial	67%	667,749	903,174	39,117	208,858	2007 to 2017, in phases
Phoenix Tower (鳳凰大廈) Futian District, Shenzhen, Guangdong	Office, commercial and apartment	91%	11,038	106,190	–	78,343	Completed
Sub-Total			5,715,750	11,892,400			

Projects of SI Development	Type of property	Interest attributable to SI Development	Approximate site area (square meters)	Planned total GFA (square meters)	Pre-sold GFA during the period (square meters)	Total GFA sold (square meters)	Date of completion
Longines Bay (盛世江南) Daoli District, Harbin, Heilongjiang	Residential	100%	42,110	234,069	70,800	160,338	Completed
Shanghai Zhiying (上海智穎) Daoli District, Harbin, Heilongjiang	Commercial and residential	100%	Not applicable	90,201	20,810	69,391	Completed
Rhine Town (萊茵小鎮) Xiqing District, Tianjin	Commercial and residential	50.66%	375,796	498,219	90,300	296,060	2012
Hi-Shanghai (上實 • 海上海) Laoshan District, Qingdao, Shandong	Residential and hotel	55%	43,164	143,008	–	67,837	2015
Tangdao Bay (唐島灣) Huangdao District, Qingdao, Shandong	Residential and hotel	50%	335,790	512,726	–	–	2014 to 2018, in phases
Belle Rive (海源別墅) Qingpu District, Shanghai	Villa	100%	315,073	45,646	14,300	11,963	2013
Shanghai Bay (上實 • 海上灣) Qingpu District, Shanghai	Residential	100%	820,196	534,328	2,300	38,037	2012 to 2015, in phases
Changhai Building (長海大廈) Putuo Distict, Shanghai	Commercial and office	51%	6,255	34,716	34,716	–	Completed
Jinxiu Mansion 錦繡尊邸 Jinshan District, Shanghai	Residential	52%	135,144	214,143	23,300	–	2013 to 2014, in phases
Lakeside Villa (東方國際別墅) Wuxing District, Huzhou, Zhejiang	Residential	100%	62,951	66,217	9,758	53,193	Completed
Hurun Commercial Plaza, Phase I (湖潤商務廣場(一期)) Hudong Sub-District, Huzhou, Zhejiang	Commercial	100%	13,661	27,322	–	–	2015
Sea Melody (洱海莊園) Northern New Zone, Xiaguan Town, Dali, Yunnan	Residential and commercial	75%	292,123	348,818	23,300	242,282	2013
Waterscape & Sky Garden (水天花園) Beibei District, Chongqing	Commercial and residential	50%	363,640	248,003	56,664	191,339	Completed
Sub-Total			2,805,903	2,997,416			
Total			**8,521,653**	**14,889,816**			

Major Future Development Properties

Projects of SI Urban Development	Type of property	Interest attributable to SI Urban Development	Approximate site area (square meters)	Planned total GFA (square meters)	Anticipated project commencement and completion date
Xujiahui Centre (徐家匯中心) Xuhui District, Shanghai	Commercial and hotel	35.4%	132,000 dividing into six parcels of land (35,343 square meters obtained)	629,000 (212,058 square meters obtained)	Under planning
U Center (城開中心) Minhang District, Shanghai	Commercial, hotel and office	69.3%	87,327	517,500	2014 to 2016, in phases
Xinzhuang metro superstructure project (莘庄地鐵上蓋項目) Minhang District, Shanghai	Commercial, hotel and office	20.7%	117,825	405,000	Under planning
Yanjiao (燕郊) Yanjiao Economic Technology Development Zone, Hebei	Residential, commercial and hotel	100%	333,333	666,600	2014 to 2016, in phases
Beichen (北辰) Yixingfu Old Village, Tianjin	Residential, commercial, apartment and hotel	40%	1,115,476	2,042,750	2012 to 2014, in phases
Qi Ao Island (淇澳島) Tang Jia Gaoxin District, Zhuhai, Guangdong	Tourist resort, commercial and high-end residential properties	100%	2,215,516	1,090,000	Under planning
Sub-total			4,001,477	5,350,850	

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Projects of SI Development	Type of property	Interest attributable to SI Development	Approximate site area (square meters)	Planned total GFA (square meters)	Anticipated project commencement and completion date
International Beer City (國際啤酒城) Shilaoren National Tourist Resort, Qingdao, Shandong	Composite	72%	227,675	777,980	2012 to 2017, in phases
SIIC Hujin Garden (上實湖峻花園) Wuxing District, Huzhou, Zhejiang	Residential	100%	85,562	97,881	2012 to 2014, in phases
SIIC Holiday Hotel (上實假日酒店) Wuxing District, Huzhou, Zhejiang	Commercial and hotel	100%	116,458	131,216	Under planning
Lots HD36, 37, 38 Hudong Sub-District, Huzhou, Zhejiang	Commercial	100%	112,356	89,885	Under planning
Lot BLD22-3/4 Hudong Sub-District, Huzhou, Zhejiang	Commercial	100%	117,785	94,228	Under planning
Lots CH03(251/211):2011-05 and CH04(251/211):2011-06 Chenghua District, Chengdu, Siuchuan	Residential	50.4%	61,506	254,989	2012 to 2015, in phases
Lots C-7, C-8-1, C-8-2, C-5, C-6-1, C-6-2, B-5 of Tantu Construction Project, East Sea, Quanzhou Fengze District, Quanzhou, Fujian	Commercial and residential	49%	381,795	1,751,355	2012 to 2018, in phases
Sub-total			1,103,137	3,197,534	

Projects of the Group	Type of property	Interest attributable to the Group	Approximate site area (square meters)	Planned total GFA (square meters)	Anticipated project commencement and completion date
Lot D, Zhujiajiao Town Qingpu District, Shanghai	Villa	100%	511,877	255,939	Under planning
Lot E, Zhujiajiao Town Qingpu District, Shanghai	Villa	100%	434,855	217,428	Under planning
Lot F, Zhujiajiao Town Qingpu District, Shanghai	Villa	10%	350,533	175,267	Under planning
Sub-total			1,297,265	648,634	
Total			**6,401,879**	**9,197,018**	

Major Investment Properties

Projects of SI Urban Development	Type of property	Interest attributable to SI Urban Development	Planned total GFA (square meters)
Laochengxiang (老城廂) Nankai District, Tianjin	Residential, commercial and office	100%	35,553 [Note]
Jiujiu Youth City (九久青年城) Songjiang District, Shanghai	Commercial	100%	16,349 [Note]
Top City (城上城) Jiulongpo District, Chongqing	Commercial	100%	158,583 [Note]
Phoenix Tower (鳳凰大廈) Futian District, Shenzhen, Guangdong	Office	91%	1,048 [Note]
Urban Development International Tower (城開國際大廈) Xuhui District, Shanghai	Office	59%	45,239
Huimin Commercial Tower (匯民商廈) Xuhui District, Shanghai	Commercial	59%	14,235
Others Shanghai	Commercial and office	59%	9,249
Sub-total			280,256

Projects of SI Development	Type of property	Interest attributable to SI Development	Planned total GFA (square meters)
Shanghai Industrial Investment Building (上海實業大廈) Xuhui District, Shanghai	Commercial and office	100%	10,089
		32.27%	49,452
Golden Bell Plaza (金鐘廣場) Huangpu District, Shanghai	Commercial and office	100%	12,270
		90%	51,063
Hi-Shanghai Commercial and Cultural Complex (海上海商業用房及文化設施) Yangpu District, Shanghai	Composite	100%	43,878
Shanghai United Wool Wearing Factory (上海聯合毛紡織廠) Pudong New District, Shanghai	Industrial building	100%	40,208
Gao Yang Commercial Centre (高陽商務中心) Hongkou District, Shanghai	Commercial and office	100%	22,187
Nan Kai Building (南開大廈) Huangpu District, Shanghai	Commercial and office	100%	22,534
Gao Yang Hotel (高陽賓館) Hongkou District, Shanghai	Hotel	100%	5,821
Sub-total			257,502
Total			**537,758**

Note: Such planned total GFAs are duplicate figures, which have been included in the Major Investment Properties table.

Property Development and Investment

The full-year results of Shanghai Urban Development have been consolidated into SI Urban Development's accounts for the year according to merger accounting, following the acquisition of a 59% interest in the company by it. The scale of operation of SI Urban Development will be increased gradually to achieve synergy and growth in future earnings base. During the year, SI Urban Development was awarded the "Top 10 of China Real Estate Expert Pioneer Brand Value", while Shanghai Urban Development was enlisted as one of "China's Top 100 Real Estates Developers". SI Urban Development's revenue for 2011 stood at HK$4,433 million, representing a decrease of 9.20%. After the consolidation, projects which delivered sold properties units during the year mainly included "Urban Cradle" in Shanghai, "Neo Water City" in Xi'an, "Laochengxiang" in Tianjin, "Park Avenue" in Chengdu, "Toscana" in Changsha, "Forest Garden" in Changsha, "Ivy Aroma Town" in Chongqing and "Youngman Point" in Beijing, accounting for a total gross floor area of 511,800 square meters. Rental income for the year amounted to HK$235 million, accounting for a total gross floor area of 280,300 square meters. Loss attributable to shareholders amounted to HK$478 million, representing a decrease in loss of HK$263 million over last year.

The sale of offices and serviced apartments for "Urban Development International Centre" in Wuxi, a project now under SI Urban Development, was officially launched in November 2011. Primely located in the Central Waterfront Lihu core area, a key development zone under the Business Plan of Wuxi in "12th Five-Year Plan", the project has a total gross floor area of about 200,000 square meters. During the year, a pioneering online approach was adopted for the sale of the "Yoooou.net" project and "Urban Cradle • Up County" project, generating successful results. In addition, the foundation stone laying ceremony for the "Xinzhuang Transport Hub", a project developed by Shanghai Urban Development in conjunction with other companies, was also held in the middle of last year. Being one of the four transport hubs to be constructed under the key construction projects of Shanghai in "12th Five-Year Plan", the project is 20.7% held by Shanghai Urban Development, and is expected to be completed over a period of eight years. SI Urban Development recorded a presale amount of HK$3,300 million for the year from projects including "Urban Cradle" in Shanghai, "Neo Water City" in Xi'an, "Toscana" in Changsha, "Top City" in Chongqing, "Yoooou.net" in Kunshan, "Forest Garden" in Changsha and "Park Avenue" in Chengdu, accounting for a total gross floor area of approximately 237,000 square meters.

SI Development performed satisfactorily during the year with steady improvement in sales and profitability. The company reported total revenue for the year of RMB3,582 million and a net profit of RMB455 million. Sold projects for the year included "Longines Bay" in Harbin, "Rhine Town" in Tianjin, Shanghai Zhiying properties, "Shanghai Bay" in Zhujiajiao, Shanghai, "Sea Melody" in Dali, "Waterscape & Sky Garden" in Chongqing and "Belle Rive" in Shanghai, etc., accounting for a total gross floor area as recorded in the books of the company of approximately

300,000 square meters. Presale amount for 2011 stood at RMB3,850 million, accounting for a total gross floor area of 346,200 square meters. Rental income for SI Development recorded for the year amounted to HK$152 million, coming from existing investment properties that included Shanghai Industrial Investment Building, Golden Bell Plaza and Gao Yang Commercial Centre, etc., accounting for a total gross floor area of approximately 257,500 square meters.

In September last year, two equity funds were successfully introduced by SI Development for its wholly-owned subsidiaries, which involved injection of capital totaling RMB1,300 million for the development of lot A4 of Jingshan City project and International Beer City project in Qingdao respectively. In May of the same year, SI Development won an auction for a plot of land located in Shengli Village, Chenghua District, Chengdu with a land area of approximately 61,506 square meters at a price of about RMB696 million. In December 2011, the Company announced the disposal by SI Development of its remaining 50% equity interests in Qingdao Ruiou for a consideration of approximately RMB1,183 million. The transaction is expected to help optimize the company's asset portfolio and cash flow.

Shanghai Bay, a project invested by the Group in 2009, made a profit contribution of HK$120 million during the year. In July last year, the Company announced that a new agreement was reached with Glorious Property to supersede the original repurchase agreement pursuant to which the Group may dispose of the entire equity interest in a project outside of China to Glorious Property at an equivalent consideration of RMB2 billion. The transaction was completed on 1 December last year. In addition, the Group shared the loss recorded before the completion of the disposal of equity interest in the Four Seasons Hotel Shanghai of HK$10.43 million during the year.

Consumer Products

During the year, profit contribution from the consumer products business increased 33.6% over last year to HK$907 million, accounting for approximately 21.0% of the Group's Net Business Profit.

Tobacco

Nanyang Tobacco recorded satisfactory results, achieving high growth as soon as the year began and maintaining the momentum throughout the year. As the company continued to reap the benefits from the further optimization of its brand structure, revenue for the year reached HK$2,473 million, representing a year-on-year increase of 12.6%; net profit amounted to HK$610 million, representing an increase of 15.0%. "Double Happiness" cigarettes achieved an increase in total sales volume of 5.3% for the year. A cooperative project was initiated during the year in conjunction with a large PRC domestic tobacco company for the processing of "Double Happiness" cigarettes. This venture further promotes technological advancement for Nanyang Tobacco.

A number of projects involving a total investment of some HK$550 million has been completed by the company. These included projects for expanded tobacco, tobacco production line reconstruction (phase I), as well as projects for increasing the production capacity for exquisite cans and deluxe packages. Following the reconstruction and completion of setting automated auxiliary equipment, exquisite can production reached an annual output of 100,000 units. Construction work for the Yuen Long storage project was completed and is now in use. In the year to come, Nanyang Tobacco will implement a solid long-term development strategy to focus its efforts on strengthening research and development, market expansion and technological transformation.

Printing

Wing Fat Printing maintained stable business growth during the year. Satisfactory progress was made in the expansion of its cigarette and wine packaging business through actively securing orders from external markets. Sales in metal can and packaging printing for Nanyang Tobacco also saw sustained growth. In 2011, Wing Fat Printing recorded a revenue of HK$1,768 million, representing a decline of 37.9%, mainly due to a decline in operating revenue that resulted from the disposal of its containerboard business. Net profit for the year saw a substantial increase of 106% over last year to reach HK$320 million.

In January 2011, the Company announced the disposal by Wing Fat Printing of its entire 78.13% equity interest in Hebei Yongxin Paper with a consideration of RMB564 million, thereby withdrawing completely from the containerboard business, in order to focus its resources on the development of the more profitable packaging printing business. The transaction was completed in May 2011 from which Wing Fat Printing obtained a disposal gain of HK$162 million. Looking ahead, the company will strive to secure orders for its packaging printing business from external markets in order to sustain stable business growth.

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Key Figures

	2011	2010 (restated)	Change %
Results			
Revenue (HK$'000)	**14,969,132**	14,435,231	3.7
Profit attributable to owners of the Company (HK$'000)			
– total	**4,088,468**	6,205,034	-34.1
– continuing operations	**4,088,468**	2,978,260	37.3
Earnings per share-basic (HK$)			
– total	**3.79**	5.75	-34.1
– continuing operations	**3.79**	2.76	37.3
Dividend per share (HK cents)	**108**	108	–
– interim (paid)	**50**	50	
– final (proposed)	**58**	58	
Dividend payout ratio	**28.5%**	18.8%	
Interest cover (note (a))	**7.6 times**	10.8 times	

	2011	2010 (restated)	Change %
Financial Position			
Total assets (HK$'000)	**115,814,617**	109,446,036	5.8
Equity attributable to owners of the Company (HK$'000)	**30,811,344**	25,559,484	20.5
Net assets per share (HK$)	**28.53**	23.67	20.5
Net debt ratio (note (b))	**61.14%**	65.92%	
Gearing ratio (note (c))	**44.29%**	46.91%	
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:

(1) The transactions in connection to the transfer of shareholdings in pharmaceutical companies to Shanghai Pharmaceuticals by the Company and the absorption and merger of Shanghai Industrial Pharmaceutical Investment Co., Ltd. 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.

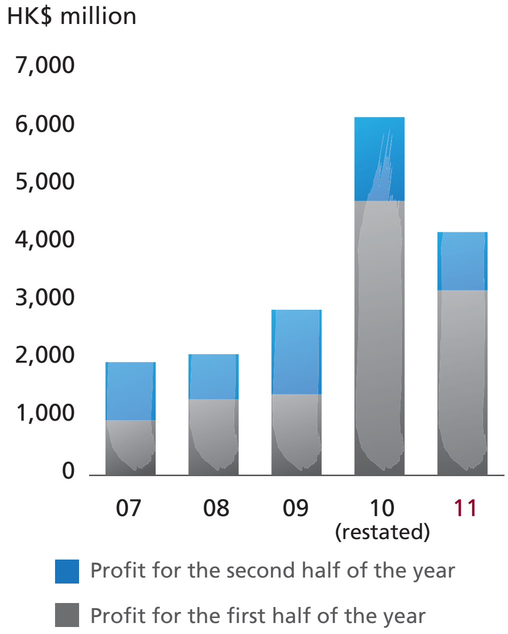
(2) The Company has adopted the Accounting Guideline 5 "Merger Accounting for Common Control Combinations" to account for its acquisitions of SI Development from SIIC. The comparative figures for 2010 contained in this Financial Review had been restated accordingly.

I Analysis of Financial Results

1 Profit attributable to owners of the Company

For the year ended 31 December 2011, the Group recorded a profit attributable to owners of the Company of HK$4,088.47 million, a decrease of HK$2,116.57 million or approximately 34.1% as compared to 2010.

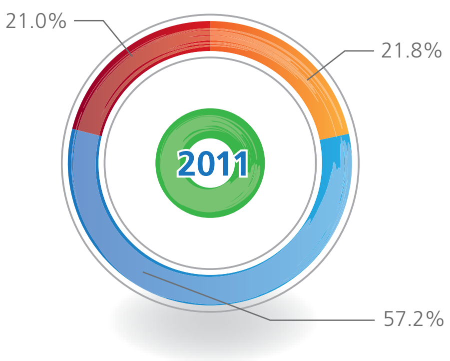
Excluded the net gains arising from disposal of the medicine business last year, profit attributable to owners of the Company for the year recorded an increase of HK$1,110.21 million or approximately 37.3% as compared to 2010. The three core businesses have recorded different extent of profit growth respectively.



2 Profit Contribution from Each Business

The profit contributed by each business in the Group for the year 2011 and the comparative figures last year was summarized as follows:

	2011 HK$'000	2010 HK$'000 (restated)	Change %
Continuing operations			
Infrastructure Facilities	**938,633**	821,017	14.3
Real Estate	**2,463,339**	1,873,005	31.5
Consumer Products	**906,646**	678,432	33.6
Discontinued operations			
Medicine	**–**	3,226,774	-100.0



Net profit from the infrastructure facilities business was approximately HK$938.63 million during the year, accounting for 21.8% of Net Business Profit and representing a year-on-year increase of 14.3%. The profit increase was mainly driven by the natural growth in traffic flow recorded by Hu-Kun Expressway (Shanghai Section) and Hu-Yu Expressway (Shanghai Section) as well as the profit contribution from last year's newly invested United Environment.

A number of restructuring was made in the water business during the year, including the effective increase of the Group's equity interest held in Asia Water in light of the termination of the agreement on General Water of China's repurchase of SI Infrastructure equity interest held in Asia Water, and the Group began to consolidate the results of Asia Water and a one-time gain from bargain purchase of approximately HK$37.72 million was recorded; Asia Water completed an additional acquisition of 37% equity interests in the sewage treatment project in Hanxi, Wuhan to 80% in November, and recorded bargain purchase and fair value gain of approximately HK$31.43 million; and the capital contribution of General Water of China by China Energy at premium price, which diluted the Company's interest in General Water of China to 47.5% and an equity interest dilution gain of approximately HK$17.86 million was recorded. The increase in profit was partially offset by a one-time gain from bargain purchase of Asia Water of approximately HK$76.00 million recorded in last year.

The real estate business recorded a profit of approximately HK$2,463.34 million, accounting for 57.2% of Net Business Profit and representing a significant increase of HK$590.33 million or 31.5% as compared to the same period last year. The increase was mainly due to a gain of HK$1,125.33 million on the disposal of 90% equity interest in Lot F of Qingpu land, a gain of HK$716.99 million on the disposal of 77% equity interest in Four Seasons Hotel Shanghai and a gain of HK$170.29 million on the disposal of the equity interest in Shanghai Bay project during the year. In addition, a revaluation gain on investment properties of approximately HK$214.59 million was also recorded. Although the attributable profit of SI Development for the year was included in accordance with merger accounting after the completion of its acquisition in July 2011, and such profit included a compensation for the preliminary work on Quanzhou project and a gain on equity interest dilution of Qingdao project of HK$305.45 million in total, while in last year, a reversal of impairment loss of HK$652.51 million for Quanzhou project and profit of HK$83.14 million for disposal of 上海海際房地產有限公司, were recorded, resulting in a year-on-year decrease of HK$308.75 million in the profit contribution from SI Development. The increase in profit of the real estate business was offset by a year-on-year decrease in profit contribution from Shanghai Urban Development due to the small amount of property sales booked coupled with a decrease in investment income contributed by the investment in Shanghai Bay project and the tax expense of approximately HK$103.18 million arising from the injection of 59% equity interest of Shanghai Urban Development to SI Urban Development.

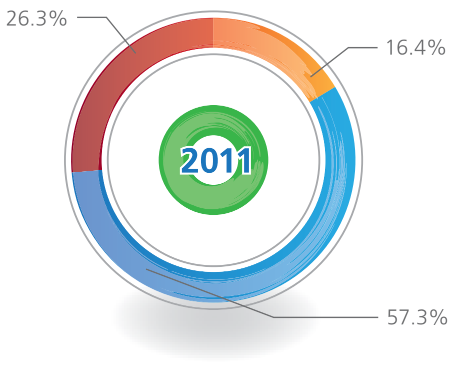
The consumer products business recorded a net profit of HK$906.65 million during the year, accounting for 21.0% of Net Business Profit. Net profit recorded an increase of HK$228.22 million, representing an increase of 33.6% year-on-year, mainly due to the fact that Nanyang Tobacco recorded a year-on-year increase of 5.3% in sales volume, an increase of 7.0% in average selling price per case, and an increase of 12.6% in net sales through continuous product mix and price adjustments during the period. While the cost of production has been increasing, the price increase in tobacco leaves and raw materials was partially offset by cost control measures and gross margin was maintained at the same level as last year of 45.5% which resulted in a significant year-on-year rise of HK$79.47 million in net profit. During the year, 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.

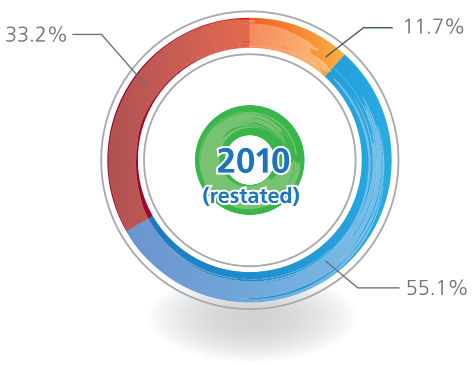
The disposal of the medicine business was completed in mid-February 2010. A disposal gain of HK$3,198.49 million and a one month's attributable profit of HK$28.28 million were recorded last year.

3 Revenue

The Group's revenue by principal activities for the year 2011 and prior year comparatives was summarized as follows:

	2011 HK$'000	2010 HK$'000 (restated)	Change %
Infrastructure Facilities	**2,453,827**	1,687,270	45.4
Real Estate	**8,583,250**	7,950,094	8.0
Consumer Products	**3,932,055**	4,797,867	-18.0
	14,969,132	14,435,231	3.7





Infrastructure Facilities   Real Estate   Consumer Products

Revenue for 2011 increased by 3.7% from last year to approximately HK$14,969.13 million mainly due to the infrastructure facilities business benefited from growth in revenue contribution from the newly consolidated United Environment and Asia Water, and the increase in property sales booked in respect of the real estate business as compared to last year. The increase is partly offset by the year-on-year decrease in revenue of consumer products business due to the decrease in sales of Wing Fat Printing as a result of the completion of its disposal of Hebei Yongxin Paper during the year.

The year-on-year increase in revenue of the infrastructure facilities business was mainly due to a considerable increase in toll revenue of Hu-Kun Expressway (Shanghai Section) as the alteration and expansion works were completed, and that revenue for the whole year of United Environment was consolidated upon completion of its acquisition in November 2010 and revenue of Asia Water was also consolidated starting from the second quarter as a controlling stake was obtained.

The property sales booked by SI Development from eight projects during the year has brought about an approximately HK$2,300 million increase in sales over last year for the real estate business. However, the increase in revenue of real estate business was offset by the drop in property sales booked by Shanghai Urban Development during the year, a small number of remaining residential property units under four projects were booked which included units of Lot D "Lounge City", units of Lot B "Yuxi Villa" and remaining units of Lot E of "Urban Cradle"; units of Kunshan "Royal Villa"; units of Changsha "Toscana" as well as units of the newly launched project Chongqing "Ivy Aroma Town".

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 year.

4 Profit before Taxation

(1) Gross profit margin

Gross profit margin for the year was 35.5%, an increase of 4.7 percentage points as compared to 30.8% for 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 year 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$119.72 million for the year.

(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 approximately HK$600 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 share of profit of approximately HK$232.00 million from property sales booked by a jointly controlled property development company in last year, and the share of gain from bargain purchase of approximately HK$76 million booked upon completion of the acquisition of equity interest in Asia Water last year. No profit of similar nature was booked this year.

(5) Gain on disposal of interests in subsidiaries holding property interests and net gain on disposal of interests in other subsidiaries, jointly controlled entities and associates

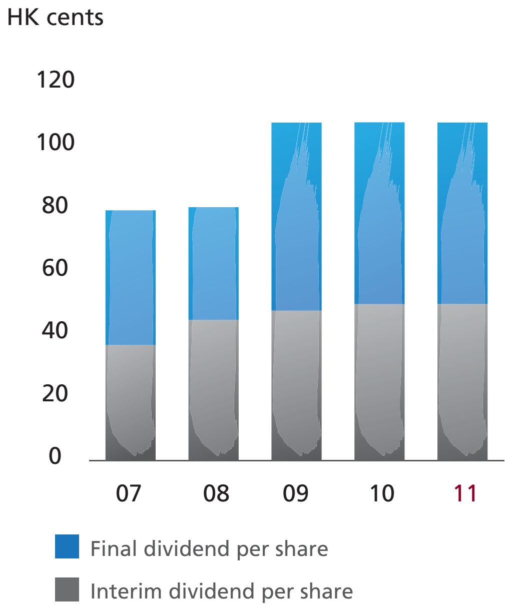
During the year, the Group completed the disposal of 90% equity interest in Lot F of Qingpu land and recorded a pre-tax disposal gain of approximately HK$1,261.59 million. During the year, the Group also completed the disposals of 77% equity interest in Four Seasons Hotel Shanghai, 100% equity interest in Quanzhou project, 50% equity interest in Qingdao project, 100% equity interest in Shanghai Bay project and the entire 78.13% equity interest in Hebei Yongxin Paper etc and recorded pre-tax disposal gains totaling HK$1,773.23 million.

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

During the year, 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; and Asia Water also recorded a gain from bargain purchase of approximately HK$35.95 million arising from its acquiring additional equity interest in the sewage treatment project in Hanxi, Wuhan. 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 in last year. Impairment loss was provided with reference to the fair value of the available-for-sale investments.

5 Dividends

The Group continued to adopt a stable dividend payout policy. The Board of Directors has proposed a final dividend of HK58 cents per share. Together with an interim dividend of HK50 cents per share, the total dividend amounts to HK108 cents per share for 2011, maintaining the same total dividend amounts of 2010.

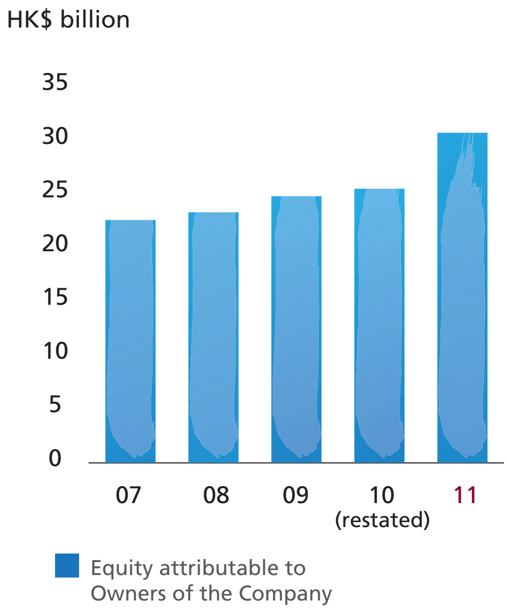


II Financial Position of the Group

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 31 December 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$30,811.34 million as at 31 December 2011, which was attributable to the net profits after deducting the dividend actually paid during the year.



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 ("SIHL Finance"). Both loan facilities were drawn during the year and applied to refinance the existing debts. During the year, SIHL Finance concluded two bilateral bank loan facilities for a total of HK$2.1 billion, and both facilities will be applied to repay a multi-lateral term and revolving loan of HK$4.9 billion due in 2012. In addition, during the year, the Company concluded two bilateral bank loan facilities of RMB1.35 billion for its subsidiaries' debt refinancing. The loan facilities were both drawn during the year and applied to refinance the existing debts.

As at 31 December 2011, the total borrowings of the Group including bank borrowings, other borrowings, senior notes and convertible notes amounted to approximately HK$37,102.45 million (31 December 2010: HK$34,289.62 million), of which 68.4% (31 December 2010: 70.0%) was unsecured credit facilities.

(2) *Pledge of assets*

As at 31 December 2011, the following assets were pledged by the Group to banks to secure general banking facilities granted by these banks to the Group:

(a) investment properties with an aggregate carrying value of HK$6,221,268,000 (31 December 2010: HK$4,501,498,000, as restated);

(b) leasehold land and buildings with an aggregate carrying value of HK$128,455,000 (31 December 2010: HK$363,528,000, as restated);

(c) plant and machineries with an aggregate carrying value of HK$194,102,000 (31 December 2010: HK$66,130,000);

(d) two toll road operating rights of HK$10,708,600,000 (31 December 2010: HK$10,594,414,000);

(e) receivables under service concession arrangements with an aggregate carrying value of HK$94,070,000 (31 December 2010: HK$175,560,000);

(f) properties under development held for sale with an aggregate carrying value of HK$7,712,800,000 (31 December 2010: HK$5,808,127,000, as restated);

(g) properties held for sale with an aggregate carrying value of HK$30,545,000 (31 December 2010: HK$144,569,000, as restated);

(h) trade receivables with an aggregate carrying value of HK$132,363,000 (31 December 2010: Nil); and

(i) bank deposits with an aggregate carrying value of HK$333,594,000 (31 December 2010: HK$108,862,000).

(3) *Contingent liabilities*

As at 31 December 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, a former subsidiary and property buyers amounted to approximately HK$266.27 million, HK$61.64 million and HK$2,954.70 million (31 December 2010: HK$549.66 million, nil and HK$4,044.56 million) respectively.

3 Capital Commitments

As at 31 December 2011, the Group had capital commitments mainly contracted for business development and investments in fixed assets of HK$6,174.94 million (31 December 2010: HK$12,965.20 million). The Group had sufficient internal resources or through loan market channel to finance its capital expenditures.

4 Bank Deposits and Short-term Investments

As at 31 December 2011, bank balances and short-term investments held by the Group amounted to HK$18,265.72 million (31 December 2010: HK$17,441.23 million) and HK$856.31 million (31 December 2010: HK$144.71 million) respectively. The proportions of US dollars, Renminbi and HK dollars were 16%, 66% and 18% (31 December 2010: 5%, 69% and 26%) respectively. Short-term investments mainly consisted of investments such as bonds, Hong Kong and PRC listed shares.

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

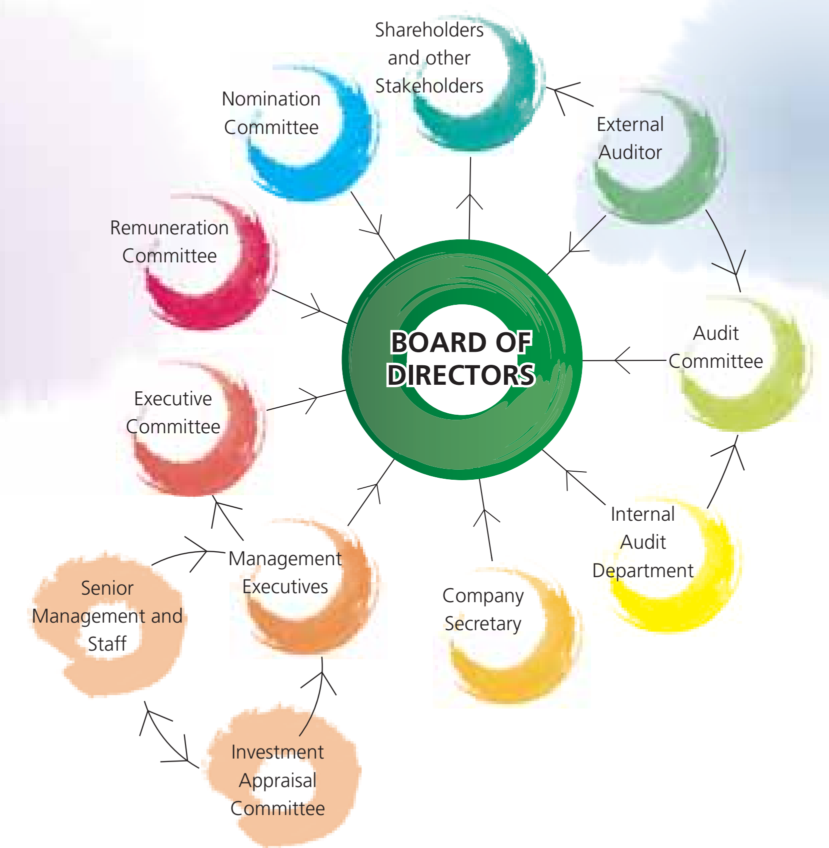
The Group and the Company is exposed to equity price risk through its investment in equity securities classified as either available-for-sale investments or financial assets at fair value through profit or loss. Management manages this exposure by maintaining a portfolio of investments with different 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.

CORPORATE GOVERNANCE REPORT

The Group is dedicated to observing effective corporate governance practices and has established a solid corporate governance framework with a clearly defined internal control system and comprehensive risk management system. It is designed to monitor the company's overall operating performance, ensures the efficient use of resources, and enhances corporate transparency and accountabiliy. This will facilitate the creation of enterprise value and guarantee sustainable development, and ultimately accountable to shareholders through which their interests will be protected.

Corporate Governance Structure

The Group has a sound corporate governance structure that in the course of making business decisions, enables the Board to always place considerable importance on the interests of its shareholders and other stakeholders. Through a sound, solid and rational corporate governance structure, authorities were delegated to respective committees for the implementation of corporate governance measures formulated by the Board:



In accordance with requirements for the Code on Corporate Governance Practices, the Company has during the year conducted an annual review on the effectiveness of its internal control system as well as that of its subsidiaries, in addition to internal audits currently conducted for all its directly owned entities. The scope of such reviews covered financial, operational and compliance controls and risk management functions. During the year, professional training and information on laws and regulations applicable to mainland China and Hong Kong in view of changes on regulatory systems and legal requirements applicable thereto were given to new and existing member companies.

Compliance with Corporate Governance Practices

During the year ended 31 December 2011, the Company has applied the principles and complied with all code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. Details of the principles and practices of governance of the Company and all major work and relevant changes during the year are set out in this report.

The newly revised code provisions of the Corporate Governance Code will be in place from 1 January and 1 April 2012 respectively. The Company has early adopted certain new code provisions and will adopt those relevant revised recommended best practices where applicable.

Board of Directors

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

Composition of the Board

The Board of Directors of the Company has ten members, of which seven are Executive Directors and three are Independent Non-Executive Directors.

Executive Directors

Mr. Teng Yi Long	*(Chairman)*
Mr. Cai Yu Tian	*(Vice Chairman and 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

The members of the Board comprise experts from various professions who have served in relevant government and judiciary authorities, enterprises or financial institutions in mainland China and Hong Kong. They have extensive experience in corporate and financial administration, project management and asset management. No members of the Board are materially related among themselves in terms of financial, business and family. Brief biographical details of the Directors and senior management are set out on pages 50 to 56 of this Annual Report and published on the Company's website. In all corporate communications and websites of the Company and the Stock Exchange, the Company has disclosed the composition of the Board according to the categories and duties of the Directors.

Chairman and Chief Executive Officer

Mr. Teng Yi Long and Mr. Cai Yu Tian are the Chairman and the Chief Executive Officer of the Company respectively. The Chairman is mainly responsible for the management of the Board, providing leadership, ensuring that the Board works effectively and encouraging all Directors to be dedicated to the affairs of the Board. The Chairman is mainly responsible for ensuring that the Company has established sound corporate governance practices and procedure. The Chief Executive Officer is mainly responsible for the operation and management of the Group's businesses, leading the management executives and members of the management to perform their duties in accordance with the established business strategies and operation directions of the Board.

The Company has made corresponding amendments to the Interpretation of the Responsibilities between the Chairman and the Chief Executive Officer in accordance with the newly revised code provisions related to the division of responsibilities between the Chairman and Chief Executive Officer issued by the Stock Exchange and such amendments have been considered and approved by the Board.

Re-election of Directors

According to the Company's articles of association and the provisions of the Code on Corporate Governance Practices, all newly appointed Directors to fill casual vacancies are subject to election by shareholders at the first general meeting after appointment. The Company has complied with such and each Director (including those who are appointed with a specific term) is also subject to re-election by rotation at least once every three years. At the 2011 annual general meeting held on 18 May 2011, Mr. Cai Yu Tian, Mr. Zhou Jie and Mr. Zhou Jun retired and were re-elected in accordance with the Company's articles of association.

In accordance with the requirements set out in the code provision of the newly revised Corporate Governance Code, any further appointment of an independent non-executive director who has served more than nine years should be subject to a separate resolution to be approved by shareholders. As all of the three independent non-executive directors of the Company have served more than nine years, the Company will arrange a separate resolution to be approved by shareholders in accordance with the requirements when they seek further appointments.

At the 2012 annual general meeting to be held on 25 May 2012, Mr. Teng Yi Long, Mr. Lu Ming Fang and Mr. Leung Pak To, Francis shall retire by rotation in accordance with the articles of association of the Company. All of them, being eligible, have offered themselves for re-election. Their biographical details as well as the resolution and explanatory statement for re-election of Mr. Leung Pak To, Francis are set out in the circular to shareholders regarding proposed general mandates to repurchase shares and to issue shares and re-election of Directors, to be dispatched to shareholders together with this Annual Report, so as to enable the shareholders to make an informed decision on their election.

Term of Directors

According to the Directors' service agreements entered into between the Company and Mr. Teng Yi Long, Mr. Cai Yu Tian, Mr. Zhou Jie, Mr. Qian Shi Zheng, Mr. Zhou Jun and Mr. Qian Yi (all of whom are Executive Directors) respectively, any party to the agreement may terminate it by giving to the other party prior written notice. In addition, the Company also issued letters of appointment for one Executive Director and three Independent Non-Executive Directors, specifying an appointment term of three years, subject to renewal upon expiry. In addition, each Director are subject to re-election by rotation in accordance with the articles of association of the Company.

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

Name of Directors	Executive positions in the Board	Years of service with the Company	Term of appointment
Executive Directors			
Teng Yi Long	Chairman	4 years	Either party may terminate the agreement by giving at least six months' prior written notice.
Cai Yu Tian	Vice Chairman and Chief Executive Officer	6.5 years	Either party may terminate the agreement by giving at least six months' prior written notice.
Lu Ming Fang	–	10 years	Until 31 December 2014, subject to renewal upon expiry.
Zhou Jie	Executive Deputy CEO	10 years	Either party may terminate the agreement by giving at least six months' prior written notice.
Qian Shi Zheng	Deputy CEO	10 years	Either party may terminate the agreement by giving at least six months' prior written notice.
Zhou Jun	Deputy CEO	6.5 years	Either party may terminate the agreement by giving at least six months' prior written notice.
Qian Yi	Deputy CEO	2.5 years	Either party may terminate the agreement by giving at least six months' prior written notice.
Independent Non-Executive Directors			
Lo Ka Shui	–	16 years	Until 31 December 2013, subject to renewal upon expiry.
Woo Chia-Wei	–	16 years	Until 31 December 2013, subject to renewal upon expiry.
Leung Pak To, Francis	–	16 years	Until 31 December 2013, subject to renewal upon expiry.

Responsibilities of Directors

Each Director shall from time to time have knowledge of his responsibilities as Director of the Company, as well as the operation, business activities and development of the Company and shall ensure that sufficient time and effort will be put to deal with the Company's affairs. The Company offers induction materials to each Director on the first occasion of his appointment as well as necessary information and training during his term of appointment to ensure that he has appropriate knowledge of the Company's operation and business as well as the responsibility of director under applicable laws. The Company has established the Procedures for Directors to Seek Professional Advice in order to assist them to discharge their duties. The Directors (also refers to the board committee members) may seek independent professional advice according to such agreed procedures at the expense of the Company.

Pursuant to the newly revised Corporate Governance Code, all Directors shall participate in the continuous professional development programme to develop and update their knowledge and skills so that they can contribute to the Board. As at the date of this report, the Company offered two appropriate training sessions for Directors, which have been included in the individual training record of Directors. The training sessions were related to management, exercising mechanism and relevant laws and regulations for share options, as well as the compliance of Listing Rules and SFO.

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

Independency

The Independent Non-Executive Directors and Executive Directors have the same fiduciary duties, whose functions include participating in board meetings to bring an independent and constructive and justifiable judgment on issues relating to strategy, policy, internal control, performance, accountability, resources, key appointments and standards of conduct; taking the lead where potential conflicts of interests arise; scrutinizing the performance of the Company in achieving agreed corporate goals and objectives, and monitoring the reporting of the Company's performance. All Independent Non-Executive Directors are also members of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. None of them have entered into any material commercial transaction with the Company, its controlling shareholder and their respective subsidiaries, and they have no material interest in the principal operating activities. There was no evidence in any aspect which demonstrated that the guidelines relating to the assessment of the independence of Directors as set out in Rule 3.13 of the Listing Rules were not complied with. Each Independent Non-Executive Director has confirmed his independence according to Rule 3.13 of the Listing Rules for the year.

Proceedings at Directors' Meetings

The schedule for convening regular meetings of the Board (also refers to the board committees) for the whole year will be proposed to each Director at the end of the previous year and fixed after it is agreed upon by them. The Board will convene at least four regular meetings. The management shall also ensure delivery of complete and reliable information to the Board. Save for non-regular meetings held during the year, notices of board meetings and relevant materials were given 14 days and 3 days before the date of the regular meetings of the Board (also refers to the board committees) in accordance with the requirements of the Code on Corporate Governance Practices.

The Company Secretary will confirm with the Directors if any matters are required to be included in the agenda for regular board meetings before they are sent out. The Directors are also given the contact information of the management or relevant employees, so that they may have direct access to them or make further enquiries for better discharge of their duties as a Director.

Minutes of the Board and its committee meetings are kept with the Company Secretary and the matters considered and resolved at the meetings, including any concerns raised by Directors or dissenting views expressed will be recorded. Board papers and related materials are open for inspection at any time by any Director. Drafts and full versions of minutes of meeting will be sent to Directors/committee members by the Company Secretary for their comments and records within a reasonable period of time after the meetings are held.

If a substantial shareholder or a Director has a material conflict of interest in a matter to be considered by the Board, the matter will not be dealt with by circulation of documents and will be catered for at a regular board meeting for all Directors. If any resolution of the board meeting involves material interests of any Director or any of his associates, such Director shall abstain from voting and shall not be counted in the quorum present at the meeting.

In 2011, eleven board meetings were held by the Company (six of which were in the form of written resolutions), with an attendance rate of 96%. Please refer to the Business Review, Discussion and Analysis of this Annual Report for material decisions made by the Board during the year. The attendance of individual Directors and committee members in 2011 is set out below:

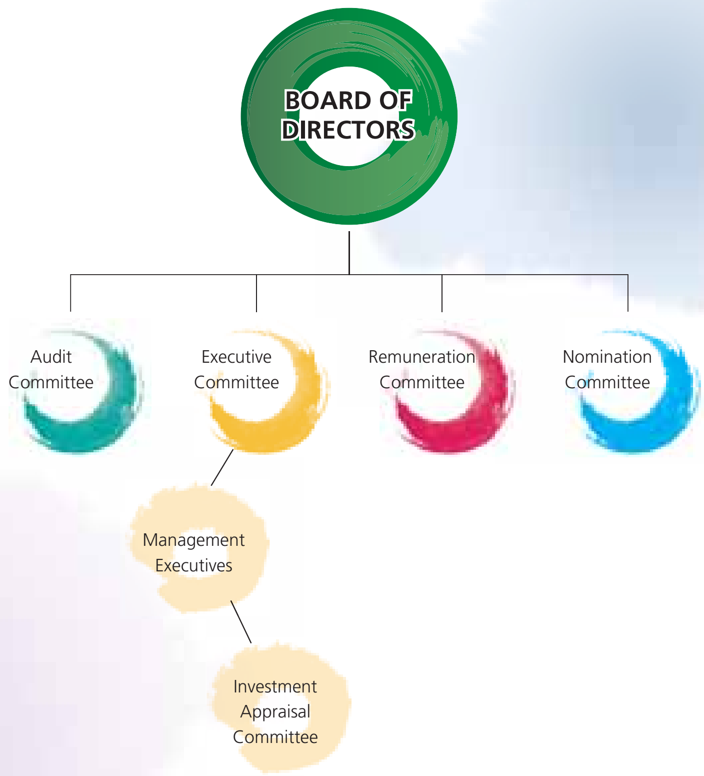
	Meetings held in 2011 Meetings attended/Meetings held				
	Board	Executive Committee	Remuneration Committee	Audit Committee	General Meeting
Meetings held in the year	**11**	**9**	**2**	**4**	**1**
Executive Directors					
Teng Yi Long	11/11	9/9	–	–	1/1
Cai Yu Tian	10/11	9/9	–	–	1/1
Lu Ming Fang	11/11	9/9	–	–	1/1
Zhou Jie	11/11	9/9	–	–	1/1
Qian Shi Zheng	11/11	9/9	–	–	1/1
Zhou Jun	11/11	9/9	–	–	1/1
Qian Yi	10/11	–	–	–	1/1
Independent Non-Executive Directors					
Lo Ka Shui	10/11	–	2/2	4/4	1/1
Woo Chia-Wei	11/11	–	2/2	4/4	1/1
Leung Pak To, Francis	10/11	–	2/2	4/4	1/1
Committee Members					
Zhang Zhen Bei	–	–	2/2	–	–
Guo Fa Yong	–	–	2/2	–	–
Attendance	**96%**	**100%**	**100%**	**100%**	**100%**

Code for Securities Transactions by Directors

Pursuant to relevant provisions in the Model Code in Appendix 10 and the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules, the Company has established its own Code for Securities Transactions by Directors or Relevant Employees. The Directors and those employees of the Company who, because of his office or employment, are likely to be in possession of any unpublished price sensitive information in relation to the Company or its securities, and the directors or such employees (and their associates) of the Company's subsidiaries or parent company must comply with such code in dealing with the securities of the Company. The code of the Company was set on terms no less exacting than the required standards set out in the Model Code. Having made enquiries with all Directors and relevant employees, each such Director and relevant employee has confirmed that the requirements of the Model Code and the Company's code were fully complied with during the year 2011. The interests of Directors in the securities of the Company and its associated corporations (within the meaning of the SFO) were set out on pages 59 and 60 of this Annual Report.

Delegation by the Board

The Company has established four committees under the Board. All committees are responsible to the Board, and shall report to the Board on the decisions or advice they made.



The Executive Committee has given clearly defined scope of duties and responsibilities in respect of the authority to the Management Executives in particular on the Company's daily operation and management, investment projects, finance, audit, human resources and management of investment enterprises. The Management Executives are responsible for supervising the daily operations of various functional departments and report to the Executive Committee/Board. The Board will, in accordance with practical needs, review the delegation of authority where appropriate, to ensure a highly effective and clearly authorized management system.

The terms of reference of the Nomination Committee, Remuneration Committee and Audit Committee has been published on the Company's website and the website of the Stock Exchange pursuant to the newly revised Corporate Governance Code.

Executive Committee

Established in 1996, the Executive Committee is a decision-making administrative body under the Board, with the primary responsibility of taking charge of the Company's day-to-day business, ensuring proper execution of the resolutions approved by the Board and at the general meetings, and reviewing major business activities and investments and reporting to the Board.

As of the date of this report, all members of the Executive Committee are Executive Directors, namely Mr. Teng Yi Long, Mr. Cai Yu Tian, Mr. Lu Ming Fang, Mr. Zhou Jie, Mr. Qian Shi Zheng and Mr. Zhou Jun. Mr. Teng Yi Long is the Chairman of the committee.

Major Work Done by the Executive Committee

During 2011, the Executive Committee held nine meetings in the form of written resolutions, to consider major business activities, acquisitions and disposals carried out by the Company during the year, with an attendance rate of 100%.

In accordance with the newly revised Corporate Governance Code, the Company has made corresponding amendments to its existing Terms of Reference of the Executive Committee, mainly including the duties for overseeing the corporate governance of the Company. Such amendments have been considered and approved by the Board.

Management Executives

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

Investment Appraisal Committee

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

Nomination Committee

The Board of the Company has resolved on 26 March 2012 to establish a Nomination Committee and prepared written Terms of Reference of Nomination Committee. The committee is mainly responsible for setting procedures of appointing new directors and director succession plans with high transparency and making advice to the Board for candidates of new directors or for filling casual vacancies of the Board. The process of nomination starts from recommending a candidate to the committee by the controlling shareholder of the Company, after which the committee will submit to the Board for consideration according to the working experience, expertise and education background required for the position and the time and effort that the candidate can contribute to the Company.

As of the date of this report, the Nomination Committee consisted three Independent Non-Executive Directors, namely Dr. Lo Ka Shui, Prof. Woo Chia-Wei and Mr. Leung Pak To, Francis and representatives from the management, namely Mr. Zhang Zhen Bei and Mr. Guo Fa Yong. Dr. Lo Ka Shui is the chairman of the committee while the Company Secretary acts as the committee secretary.

Remuneration Committee

The Remuneration Committee, established in 2004, is mainly responsible for reviewing the remuneration policy and structure of the Company as a whole and ensures effective implementation of such policies. The committee also makes recommendations to the Board on the establishment of formal and transparent procedures for setting remuneration policy and structure in regard to the Directors and senior management. The committee will make recommendation to the Board in respect of the remuneration of Directors and senior management in accordance with corporate strategies and goals set up by the Board, provided that none of the Directors will determinate his own remuneration.

As of the date of this report, the Remuneration Committee consisted three Independent Non-Executive Directors, namely Dr. Lo Ka Shui, Prof. Woo Chia-Wei and Mr. Leung Pak To, Francis and representatives from the management, namely Mr. Zhang Zhen Bei and Mr. Guo Fa Yong. Dr. Lo Ka Shui is the chairman of the committee while the Company Secretary acts as the committee secretary.

In accordance with the newly revised Corporate Governance Code, the Company has made corresponding amendments to its existing Terms of Reference of the Remuneration Committee, which were approved by the Board by way of written resolutions.

Major Work Done by the Remuneration Committee

In 2011, the Remuneration Committee held two meetings, one of which was in the form of written resolutions, with a 100% attendance rate. Matters considered included distribution and payment of discretionary bonuses to the Directors, adjustment of remuneration to Directors and senior management and grant of share options by the Company.

According to the Company's performance appraisal policies, the salaries of employees will be reviewed annually, taking into account the Company's performance, the individual performance of the staff and industry average to ensure a reasonable and competitive compensation package for its employees. To motivate performance, share options were also granted to employees and Directors.

Determination of Directors' Remuneration

The remuneration of the Directors was determined with reference to the operating results of the Company, industry benchmark and time contributed by the Directors and their job responsibilities. Apart from basic salaries, the Directors are entitled to a discretionary bonus subject to the operating results of the Group, prevailing market conditions as well as the performance of the respective Directors. In determining such remuneration packages, the Remuneration Committee will, if necessary, consult the Chairman and/or Chief Executive Officer, or seek advice from professional consultants. For the year ended 31 December 2011, the remuneration of each Director was as follows:

Name of Director	Director's fee and committee remuneration (HK$'000)	Basic salary, allowance and retirement benefits scheme contributions (HK$'000)	Bonus (HK$'000)	Equity-settled share-based payment expenses (HK$'000)	Total (HK$'000)
Executive Director					
Teng Yi Long	–	3,157	2,100	3,667	8,924
Cai Yu Tian	–	2,309	1,995	7,111	11,415
Lu Ming Fang	200	–	–	2,292	2,492
Zhou Jie	–	1,899	945	2,598	5,442
Qian Shi Zheng	–	1,845	840	5,445	8,130
Zhou Jun	–	1,843	840	5,445	8,128
Qian Yi	–	1,837	840	2,292	4,969
Independent Non-Executive Director					
Lo Ka Shui	374	–	–	367	741
Woo Chia-Wei	360	–	–	367	727
Leung Pak To, Francis	360	–	–	367	727
	1,294	**12,890**	**7,560**	**29,951**	**51,695**

Audit Committee

The Audit Committee is a standing committee under the Board and plays a vital role in corporate governance. Established in 1998, the committee is mainly responsible for reviewing accounting policies and practices adopted by the Group. It also discusses matters relating to financial reporting as well as internal control and risk management, selects, appoints and dismisses external auditor and monitors the relationship between the Company and external auditor and makes recommendations to the Board accordingly.

As of the date of this report, the members of the Audit Committee include three Independent Non-Executive Directors, namely Dr. Lo Ka Shui, Prof. Woo Chia-Wei and Mr. Leung Pak To, Francis. Dr. Lo Ka Shui is the chairman of the committee while the Company Secretary acts as committee secretary.

In accordance with the newly revised Corporate Governance Code, the Company has made corresponding amendments to its existing Written Terms of Reference of Audit Committee, which were considered and approved by the Board.

Major Work Done by the Audit Committee

During 2011, the Audit Committee held four meetings, one of which was in the form of written resolutions, with a 100% attendance rate. Matters considered at the meetings included review of the Group's results, audit plans of external auditor and fees, audit work and non-audit projects and fees and review of the Company's financial control, internal control, risk management system and internal audit matters as well as the engagement of statutory auditor for 2011. During the year, one meeting was held in the absence of Executive Directors for the Audit Committee to meet with the auditor.

Appointment of External Auditor

In considering the re-appointment of external auditor, the Audit Committee has taken into consideration its relationship with the Company and its independence in the provision of non-audit services. The external auditor has complied with the Ethics Code for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants to maintain its independence and submits its independence report every year. Based on the results of the review and after taking into account the opinion of the management, the Audit Committee recommended the Board to re-appoint Deloitte Touche Tohmatsu as the external auditor for the Company for 2012, subject to approval by shareholders at the annual general meeting to be held on 25 May 2012. There has never been any former partner of the firm then auditing the accounts of the Company acting as a member of the Company's Audit Committee.

The Company has also established Policies on Provision of Non-audit Services by External Auditor, and reported to the Audit Committee each year on non-audit services provided by the auditor to the Group. The audit fee for the external auditor for 2011 was HK$10,067,000. During the year, non-audit services provided to the Group by the Company's external auditor (including their affiliates) and the relevant fees were as follows:

Non-audit services	2011 (HK$)	2010 (HK$)
Financial due diligence for project acquisitions	9,086,000	2,350,000
Taxation advisory fee	337,000	693,000
Others	36,000	26,000
	9,459,000	**3,069,000**

Company Secretary

The Company Secretary is mainly responsible for sound information communication between the members of the Board and the compliance of the policy and procedures of the Board and all applicable rules and regulations. Company Secretary maintains a close relationship with each Director and the management and provides assistance and advice to the members of the Board when necessary. Also, the Company Secretary is responsible for providing opinion to the Chairman, Chief Executive Officer, other members of the Board and the management in respect of corporate governance from time to time and provides induction materials and arranges continuous professional development programmes for the Directors. The selection, appointment and dismissal of the Company Secretary shall be approved by the Board. Brief biographical details of the Company Secretary are set out on page 54 of this Annual Report and the Company's website.

Accountability and Auditing

Preparation of Financial Statements

The financial statements and interim report of the Company for 2011 were prepared in accordance with the disclosure requirements set forth in Appendix 16 to the Listing Rules, Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants. The Board is responsible for preparing and reviewing the Group's accounts to ensure that they give a true and fair view on the financial position as well as the profits and cash flows of the Company. The Company has consistently applied appropriate accounting policies, and has made prudent and reasonable judgments and estimates and prepared its accounts on a going concern basis. The external auditor stated in the independent auditor's report its reporting responsibilities on the relevant financial statements, and such report is set out on pages 65 and 66 of this Annual Report.

In accordance with the newly revised Corporate Governance Code, the management shall provide updated information to the members of the Board every month, which include the performance, financial position and prospects of the Company, to assist them to perform their duties under the Listing Rules. Upon seeking opinions from the Audit Committee, monthly reports have been arranged to provide to Directors accordingly.

Internal Control

The Board is responsible for ensuring that the internal control system of the Group is sound, proper and effective so as to safeguard the assets of the Company and the investments of the shareholders. The Board also endeavors to maintain sound risk management and internal control systems. An Internal Audit Department has been established for monitoring the internal control system of the Group (including all its major subsidiaries and jointly-controlled entities) to ensure prudent and effective operation of the respective companies and respective reports will be regularly made to the Audit Committee and the Board on a quarterly basis. The internal audit system is currently conducted in a cycle of three years. Internal audits will be conducted for every major entity under the Group for the purpose of risk assessment according to the significance of the respective projects.

For the year ended 31 December 2011, the Company has collected information and carried out investigation in respect of internal control issues for its subsidiaries. No material deviation in the compliance with guidance on internal controls by the subsidiaries was reported. These subsidiaries have complied with relevant laws and industry regulations in respect of internal control for compliance. No material non-compliance of rules or material litigation risks were reported, nor was there any fraud or corruption issue. In addition, the Board and the Audit Committee considered the resources allocated, staff qualification and experience in respect of the accounting and financial reporting functions of the Company as well as training programs and budget were adequate and sufficient.

Shareholders

As at 31 December 2011, SIIC, the controlling shareholder of the Company, held 612,624,748 shares (excluding interests in underlying shares and short positions) of the Company with a shareholding percentage at approximately 56.74% (excluding underlying shares). The percentage of public shareholding was approximately 43.26%. In accordance with the SFO, shares held by substantial shareholders of the Company and other persons in the Company and its associated corporations are set forth in the Directors' Report of this Annual Report.

Connections with Shareholders, Other Stakeholders and Investors

The Board attaches great importance to shareholders' opinion. Each annual general meeting has been taken as an opportunity to communicate directly with shareholders and questions raised by them will be addressed. Shareholders and other stakeholders are also welcome to voice their concerns and valuable opinions by way of e-mails, telephone and in writing. This will be directed to the Company Secretary and forwarded to the Board. Shareholders can make enquiry through different ways as set out on page 3 of this Annual Report.

Proceedings at Shareholders' Meetings

Notice for convening the 2011 Annual General Meeting, which was held on 18 May 2011, was included in the circular dated 13 April 2011 and was given to shareholders at least 20 clear business days prior to the date of the annual general meeting in accordance with the respective requirements. The Chairman and chairman of the board committees also attended the general meeting to answer questions raised by the shareholders. All voting at the general meeting were conducted by way of poll, and the Chairman has provided detailed procedures for conducting a poll and answered all questions raised regarding voting at the commencement of the general meeting. Separate resolutions were proposed at the meeting on each separate issue. Tricor Secretaries Limited, the share registrar of the Company, was appointed as the scrutineer for the meeting and was responsible for the arrangement of the voting procedures. The Company announced the poll results in the evening of the same day and uploaded the same on the website of the Company and the website of the Stock Exchange for perusal by the shareholders.

Rights of Shareholders

Any resolutions proposed by shareholders at a general meeting shall be made in compliance with the requirements and procedures as set out in the relevant sections of "Corporate Governance" in the Company's website.

Pursuant to Article 105 of the articles of association of the Company, if a shareholder intends to nominate a person other than the retiring Directors for election as a director at a general meeting, he/she shall deposit a written notice of such nomination to the Company's registered office during the period commencing on the day after the despatch of the notice of such meeting and ending no later than seven days prior to the date appointed for such meeting (for more details, please refer to the relevant sections of "Corporate Governance" in the Company's website).

Shareholders holding not less than one-twentieth of the paid-up capital of the Company may request the Company to convene an extraordinary general meeting in writing. Such request shall state the purpose for such meeting, be signed by the person making the request and deposited to the registered office of the Company (for more details, please refer to the relevant sections of "Corporate Governance" in the Company's website).

Information Disclosure

As for information disclosure, the Group strictly complied with the internal guideline requirements of laws and regulations for information disclosure to ensure that information was disclosed fairly, promptly and accurately. The Company provided extensive business information to shareholders and investors, including financial reports, operation performance and updated business information from time to time through various channels. To maintain the transparency of the Company, timely information on the development of the Group's business is disseminated through a wide range of channels, including annual and interim reports and results announcements and circulars to shareholders. The latest business development of the Group is also made public through press conferences and press releases as well as on the website of the Company.

Investor Relations

During the year, the Company has been actively communicating with investors, organizing and participating in a number of investor relations activities. The management team attended eight major investment conferences held by research houses and reached out to meet investors through road shows in Hong Kong, Singapore and European cities. In addition, two familiarization tours to the Company's investment projects were organized to raise the profile of the Company, and to enhance understanding of the growth potential of our businesses.

As the Company's real estate and water services business operations have grown to a significant scale, we invited investors to witness the promising development during two familiarization tours to our projects in Shanghai, Huzhou and Dongguan. In June, a group of core analysts visited two water services facilities where they had on-site inspection of the operation of a sewage treatment plant and a reservoir. In December, following the completion of the injection of Shanghai Urban Development into SI Urban Development, a tour was organized for financial journalists and investors from Hong Kong, Shanghai and Beijing to visit commercial real estate investment projects of the company and attend the ground-breaking ceremonies for two development projects. The management team also provided a detailed briefing on the Company's overall business plans to facilitate their understanding on the Company's overall future development strategies.

In addition, a specific email address *enquiry@sihl.com.hk* was established to enhance investor relations and facilitate communication.

Trading Platform of the Company's Shares

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

Human Resources

Remuneration and Benefits Policies

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

Staff (including Directors) salaries, allowances and bonuses totaled HK$753 million for the year (2010: HK$638 million). In order to ensure effective recruitment and successful retention of talents, the Company offers, in addition to salaries, allowances and bonuses, a compensation package to its staff that includes cash allowances as well as medical and personal accident insurance. The Company operates a defined contribution pension scheme for its qualified employees. Furthermore, in compliance with the Mandatory Provident Fund Schemes Ordinance, all employees are required to participate in the mandatory provident fund scheme. The assets of the two schemes are administered separately by independent custodian(s) in accordance with relevant laws and regulations.

Share Options

The Group grants share options as incentives to Directors, employees and other eligible persons for their respective contributions to the Group. Pursuant to the SIHL Scheme adopted by the Company on 31 May 2002, a total of 88,750,000 share options have been granted, of which 42,250,000 share options have been exercised or lapsed. On 20 September 2011, a total of 20,600,000 share options at an exercise price of HK$22.71 per share were granted. For the year ended 31 December 2011, 530,000 share options were lapsed while 45,950,000 share options were outstanding and unexercised.

SI Urban Development, a subsidiary of the Company, adopted the SI Urban Development Scheme on 12 December 2002, the primary purpose of which was to enable the company to grant options to participants as incentives and rewards for their contributions made to the company. Pursuant to the SI Urban Development Scheme, SI Urban Development has successively granted share options equivalent to a total of 125,625,000 share options upon the share consolidation made on 29 October 2007 and such share options were lapsed. Upon refreshment of the scheme mandate limit by SI Urban Development in 2010, a total of 111,500,000 share options were granted on 24 September 2010 at an exercise price of HK$2.98 per share. For the year ended 31 December 2011, 20,500,000 share options were cancelled and 91,000,000 share options remained outstanding and unexercised.

On 24 January 2005, Asia Water, a subsidiary of the Company, adopted the Asia Water Scheme, the primary purpose of which was to retain capable employees and grant options to participants as incentives and rewards for their contributions made to the success of the company. Pursuant to the Asia Water Scheme, Asia Water granted 29,830,505 share options in total (with adjustments made upon completion of the rights issues) at exercise price of S$0.09 per share (with adjustments made upon completion of the rights issues). For the year ended 31 December 2011, 12,793,038 share options were lapsed and 17,037,467 share options remained outstanding and unexercised.

Details of the SIHL Scheme, the SI Urban Development Scheme and the Asia Water Scheme are set out in note 42 to the financial statements.

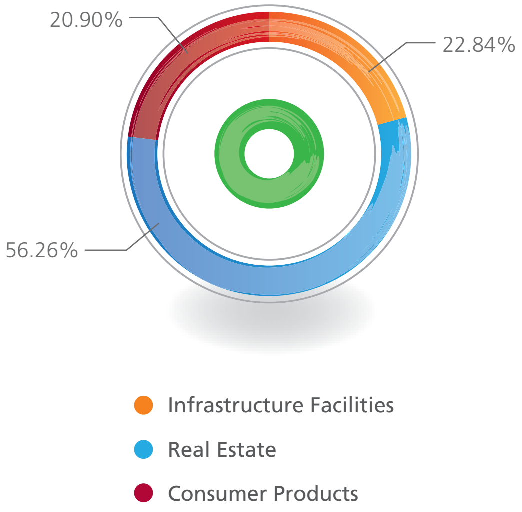
Human Resources

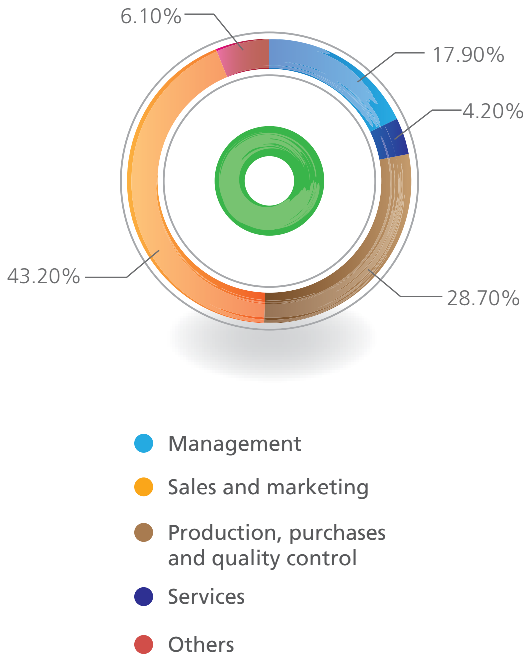
The Group has an outstanding team of employees who have complied with various working rules, codes of practice as well as principles and moral standards established by the Company. The continued and due diligence efforts of the employees taking up respective responsibilities are the key driving forces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

As at 31 December 2011, the Company has completed the acquisition of an equity stake in SI Development. Accordingly, the number of employees of the Group has increased from 7,540 at the end of last year to 10,760 as at the end of this year, representing an increase of 42.71% over last year. Of all the employees, about 94.08% (2010: 91.63%) were stationed in mainland China and the remaining 5.92% (2010: 8.37%) were Hong Kong and overseas employees. The ratio of male to female staff was 62.4:37.5 (2010: 59.5:40.5). Below is the employee profile by age, years of service and academic qualifications:

	2011	2010
Average age	40	36
Average years of service	6	6
% of employees holding a university degree or above	21%	23%

The distribution of employees according to business segment or work nature was as follows:





Employee Relationship and Training

With a strong commitment to staff relationship and training, a number of staff training programs were offered by the Group which covered management case studies, business development planning and analysis, interpretation of laws and regulations and on the job training. The Group encourages employees to continue their education, adding value both for themselves and for the Company.

Corporate Social Responsibilities

Environmental Protection

Complying with relevant environmental protection laws and regulations, the Company and its respective subsidiaries have passed related environmental audits for many years. During the year, the Company launched an electronic office platform to further realize paperless and network operation. Besides, member companies of the Group have allocated resources for the improvement of environmental protection facilities, recycling of waste while ensuring the quality of afforestation. Wing Fat Printing continued its operation as a "Low Carbon Office" by reducing carbon dioxide emission, monitoring the usage of chemicals, promoting electronic storage, recycling industrial and electronic waste and regularly checking water pipes to avoid leaking. Dongguan Wingfat Printing obtained the ISO14001 and OHSAS18001 accreditation and was awarded the "Green Printing Media Popular Award" and the "Special Award" by the China Academy of Printing Technology. Nanyang Tobacco established "Measures for Green Office", actively promoting "Paperless Office" and environmental protection, recycling waste and installing deodorizing machines to fulfill the environmental protection requirements. Wuhan Kaidi Water Services reduced emissions of pollutants and energy during water treatment processes to achieve recycling of natural resources.

Furthermore, companies under the real estate business segment were also committed to protecting the environment. Shanghai Urban Development set up a joint venture fund to promote the upgrade of low carbon industry. Shanghai Shenda Property regularly carried out plantation, recycling, work for energy conservation and noise control for its properties. Xi'an Chan-ba Europe-Asia Hotel carried out comprehensive greening work with lower carbon consumption and higher energy conservation. It also joined the "Earth Hour" to protect the world. The company has formulated "Technical Guidance for Energy Saving in Residential Ecology" and "3-year Action Plan for Construction Quality Enhancement" to promote green and low-carbon and energy saving environment in its property projects. Besides, both construction departments and suppliers must pass ISO14000 Environment Management Standards to strictly monitor production and construction and ensure safety and quality.

Social Welfare

The Group plays an active part in charity and welfare activities for the well-being of the society. During the year, a number of member companies of the Group organized its staff to take part in social charity activities such as "A Day for Charity Donation, Giving for the Needy and Pitiful", "The Warmest under the Blue Sky" and voluntary blood donation. A volunteer team comprising staff from Shanghai Urban Development paid regular visits to elderly and child welfare homes, provided assistance to the poor and sponsored children for their study, fulfilling its corporate social responsibility. Wing Fat Printing actively acted as a caring company. Wanyuan Real Estate organized book donation activities and sent staff to various provinces to carry out book donation, giving care to those needy children who could not afford buying books. Besides, SUD Commercial Properties and Wanyuan Real Estate both sponsored the community charity fund to organize a series of welfare activities named "House of the Sun". Xi'an Chan-ba Construction provided free shuttle bus to solve the travel problem within Neo Water City due to lack of bus routes. In the year, SI Development also organized tree planting activities for its employees to make a green environment and initiated charity activities such as "Caring May" to actively take part in donation, scholarship and poverty alleviation.

By Order of the Board

Yee Foo Hei

Company Secretary

30 March 2012

DIRECTORS' AND SENIOR MANAGEMENT PROFILES

Directors

Executive Directors

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

Mr. Teng, aged 64, is the chairman of Shanghai Industrial Investment (Holdings) Co. Ltd. He graduated from Shanghai Jiaotong University majoring in industrial engineering management and East China University of Politics and Law majoring in civil and commercial law. He held top management position in Sichuan Diesel Engine Factory and was the Deputy Director of Sichuan Sixth Machinery Industrial Bureau under the Sixth Machinery Industrial Ministry. Also he held top management position in Shanghai Jiangnan Shipyard and was the chairman of Shanghai Municipal Federation of Trade Unions, a vice chairman of All China Federation of Trade Unions and the President of the Shanghai High People's Court. He has over 20 years of experience in the management of large enterprises and has over 10 years of judicial experience. He has extensive experience in economics, legal matters, enterprise management and shipbuilding, and in organizing and implementing key technological R&D projects. Mr. Teng is currently a member of the National Committee of the Chinese People's Political Consultative Conference and the Consultative Committee of the Supreme People's Court of the PRC, an adjunct professor of East China University of Political Science and Law and Shanghai University of Engineering Science, an honorary researcher of Shanghai Academy of Social Sciences, the vice chairman of Commercial Aircraft Corporation of China, Ltd. and an honorary president of The Hong Kong Chinese Enterprises Association.

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

Mr. Cai, aged 62, is an executive director and the president of Shanghai Industrial Investment (Holdings) Co. Ltd. Concurrently he is an executive director and the chairman of Shanghai Industrial Urban Development Group Ltd., the chairman of Shanghai Urban Development (Holdings) Co., Ltd., and General Water of China Co., Ltd., the non-executive chairman of Asia Water Technology Ltd., and a director of certain other subsidiaries of the Group. Mr. Cai obtained a master's degree from East China Normal University with major in world economics, and was a research associate. Mr. Cai had been the chief executive officer of Zhong Hua Enterprises Co. During the period from September 1987 to November 2005, he had been the Deputy Director and the Director of the Shanghai Municipal Housing Administration Bureau, the Director of the Shanghai Municipal Housing and Land Administration Bureau and the Director of the Shanghai Municipal Housing, Land and Resources Administration Bureau respectively. Mr. Cai has more than 20 years' experience in real estate, economic and administrative management.

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

Mr. Lu, aged 55, is an executive director of Shanghai Industrial Investment (Holdings) Co. Ltd. ("SIIC") and a director of certain other subsidiaries of the Group. He graduated from Fudan University with a master's degree in economics and The Chinese University of Hong Kong with a master's degree in professional accountancy, and is designated a senior economist. Mr. Lu joined SIIC in July 1995. He is a director of Shanghai Pharmaceuticals Holding Co., Ltd. and was the Chief Executive Officer of the Company, deputy general manager of the assets management department of SIIC, a director and executive deputy general manager of Shanghai S.I. Capital Co. Ltd., director and general manager of Shanghai Industrial United Holdings Co., Ltd., general manager of the finance and planning department, assistant president and vice president of SIIC and. He has over 30 years' management experience, including over 20 years' working experience in investment banking and listed companies.

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

Mr. Zhou, aged 44, is an executive director and the executive vice president of Shanghai Industrial Investment (Holdings) Co. Ltd. ("SIIC") and a director of The Wing Fat Printing Co., Ltd. and certain other subsidiaries of the Group. Mr. Zhou graduated from Shanghai Jiaotong University with a master's degree in management science and engineering. He is a non-executive director of Semiconductor Manufacturing International Corporation. He was the deputy general manager of the investment banking head office of Shanghai Wanquo Holdings Ltd. (now Shenyin & Wanguo Securities Co., Ltd.). He joined SIIC in May 1996 and had held the positions of the chairman and general manager of Shanghai S.I. Capital Co., Ltd. He has nearly 20 years' experience in investment banking and capital markets operation.

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

Mr. Qian, aged 59, is a vice president of Shanghai Industrial Investment (Holdings) Co. Ltd. ("SIIC") and an executive director of Shanghai Industrial Urban Development Group Ltd., a director of Shanghai Urban Development (Holdings) Co., Ltd. and certain other subsidiaries of the Group. He graduated from Fudan University with a master's degree in economics and a doctorate degree in management and had taught at Fudan University. He joined SIIC in January 1998, and served as chief accountant and the general manager of the internal audit department. Currently, he is the vice chairman of Haitong Securities Co., Ltd. and an independent non-executive director of Lonking Holdings Ltd. and Zoomlion Heavy Industry (HK) Co., Ltd. He has over 20 years' experience in theory and practice of finance and accounting.

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

Mr. Zhou, aged 43, is the executive vice chairman of Asia Water Technology Ltd., an executive director of Shanghai Industrial Urban Development Group Ltd., the chairman of SIIC Management (Shanghai) Ltd., Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd., Shanghai Luqiao Development Co., Ltd., Shanghai Shen-Yu Development Co., Ltd. and a director of Shanghai Urban Development (Holdings) Co., Ltd., General Water of China Co., Ltd. and certain other subsidiaries of the Group. He graduated from Nanjing University and Fudan University with a bachelor's and a master's degree in economics (international finance), and is designated an economist. He was appointed as a Deputy CEO of the Company in December 2005 and currently is a vice president of Shanghai Industrial Investment (Holdings) Co., Ltd. ("SIIC"), the chairman of Shanghai Galaxy Investment Co., Ltd. ("Shanghai Galaxy"), and is a member of the Shanghai Municipal People's Congress. He worked for Guotai Securities Co., Ltd. (now Guotai Junan Securities Co.) before joining SIIC in April 1996. The management positions he had held within the SIIC group of companies were deputy general manager of SIIC Real Estate Holdings (Shanghai) Co., Ltd., deputy general manager of Shanghai United Industrial Co., Ltd., director and general manager of Shanghai Galaxy and general manager of the strategic investment department of SIIC. Mr. Zhou has more than 10 years' professional experience in mergers and acquisitions, securities, finance, real estate, project planning and corporate management.

Mr. QIAN Yi ***Executive Director, Deputy CEO***
(Appointed on 11 November 2009 ~ Present)

Mr. Qian, aged 58, is the chairman and the general manager of Nanyang Brothers Tobacco Co., Ltd., the chairman of The Wing Fat Printing Co., Ltd. and a director of certain other subsidiaries of the Group. He graduated from Fudan University with a bachelor's degree in enterprise management and obtained a master's degree in business administration from East China Normal University. He holds the designation of senior economist. Mr. Qian was appointed a Deputy CEO of the Company in July 2009. He served as the vice chairman and the executive president of Shanghai Sunway Biotech Co., Ltd., deputy head of Shanghai Boiler Works Ltd., deputy chief economist of Shanghai Electric (Group) Corp. and the head of Shanghai Heavy Machinery Plant. He has extensive experience in enterprise management.

Independent Non-Executive Directors

Dr. LO Ka Shui ***Independent Non-Executive Director***
(Appointed on 15 March 1996 ~ Present)

Dr. Lo, aged 65, is the Chairman and Managing Director of Great Eagle Holdings Limited and the Chairman and Non-executive Director of Eagle Asset Management (CP) Limited (Manager of the publicly listed Champion Real Estate Investment Trust). He is a Non-executive Director of The Hongkong and Shanghai Banking Corporation Limited and an Independent Non-executive Director of Phoenix Satellite Television Holdings Limited, China Mobile Limited and some other publicly listed companies in Hong Kong. He is also a Vice President of The Real Estate Developers Association of Hong Kong, a Trustee of the Hong Kong Centre for Economic Research, the Chairman of The Chamber of Hong Kong Listed Companies and a member of the Exchange Fund Advisory Committee of Hong Kong Monetary Authority. He graduated from McGill University with a Bachelor of Science Degree and from Cornell University with a Doctor of Medicine (M.D.) Degree. He was certified in Internal Medicine and Cardiology. He has more than 30 years' experience in property and hotel development and investment both in Hong Kong and overseas.

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

Prof. Woo, aged 74, is currently Senior Advisor of Shui On Holdings Limited and President Emeritus of the Hong Kong University of Science and Technology. In addition, Prof. Woo is an independent non-executive director of First Shanghai Investments Limited, Lenovo Group Limited and Trony Solar Holdings Company Limited (all listed on the Hong Kong Stock Exchange).

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

Mr. Leung, aged 57, has over 30 years of experience in corporate finance involving in capital raisings, mergers and acquisitions, corporate restructuring and reorganisation, investments and other general corporate finance advisory activities in Hong Kong and China. He is the chairman and non-executive director of Imagi International Holdings Limited and a non-executive director of Sun Hung Kai & Co. Limited. In 1980, he graduated with a master's degree in business administration from University of Toronto, Canada.

Senior Management

Mr. ZHANG Zhen Bei
Mr. Zhang, aged 57, was appointed a Deputy CEO of the Company in November 2007. He is also an assistant president of Shanghai Industrial Investment (Holdings) Co. Ltd. ("SIIC"). Being a graduate of Shanghai University, Mr. Zhang also has a master's degree in business administration and holds the designation of international business engineer (Economist). Mr. Zhang joined SIIC in 1992, and had held the positions of the personnel director and vice president of Shanghai Overseas Company, and vice president of Shanghai International Holding Corp. GMBH (Europe). He had also been appointed as section officer and deputy personnel director of Shanghai Foreign Economic Relations & Trade Commission. Mr. Zhang has more than 20 years' experience in international business and human resources management.

Mr. NI Jian Da
Mr. Ni, aged 49, was appointed a Deputy CEO of the Company in March 2008. He is also an executive director and president of Shanghai Industrial Urban Development Group Ltd., a director and president of Shanghai Urban Development (Holdings) Co., Ltd. ("Shanghai Urban Development"). He graduated from Shanghai University and La Trobe University of Australia with a master's degree in business administration. Mr. Ni was the general manager of Shanghai Xuhui Real Estate Management Co., Ltd., a deputy general manager of Shanghai Urban Development and the general manager of the real estate department of China Huayuan Group Ltd., and has more than 20 years' professional experience in the real estate, economic and management. Mr. Ni was elected member of the Shanghai Municipal People's Congress in 2003, and received the honors as one of the 25 Chinese Entrepreneurs with Most Reforming Ideas, among the Top Ten Persons of the Year Elected by the 2006 China International Real Estate and Archi-tech Fair, one of the 2007 Boao Forum Most Influential Persons in China's Real Estate Industry in 20 Years and one of the Top Ten Entrepreneurs in the Shanghai Real Estate Sector in 18 Years in 2005. He was a vice chairman of Shanghai Youth Federation and currently is the chairman of Shanghai Young Entrepreneurs Association and a vice chairman of Shanghai Real Estate Association.

Mr. YANG Jian Wei
Mr. Yang, aged 40, was appointed an Assistant CEO of the Company in October 2009. He graduated from Huazhong University of Science and Technology and Shanghai Jiaotong University with a bachelor's degree of engineering, master's degree of management engineering and doctor's degree in management, and is designed an economist. He worked for China National Nonferrous Materials Co., Ltd. and Hong Yuan Securities Co., Ltd. Mr. Yang joined SIIC in June 2004, and was assistant general manager of Shanghai Galaxy Investment Co., Ltd., assistant general manager of the board of directors' office and secretary to chairman of SIIC. He has more than 10 years' experience of financial investment, securities research, investment banking and project planning.

Mr. SHU Chang
Mr. Shu, aged 53, was appointed an Assistant CEO of the Company in December 2009. He graduated from Beijing Second Foreign Languages Institute and New York University in U.S. with a master's degree in French literature and a master's degree in economics respectively. Mr. Shu was a director of the Europe Second Division of the Chinese People's Association for Friendship with Foreign Countries, manager of JPMorgan Co., a director and president of China Brillance International E-Business Co., the chairman of Jun An Investment Holding Co., the chief of the financial department and assets operation department of Shanghai Motors Co., a director of SAIC Motor Corporation Ltd., a director and chief investment officer of JinJiang International Holdings Co., Ltd. a deputy general manager of Beijing Automobile Investment Co., Ltd. and a vice president of Shanghai Industrial Urban Development Group Ltd. He has more than 20 years' experience in corporate management and finance.

Mr. YEE Foo Hei, Jackson

Mr. Yee, aged 48, joined the Company in September 2010. He is the Company Secretary of the Company. He graduated from City Polytechnic of Hong Kong (now City University of Hong Kong) and University of Wolverhampton, UK with a professional diploma in company secretaryship and administration and a LLB degree respectively. Mr. Yee is a fellow member of the Hong Kong Institute of Chartered Secretaries, the Institute of Chartered Secretaries & Administrators and the Association of Chartered Certified Accountants. Mr. Yee has more than 20 years' practical company secretarial experience in international accountancy firm, multi-national conglomerate and large-scale PRC stated-owned enterprise.

Mr. LEUNG Lin Cheong, Roger

Mr. Leung, aged 58, joined the Company in March 1996. He is the Chief Legal and Compliance Officer of the Company and is also the general manager of the legal and compliance department of Shanghai Industrial Investment (Holdings) Co. Ltd. He is a Fellow of The Institute of Chartered Secretaries and Administrators, The Hong Kong Institute of Chartered Secretaries, The Chartered Institute of Management Accountants and the Hong Kong Institute of Certified Public Accountants and a professional member of the Hong Kong Institute of Human Resource Management. He also holds a master's degree in laws from University of London and a master's degree in business administration from Brunel University in U.K. in conjunction with Henley Management College. Prior to joining the Company, he was an executive director and group secretary of a group of Hong Kong listed companies. He has many years of management experience in legal affairs and compliance, listed corporate secretarial practice and administration.

Ms. CHAN Yat Ying, Cherie

Ms. Chan, aged 44, joined the Company in November 1996. She is the Chief Financial Officer of the Company. Ms. Chan is also a deputy general manager of the finance and planning department of Shanghai Industrial Investment (Holdings) Co. Ltd. She graduated from University of Hong Kong with a bachelor's degree in social sciences. She also holds a master's degree in financial management awarded by the University of London. Ms. Chan is a member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Chinese Institute of Certified Public Accountants. She has extensive working experience in banking and accounting professions.

Senior Management of Member Companies

Mr. LU Shen

Mr. Lu, aged 55, is the chairman of Shanghai Industrial Development Co., Ltd. ("SI Development"). He is also a vice president of Shanghai Industrial Investment (Holdings) Co. Ltd. and a director of Shanghai Pharmaceuticals Holding Co., Ltd. He graduated from Shanghai Technology University with a bachelor's degree in wireless engineering and obtained a master's degree in business administration from Shanghai Jiaotong University, and is designated a senior economist. Mr. Lu was an executive director of the Company, the chairman of Shanghai City Hotel, a director and deputy general manager of SIIC Real Estate Holdings (Shanghai) Co., Ltd., a director and general manager of Shanghai Industrial United Holdings Co., Ltd., the chairman of Shanghai Far East International Bridge Construction Co., Ltd. and the president of SI Development. He has extensive working experience in corporate management.

Mr. JI Gang
Mr. Ji, aged 54, is the vice chairman and president of Shanghai Industrial Development Co., Ltd. He graduated from Fudan University with a master's degree in economics and is designated a senior economist. Mr. Ji was the general manager of Zhongya Hotel, the chairman and general manager of Shanghai Everbright City Services Co., Ltd., an officer of the Commercial Committee and Economic Committee of the People's Government of Zhabei District, Shanghai, a vice president of Shanghai Industrial Dongtan Investment Development (Holdings) Co., Ltd., the president of Shanghai SIIC Urban Development Investment Co., Ltd. and an executive director and the president of Shanghai Industrial Investment Co. Ltd. etc. He has extensive working experience in corporate management. He has over 34 years' experience in corporate management.

Mr. XU Xiao Bing
Mr. Xu, aged 45, is a director and the general manager of SIIC Management (Shanghai) Ltd. ("SIIC Management"), a director of Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd., Shanghai Luqiao Development Co., Ltd., Shanghai Shen-Yu Development Co., Ltd., Shanghai SIIC South Pacific Hotel Co., Ltd., and United Environment Co., Ltd., and the chief representative of Shanghai Representative Office of the Company. Mr. Xu graduated from Peking University with a master degree in business administration. He was an investment and financial analyst of Beijing Jingfang Investment Management & Consultant Co., Ltd. under the Beijing Capital Group, and the deputy head of the investment planning department, the head of the enterprise management department and the deputy general manager of SIIC Management. He has over 10 years' experience in corporate management and investment planning.

Mr. DAI Wei Wei
Mr. Dai, aged 43, is a director and the general manager of Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd. and Shanghai Shen-Yu Development Co., Ltd. as well as a director of Shanghai Luqiao Development Co., Ltd. Mr. Dai graduated from Shanghai Tongji University and Fudan University and obtained a bachelor's degree in engineering and a master's degree in business administration respectively. He worked in Shanghai Mass Transit Railway Corporation, Shanghai Municipal Engineering Administration, Shanghai Jiajin Highway Development Co., Ltd. and SIIC Management (Shanghai) Ltd. He has over 10 years' experience in the construction and management of infrastructure.

Ms. ZHOU Ya Dong
Ms. Zhou, aged 40, is a director and the general manager of Shanghai Luqiao Development Co., Ltd., a director of Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd. ("HuNing Expressway") and Shanghai Shen-Yu Development Co., Ltd. Ms. Zhou graduated from East China Normal University majored in international finance, and obtained a master's degree in professional accountancy from The Chinese University of Hong Kong. Ms. Zhou is a non-practising member of the Chinese Institute of Certified Public Accountants. She was the deputy head of investment department of SIIC Management (Shanghai) Ltd., a director of Zhejiang Jinhua Yongjin Expressway Co., Ltd. and a director and the deputy general manager of Hu-Ning Expressway. She has many years' experience in investment planning and expressway management.

Mr. FENG JUN
Mr. Feng, aged 48, is an executive director of Asia Water Technology Ltd. and a deputy general manager of SIIC Management (Shanghai) Ltd. He graduated from Wuhan University School of Management, Enterprise Management and obtained a master's degree in economics. Mr. Fung was a deputy manager of Shanghai International Trust Company, a director and vice president of Shanghai Industrial Investment Co. Ltd., and a director and deputy general manager of The Tien Chu (Hong Kong) Co. Ltd. He has over 23 years' experience in capital markets operation.

Ms. LIU Yu Jie

Ms. Liu, aged 48, is an executive director of Asia Water Technology Ltd. ("Asia Water"). Prior joining Asia Water, she was the general manager of the Capital Operation Department of General Water of China Ltd. and the general manager of 元水科技(北京)有限公司. She graduated from University of International Business and Economic in Beijing and obtained a master's degree in business administration. Ms. Liu has been working in Hong Kong, Singapore and the PRC for over 20 years in total and is familiar with the business environment and regulatory system of the three places. She has comprehensive experience in capital market, business promotion and corporate management: participated in IPO and underwriting of over 30 companies on the Hong Kong stock exchange; led and completed merger and acquisition of 3 companies in Hong Kong and Singapore; assisted capital raising and management of large-scale industrial fund for investment in China; acted as executive directors of listed companies in Hong Kong and Singapore which engage in utilities and infrastructure investment. She is a board member of six environmental and resources companies.

Mr. YANG Zhang Min

Mr. Yang, aged 49, is an executive director of Asia Water Technology Ltd. and a director and general manager of United Environment Co., Ltd. Mr. Yang graduated from Tongji University with a bachelor's degree in environmental engineering and the Economic and Management College of Qinghua University with a master's degree in EMBA. He was the general manager of Shenzhen Longgang Baolong Industrial Co. and the chairman and general manager of Shenzhen Longgang Guotong Industrial Co., Ltd. He was the founder of United Environment Co. in the year 2003 and had been the chairman and general manager for years. He has over 20 years' experience in operation and management of water and environmental protection investment as well as project and administrative management.

Mr. YANG Yun Zhong

Mr. Yang, aged 57, is a director and the general manager of Shanghai Feng Mao Properties Ltd. and Shanghai Feng Qi Properties Ltd. Mr. Yang graduated from Macau University of Science and Technology with a master's degree, and is designated an senior economist. He had held the positions of the Deputy Director and the Director of the Shanghai Administration of Grain (Huang Pu District), officer of Huang Pu Housing Construction Office, the chairman of Shanghai Jin Wai Tan Group, the chairman of SIIC Real Estate Holdings (Shanghai) Co., Ltd., a director and vice president of SIIC Shanghai Holdings Co., Ltd. and Shanghai Industrial Development Co., Ltd. He has many years of experience in enterprise management

Mr. ZUO Min

Mr. Zuo, aged 50, is the vice chairman and chief executive officer of The Wing Fat Printing Co., Ltd. He graduated from West China University of Medical Science with a bachelor's degree, and obtained a master's degree in management from Fudan University. Mr. Zuo holds the designation of senior economist. He was the chairman and general manager of Nine Stars Printing and Packaging Co., Ltd., the vice general manager of 999 Group and the vice president of China Resources Medications Group Ltd. He has over 20 years' experience in the printing and packaging industry.

Mr. JIN Guo Ming

Mr. Jin, aged 51, is a director and the general manager of The Wing Fat Printing Co., Ltd. He is the chairman of Chengdu Wingfat Printing Co., Ltd. and Zhejiang Rongfeng Paper Co., Ltd. and He graduated from Zhejiang Institute of Metallurgy Economic and obtained a master's degree in business management from South Australia University. He holds the designation of international business engineer. Mr. Jin has over 30 years of experience in the printing and packaging industry.

DIRECTORS' REPORT

The Directors have pleasure in presenting their report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2011.

Principal Activities

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

Principal Subsidiaries, Jointly Controlled Entities and Associates

Details of the principal subsidiaries, jointly controlled entities and associates as at 31 December 2011 are set out in notes 54, 55 and 56 to the consolidated financial statements respectively.

Results and Appropriations

The results of the Group for the year ended 31 December 2011 are set out in the consolidated income statement on page 67 of this Annual Report.

An interim dividend of HK50 cents per share amounting to HK$539,892,500 was paid to the shareholders during the year. The Directors recommend the payment of a final dividend of HK58 cents per share to the shareholders whose names appear on the register of members of the Company on 1 June 2012.

Financial Summary

A summary of the financial information of the Group for the year ended 31 December 2011 and the previous four years is set out on page 192 of this Annual Report.

Share Capital

Details of the share capital of the Company are set out in note 41 to the consolidated financial statements.

Reserves

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and in note 43 to the consolidated financial statements respectively.

Investment Properties

As at 31 December 2011, the investment properties of the Group were revalued by independent property valuers with reference to market evidence of transaction prices of similar properties in similar locations and conditions, or on the basis of net rental income capitalization where appropriate, at approximately HK$9,472 million. Details are set out in note 17 to the consolidated financial statements.

Particulars of the Group's major properties held for investment purposes as at 31 December 2011 are set out on pages 193 and 194 of this Annual Report.

Property, Plant and Equipment

Details of movements during the year in the property, plant and equipment of the Group and the Company are set out in note 18 to the consolidated financial statements.

Directors

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

Executive Directors

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

Independent Non-Executive Directors

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

The biographical details of the Directors are set out on pages 50 to 52 of this Annual Report. Details of Directors' emoluments are set out in note 14 to the consolidated financial statements.

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

Directors' Service Contracts

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

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

Changes in Directors' information since the date of the interim report 2011 up to the date of this report are set out below:

- Mr. Lu Ming Fang was no longer the chairman of Shanghai Pharmaceuticals Holding Co., Ltd. effective from 29 March 2012.
- Mr. Zhou Jie was no longer the chairman of the supervisory committee of Shanghai Pharmaceuticals Holding Co., Ltd. effective from 29 March 2012.
- Mr. Zhou Jun was re-designated as the executive deputy chairman of Asia Water on 5 March 2012.
- Dr. Lo Ka Shui was appointed as a member of the Exchange Fund Advisory Committee of Hong Kong Monetary Authority on 1 February 2012.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

At 31 December 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 maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

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

Name of Director	Capacity	Nature of interests	Number of issued ordinary shares held	Number of outstanding share options	Total	Approximate percentage of the issued share capital
Teng Yi Long	Beneficial owner	Personal	–	2,160,000	2,160,000	0.20%
Cai Yu Tian	Beneficial owner	Personal	722,000	1,800,000	2,522,000	0.23%
Lu Ming Fang	Beneficial owner	Personal	586,000	1,350,000	1,936,000	0.18%
Zhou Jie	Beneficial owner	Personal	333,000	1,530,000	1,863,000	0.17%
Qian Shi Zheng	Beneficial owner	Personal	679,000	1,350,000	2,029,000	0.19%
Zhou Jun	Beneficial owner	Personal	195,000	1,350,000	1,545,000	0.14%
Qian Yi	Beneficial owner	Personal	–	1,350,000	1,350,000	0.13%
Lo Ka Shui	Beneficial owner	Personal	966,560	216,000	1,182,560	0.11%
Woo Chia-Wei	Beneficial owner	Personal	–	216,000	216,000	0.02%
Leung Pak To, Francis	Beneficial owner	Personal	–	216,000	216,000	0.02%

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 share options	Approximate percentage of the issued share capital
Cai Yu Tian	Beneficial owner	Personal	9,000,000	0.19%
Qian Shi Zheng	Beneficial owner	Personal	7,000,000	0.15%
Zhou Jun	Beneficial owner	Personal	7,000,000	0.15%

All interests stated above represented long positions.

Shanghai Pharmaceuticals

Name of Director	Class of shares	Capacity	Nature of interests	Number of outstanding shares held	Approximate percentage of respective class of issued share capital
Lu Ming Fang	A share	Beneficial owner	Personal	37,674	0.001%
Lo Ka Shui	H share	Founder of a discretionary trust	Other	3,600,000	0.47%

All interests stated above represented long positions.

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 31 December 2011.

Share Options

Particulars of the share option schemes adopted by the Group are set out in note 42 to the consolidated financial statements.

(I) SIHL Scheme

The SIHL Scheme shall be valid and effective for a period of 10 years commencing the date of adoption of the scheme. During the year, 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	Granted during the year	Cancelled during the year	Outstanding at 31.12.2011
Category 1: Directors						
Teng Yi Long	2.11.2010	36.60	1,200,000	–	–	1,200,000
	20.9.2011	22.71	–	960,000	–	960,000
Cai Yu Tian	2.11.2010	36.60	1,000,000	–	–	1,000,000
	20.9.2011	22.71	–	800,000	–	800,000
Lu Ming Fang	2.11.2010	36.60	750,000	–	–	750,000
	20.9.2011	22.71	–	600,000	–	600,000
Zhou Jie	2.11.2010	36.60	850,000	–	–	850,000
	20.9.2011	22.71	–	680,000	–	680,000
Qian Shi Zheng	2.11.2010	36.60	750,000	–	–	750,000
	20.9.2011	22.71	–	600,000	–	600,000
Zhou Jun	2.11.2010	36.60	750,000	–	–	750,000
	20.9.2011	22.71	–	600,000	–	600,000
Qian Yi	2.11.2010	36.60	750,000	–	–	750,000
	20.9.2011	22.71	–	600,000	–	600,000
Lo Ka Shui	2.11.2010	36.60	120,000	–	–	120,000
	20.9.2011	22.71	–	96,000	–	96,000
Woo Chia-Wei	2.11.2010	36.60	120,000	–	–	120,000
	20.9.2011	22.71	–	96,000	–	96,000
Leung Pak To, Francis	2.11.2010	36.60	120,000	–	–	120,000
	20.9.2011	22.71	–	96,000	–	96,000
Total			6,410,000	5,128,000	–	11,538,000
Category 2: Employees						
	2.11.2010	36.60	13,220,000	–	(530,000)	12,690,000
	20.9.2011	22.71	–	12,600,000	–	12,600,000
Total			13,220,000	12,600,000	(530,000)	25,290,000
Category 3: Others						
	2.11.2010	36.60	6,250,000	–	–	6,250,000
	20.9.2011	22.71	–	2,872,000	–	2,872,000
Total			6,250,000	2,872,000	–	9,122,000
Total for all categories			25,880,000	20,600,000	(530,000)	45,950,000

Share options granted in November 2010 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)

Share options granted in September 2011 are exercisable during the period from 21 September 2011 to 20 September 2016 in three batches, being:

- 21 September 2011 to 20 September 2012 (up to 40% of the share options granted are exercisable)
- 21 September 2012 to 20 September 2013 (up to 70% of the share options granted are exercisable)
- 21 September 2013 to 20 September 2016 (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 year, 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 year	Outstanding at 31.12.2011
Category 1: Directors of SI Urban Development, who are also Directors of the Company					
Cai Yu Tian	24.09.2010	2.98	9,000,000	–	9,000,000
Qian Shi Zheng	24.09.2010	2.98	7,000,000	–	7,000,000
Zhou Jun	24.09.2010	2.98	7,000,000	–	7,000,000
Total			23,000,000	–	23,000,000
Category 2: Other directors of SI Urban Development					
	24.09.2010	2.98	33,000,000	–	33,000,000
Category 3: Employees of SI Urban Development					
	24.09.2010	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 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)

(III) Asia Water Scheme

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

	Date of grant	Exercise price per share S$	Number of shares issuable under the share options Outstanding at 1.1.2011	Cancelled during the period	Outstanding at 31.12.2011
Category 1: Directors of Asia Water					
	14.08.2007	0.09 (Note)	–	–	–
Category 2: Employees of Asia Water					
	14.08.2007	0.09 (Note)	19,356,083 (Note)	(2,318,616)	17,037,467
Total for all categories			19,356,083 (Note)	(2,318,616)	17,037,467

Note: Pursuant to adjustments made in accordance with the terms of the existing Asia Water Scheme, the aggregate number of the outstanding options and the exercise price has been adjusted in 2010.

Share options granted are exercisable from 14 August 2008 to 13 August 2012.

Arrangements to Purchase Shares or Debentures of the Company

Save as disclosed under the section of Share Options above, at no time during the year was the Company, 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.

Directors' Interests in Contracts of Significance

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

Substantial Shareholders

As at 31 December 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	Name of issued ordinary shares beneficially held	Approximate percentage of the issued share capital
SIIC	Interests held by controlled corporations	Corporate	612,624,748 (Note 1)	56.74%

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, 48,068,377 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) 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 31 December 2011.

Connected Transactions

Details of the connected transactions and continuing connected transactions for the year are set out in note 51 to the consolidated financial statements. Save as disclosed therein, there were no other connected transactions and continuing connected transactions other than those exempt from the reporting, announcement and independent shareholders' approval requirements, which need to be disclosed as connected transactions in accordance with the requirements of Appendix 16 to the Listing Rules.

The Independent Non-Executive Directors have reviewed the continuing connected transactions set out in note 51(I) to the consolidated financial statements and in their opinion, those transactions were entered into by the Group:

(i) in the ordinary course of business of the Group;
(ii) on normal commercial terms or terms no less favourable to the Group than terms available to or from independent third parties; and
(iii) in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Related Party Transactions

Details of the related party transactions for the year are set out in note 51(II) to the consolidated financial statements.

Major Customers and Suppliers

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

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

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

Donations

During the year, the Group made charitable and other donations amounting to HK$5,284,000.

Retirement Benefits Schemes

Details of the Group's retirement benefits schemes are set out in note 50 to the consolidated financial statements.

Events after the Reporting Period

There were no significant events occurring after the reporting period.

Sufficiency of Public Float

As at the date of this Annual Report, based on publicly available information and within the knowledge of the Directors of the Company, 43.26% of the issued share capital of the Company is held by the public.

The Company has maintained a sufficient public float throughout the year ended 31 December 2011.

Corporate Governance

The corporate governance principles and practices adopted by the Company are set out in the Corporate Governance Report on pages 33 to 49 of this Annual Report.

Auditor

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

On behalf of the Board

Teng Yi Long
Chairman

Hong Kong, 30 March 2012

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

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

We have audited the consolidated financial statements of Shanghai Industrial Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 67 to 191, which comprise the consolidated and Company statements of financial position as at 31 December 2011, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 March 2012

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000 (restated)
Continuing operations			
Revenue	6	14,969,132	14,435,231
Cost of sales		(9,660,357)	(9,993,473)
Gross profit		5,308,775	4,441,758
Net investment income	7	448,652	756,023
Other income		1,035,509	1,618,540
Selling and distribution costs		(882,100)	(919,645)
Administrative and other expenses		(1,569,589)	(1,509,714)
Finance costs	8	(1,078,804)	(541,440)
Share of results of jointly controlled entities		19,960	383,952
Share of results of associates		36,587	45,392
Gain from bargain purchase of interests in subsidiaries	44	73,671	361,060
Gain on disposal of interests in subsidiaries holding property interests	45	1,261,588	–
Net gain on disposal of interests in other subsidiaries, jointly controlled entities and associates	9	1,773,231	136,137
Impairment loss on available-for-sale investments	10	(110,474)	(284,224)
Profit before taxation		6,317,006	4,487,839
Income tax expense	11	(2,037,463)	(865,784)
Profit for the year from continuing operations		4,279,543	3,622,055
Discontinued operations			
Profit for the year from discontinued operations	12	–	3,269,339
Profit for the year	13	4,279,543	6,891,394
Profit for the year attributable to			
– Owners of the Company		4,088,468	6,205,034
– Non-controlling interests		191,075	686,360
		4,279,543	6,891,394

		HK$	HK$ (restated)
Earnings per share	16		
For continuing and discontinued operations			
– Basic		3.79	5.75
– Diluted		3.79	5.75
For continuing operations			
– Basic		3.79	2.76
– Diluted		3.79	2.76

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000 (restated)
Profit for the year	4,279,543	6,891,394
Other comprehensive income		
Exchange differences arising on translation of foreign operations		
– subsidiaries	885,321	1,724,949
– jointly controlled entities	78,373	44,785
– associates	54,986	33,324
Fair value adjustment on available-for-sale investments		
– subsidiaries	(130,387)	(57,792)
– an associate	–	69,965
Impairment loss on available-for-sale investments	110,474	194,524
Fair value gain on hedging instruments in cash flow hedges	2,458	4,301
Reclassification of hedging reserve upon termination of hedging relationship	8,254	–
Reclassification of other comprehensive income upon disposals/ deemed partial disposal of		
– interests in subsidiaries/the disposal group held for sale	(348,023)	(344,668)
– interests in jointly controlled entities	(22,855)	–
Other comprehensive income for the year	638,601	1,669,388
Total comprehensive income for the year	4,918,144	8,560,782
Total comprehensive income attributable to:		
– Owners of the Company	4,370,978	7,040,172
– Non-controlling interests	547,166	1,520,610
	4,918,144	8,560,782

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	NOTES	31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)	1.1.2010 HK$'000 (restated)
Non-Current Assets				
Investment properties	17	9,472,442	8,283,343	5,104,113
Property, plant and equipment	18	3,190,652	3,003,956	4,668,003
Prepaid lease payments – non-current portion	19	131,557	386,496	339,689
Toll road operating rights	20	14,388,904	14,289,125	12,858,011
Other intangible assets	21	1,157,760	560,922	120,222
Goodwill		–	–	19,453
Interests in jointly controlled entities	23	1,741,484	1,204,498	1,230,312
Interests in associates	24	2,062,822	585,335	299,154
Investments	26	625,486	3,318,483	3,416,866
Receivables under service concession arrangements – non-current portion	27	2,073,464	897,284	–
Consideration receivables	28	582,384	–	–
Deposits paid on acquisition of property, plant and equipment	29	18,030	55,092	149,111
Restricted bank deposits	30	86,446	76,476	73,376
Deferred tax assets	31	288,210	153,346	97,434
		35,819,641	32,814,356	28,375,744
Current Assets				
Inventories	32	54,176,104	50,238,521	25,851,703
Trade and other receivables	33	4,649,865	4,009,727	4,145,299
Prepaid lease payments – current portion	19	4,566	13,737	11,896
Investments	26	856,311	144,710	158,759
Receivables under service concession arrangements – current portion	27	67,536	224,821	–
Amounts due from customers for contract work	34	38,298	–	–
Prepaid taxation		475,258	542,971	83,486
Pledged bank deposits	35	333,594	108,862	911,828
Short-term bank deposits	35	1,402,294	3,060,563	262,234
Bank balances and cash	35	16,529,835	14,271,809	11,271,480
		78,533,661	72,615,721	42,696,685
Assets classified as held for sale	12	1,461,315	4,015,959	7,415,922
		79,994,976	76,631,680	50,112,607
Current Liabilities				
Trade and other payables	36	12,356,913	19,450,097	18,724,144
Customer deposits from sales of properties	37	12,991,344	12,819,794	3,847,747
Amounts due to customers for contract work	34	64,058	–	–
Convertible notes	38	–	2,607	–
Derivative financial instrument – warrants	39	3	16,600	–
Taxation payable		3,393,521	2,974,506	1,182,553
Bank and other borrowings	40	14,929,558	11,556,425	4,693,652
		43,735,397	46,820,029	28,448,096
Liabilities associated with assets classified as held for sale	12	–	2,836,229	1,922,716
		43,735,397	49,656,258	30,370,812
Net Current Assets		36,259,579	26,975,422	19,741,795
Total Assets less Current Liabilities		72,079,220	59,789,778	48,117,539

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	NOTES	31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)	1.1.2010 HK$'000 (restated)
Capital and Reserves				
Share capital	41	107,979	107,979	107,977
Share premium and reserves		30,703,365	25,451,505	19,625,469
Equity attributable to owners of the Company		30,811,344	25,559,484	19,733,446
Non-controlling interests		15,848,980	13,241,252	9,823,109
Total Equity		46,660,324	38,800,736	29,556,555
Non-Current Liabilities				
Provision for major overhauls	27	74,047	74,579	–
Senior notes	39	3,042,928	3,071,744	–
Bank and other borrowings	40	17,942,347	13,866,442	15,962,818
Deferred tax liabilities	31	4,359,574	3,976,277	2,598,166
		25,418,896	20,989,042	18,560,984
Total Equity and Non-Current Liabilities		72,079,220	59,789,778	48,117,539

The consolidated financial statements on pages 67 to 191 were approved and authorised for issue by the board of directors on 30 March 2012 and are signed on its behalf by:

Cai Yu Tian
Chief Executive Officer

Qian Shi Zheng
Deputy CEO

STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	NOTES	31.12.2011 HK$'000	31.12.2010 HK$'000
Non-Current Assets			
Property, plant and equipment	18	3,397	4,571
Investments in subsidiaries	22	556,477	5,288,857
Investment in a jointly controlled entity	23	–	–
Amount due from a subsidiary	25	1,232,742	350,000
Investments	26	99,697	–
		1,892,313	5,643,428
Current Assets			
Deposits, prepayments and other receivables		394,348	9,058
Amounts due from subsidiaries	25	24,038,382	21,443,049
Short-term bank deposits	35	866,639	–
Bank balances and cash	35	3,446,760	2,428,407
		28,746,129	23,880,514
Current Liabilities			
Other payables and accrued charges		68,561	31,109
Amounts due to subsidiaries	25	3,604,354	4,096,987
Taxation payable		192,155	–
Bank borrowings	40	430,392	–
		4,295,462	4,128,096
Net Current Assets		24,450,667	19,752,418
Total Assets less Current Liabilities		26,342,980	25,395,846
Capital and Reserves			
Share capital	41	107,979	107,979
Share premium and reserves	43	25,002,259	25,287,867
Total Equity		25,110,238	25,395,846
Non-Current Liability			
Bank borrowings	40	1,232,742	–
Total Equity and Non-Current Liability		26,342,980	25,395,846

Cai Yu Tian
Chief Executive Officer

Qian Shi Zheng
Deputy CEO

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 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 (notes ii & iii)	Merger reserve HK$'000 (note iv)	Hedging reserve HK$'000	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Statutory reserves HK$'000 (note v)	Retained profits HK$'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 1 January 2010, as originally stated	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
Effect of inclusion of SI Development Group (note 2)	–	–	–	–	17,364	(94,963)	(5,240,028)	–	–	200,477	171,999	(222,653)	(5,167,804)	–	–	627,003	627,003	(4,540,801)
At 1 January 2010, as restated	107,977	13,344,886	4,091	1,071	31,032	(92,019)	(6,776,808)	(15,013)	(36,528)	2,003,181	649,083	10,512,493	19,733,446	–	–	9,823,109	9,823,109	29,556,555
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	6,205,034	6,205,034	–	–	686,360	686,360	6,891,394
Exchange differences arising on translation of foreign operations																		
– subsidiaries	–	–	–	–	–	–	–	–	–	893,004	–	–	893,004	–	–	831,945	831,945	1,724,949
– jointly controlled entities	–	–	–	–	–	–	–	–	–	44,785	–	–	44,785	–	–	–	–	44,785
– associates	–	–	–	–	–	–	–	–	–	33,324	–	–	33,324	–	–	–	–	33,324
Fair value adjustment on available-for-sale investments																		
– subsidiaries	–	–	–	–	–	–	–	–	(57,792)	–	–	–	(57,792)	–	–	–	–	(57,792)
– an associate	–	–	–	–	–	–	–	–	69,965	–	–	–	69,965	–	–	–	–	69,965
Impairment loss on available-for-sale investments	–	–	–	–	–	–	–	–	194,524	–	–	–	194,524	–	–	–	–	194,524
Fair value gain on hedging instruments in cash flow hedges	–	–	–	–	–	–	–	4,301	–	–	–	–	4,301	–	–	–	–	4,301
Reclassified on disposal of the disposal group held for sale	–	–	–	–	–	–	–	–	(80,212)	(259,549)	–	–	(339,761)	–	–	2,305	2,305	(337,456)
Reclassified on disposal of interest in a subsidiary	–	–	–	–	–	–	–	–	–	(7,212)	–	–	(7,212)	–	–	–	–	(7,212)
Total comprehensive income for the year	–	–	–	–	–	–	–	4,301	126,485	704,352	–	6,205,034	7,040,172	–	–	1,520,610	1,520,610	8,560,782
Recognition of equity-settled share-based payments	–	–	44,441	–	–	–	–	–	–	–	–	–	44,441	–	63,743	–	63,743	108,184
Issue of shares upon exercise of share options	2	730	–	–	–	–	–	–	–	–	–	–	732	–	–	–	–	732
Release of share options reserve on exercise of share options	–	100	(100)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Expenses incurred in connection with the issue of new shares	–	(1)	–	–	–	–	–	–	–	–	–	–	(1)	–	–	–	–	(1)
Transfers	–	–	–	–	–	–	–	–	–	–	61,586	(61,586)	–	–	–	–	–	–
Capital contributions by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	205,390	205,390	205,390
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(127,059)	(127,059)	(127,059)
Acquisition of subsidiaries under common control	–	–	–	–	–	–	(156,988)	–	–	–	–	–	(156,988)	–	–	–	–	(156,988)
Acquisition of SI Urban Development (note 44)	–	–	–	–	–	–	–	–	–	–	–	–	–	2,580	227,080	4,388,075	4,617,735	4,617,735
Acquisition of United Environment (note 44)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	350,386	350,386	350,386
Acquisition of 青島瑞歐 (note 44)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	388,386	388,386	388,386
Acquisition of additional interest in a subsidiary	–	–	–	–	–	262	–	–	–	–	–	–	262	–	–	(414,564)	(414,564)	(414,302)
Disposal of the disposal group held for sale (note 12)	–	–	(4,091)	–	–	–	14,255	–	–	–	(157,302)	156,616	9,478	–	–	(2,995,913)	(2,995,913)	(2,986,435)
Disposal of subsidiaries (note 45)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(87,187)	(87,187)	(87,187)
Transfer to retained profits upon redemption of convertible notes of a listed subsidiary	–	–	–	–	–	–	–	–	–	–	–	1,153	1,153	(2,560)	–	1,407	(1,153)	–
Transfer to retained profits upon cancellation of share options of a listed subsidiary	–	–	–	–	–	–	–	–	–	–	–	102,231	102,231	–	(227,080)	124,849	(102,231)	–
Dividends paid (note 15)	–	–	–	–	–	–	–	–	–	–	–	(1,187,742)	(1,187,742)	–	–	–	–	(1,187,742)
Dividends paid to SIIC Shanghai by SI Development (note 15)	–	–	–	–	–	–	–	–	–	–	–	(27,700)	(27,700)	–	–	–	–	(27,700)
At 31 December 2010, as restated	107,979	13,345,715	44,341	1,071	31,032	(91,757)	(6,919,541)	(10,712)	89,957	2,707,533	553,367	15,700,499	25,559,484	20	63,743	13,177,489	13,241,252	38,800,736

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 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 (notes ii & iii)	Merger reserve HK$'000 (note iv)	Hedging reserve HK$'000	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Statutory reserves HK$'000 (note v)	Retained profits HK$'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 1 January 2011, as restated	107,979	13,345,715	44,341	1,071	31,032	(91,757)	(6,919,541)	(10,712)	89,957	2,707,533	553,367	15,700,499	25,559,484	20	63,743	13,177,489	13,241,252	38,800,736
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	4,088,468	4,088,468	–	–	191,075	191,075	4,279,543
Exchange differences arising on translation of foreign operations																		
– subsidiaries	–	–	–	–	–	–	–	–	–	529,230	–	–	529,230	–	–	356,091	356,091	885,321
– jointly controlled entities	–	–	–	–	–	–	–	–	–	78,373	–	–	78,373	–	–	–	–	78,373
– associates	–	–	–	–	–	–	–	–	–	54,986	–	–	54,986	–	–	–	–	54,986
Fair value adjustment on available-for-sale investments of subsidiaries	–	–	–	–	–	–	–	–	(130,387)	–	–	–	(130,387)	–	–	–	–	(130,387)
Impairment loss on available-for-sale investments	–	–	–	–	–	–	–	–	110,474	–	–	–	110,474	–	–	–	–	110,474
Fair value gain on hedging instruments in cash flow hedges	–	–	–	–	–	–	–	2,458	–	–	–	–	2,458	–	–	–	–	2,458
Reclassification to profit or loss	–	–	–	–	–	–	–	8,254	–	–	–	–	8,254	–	–	–	–	8,254
Reclassified on disposal of the disposal group held for sale	–	–	–	–	–	–	–	–	–	(65,130)	–	–	(65,130)	–	–	–	–	(65,130)
Reclassified on disposal of interests in subsidiaries	–	–	–	–	–	–	–	–	–	(282,893)	–	–	(282,893)	–	–	–	–	(282,893)
Reclassified on disposal of a jointly controlled entity	–	–	–	–	–	–	–	–	–	(13,336)	–	–	(13,336)	–	–	–	–	(13,336)
Reclassified on deemed disposal of a jointly controlled entity	–	–	–	–	–	–	–	–	–	(9,519)	–	–	(9,519)	–	–	–	–	(9,519)
Total comprehensive income for the year	–	–	–	–	–	–	–	10,712	(19,913)	291,711	–	4,088,468	4,370,978	–	–	547,166	547,166	4,918,144
Recognition of equity-settled share-based payments	–	–	79,047	–	–	–	–	–	–	–	–	–	79,047	–	40,998	–	40,998	120,045
Transfers	–	–	–	–	–	–	–	–	–	–	126,782	(126,782)	–	–	–	–	–	–
Capital contributions by non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	379,198	379,198	379,198
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(552,220)	(552,220)	(552,220)
Acquisition of Asia Water (note 44)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	15,323	503,860	519,183	519,183
Acquisition of other subsidiaries (note 44)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	40,348	40,348	40,348
Acquisition of additional interests in subsidiaries	–	–	–	–	–	(14,406)	–	–	–	–	–	–	(14,406)	–	–	(74,990)	(74,990)	(89,396)
Acquisition of a jointly controlled entity from SIIC	–	–	–	–	–	(9,384)	–	–	–	–	–	–	(9,384)	–	–	–	–	(9,384)
Disposal of the disposal group held for sale (note 12)	–	–	–	–	2,100	–	–	–	–	–	(4,364)	4,364	2,100	–	–	(150,385)	(150,385)	(148,285)
Disposal of subsidiaries (note 45)	–	–	–	–	38,167	(18,645)	1,025,771	–	–	–	–	(1,025,771)	19,522	–	–	(424,931)	(424,931)	(405,409)
Deemed disposal of interests in subsidiaries	–	–	–	–	–	1,042,088	–	–	–	–	–	–	1,042,088	–	–	3,211,444	3,211,444	4,253,532
Reorganisation of real estate business (note iii(a))	–	–	–	–	–	1,061,274	–	–	–	(41,798)	–	–	1,019,476	–	–	(1,019,476)	(1,019,476)	–
Reorganisation of water-related business (note iii(b))	–	–	–	–	–	(97,846)	–	–	–	–	–	–	(97,846)	–	–	97,846	97,846	–
Transfer to retained profits upon redemption of convertible notes of a listed subsidiary	–	–	–	–	–	–	–	–	–	–	–	9	9	(20)	–	11	(9)	–
Transfer to retained profits upon cancellation of share options of a listed subsidiary	–	–	–	–	–	–	–	–	–	–	–	6,444	6,444	–	(11,720)	5,276	(6,444)	–
Dividends paid (note 15)	–	–	–	–	–	–	–	–	–	–	–	(1,166,168)	(1,166,168)	–	–	–	–	(1,166,168)
At 31 December 2011	107,979	13,345,715	123,388	1,071	71,299	1,871,324	(5,893,770)	–	70,044	2,957,446	675,785	17,481,063	30,811,344	–	108,344	15,740,636	15,848,980	46,660,324

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

notes:

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

(ii) Other reserve as at 1 January 2010 included an amount of HK$2,944,000 which 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 an associate, 上海星河數碼投資有限公司 ("Shanghai Galaxy"), and the net assets of this company.

During the year ended 31 December 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 approximate the corresponding fair value.

(iii) The Group accounts for changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over those subsidiaries as equity transactions and recognises 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. During the year ended 31 December 2011, the Group completed the reorganisation of its real estate business and water-related business, which are also accounted for as equity transactions, as follows:

a) On 23 November 2011, the Company completed the sale of the entire issued share capital of Silvery Champ Limited ("Silvery Champ") and the shareholder's loan of approximately HK$4,987.4 million owing by Silvery Champ to Shanghai Industrial Urban Development Group Limited ("SI Urban Development"), which is controlled and 45.02% owned by the Company. Silvery Champ indirectly owns 59% equity interest in Shanghai Urban Development (Holdings) Company Limited ("Shanghai Urban Development"). The aggregate consideration of the above transactions was approximately HK$5,640.5 million.

On the same day, the Company also completed the assignment of a dividend receivable from Shanghai Urban Development of RMB395 million (equivalent to approximately HK$469.6 million) to SI Urban Development.

As consideration, 2,182,191,000 shares were allotted and issued by SI Urban Development at an issue price of HK$2.8 per share to Novel Good Limited, a wholly owned subsidiary of the Company. Upon completion, Shanghai Urban Development became a 59% owned subsidiary of SI Urban Development and the Group's shareholding in SI Urban Development increased from 45.02% to 69.95%.

The above transactions resulted in a decrease in the carrying amount of non-controlling interests by HK$1,019,476,000.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

notes: (continued)

(iii) (continued)

b) On 28 December 2011, the Company completed the sale of its entire 60.4% equity interest in 聯合潤通水務股份有限公司 (United Environment Co., Ltd.) ("United Environment") to Asia Water Technology Limited ("Asia Water"), a 52.86% owned listed subsidiary of the Company. United Environment, Asia Water and their subsidiaries are principally engaged in the business of sewage treatment and water supply in the PRC. The consideration of the transaction amounted to RMB483,200,000 (equivalent to HK$596,543,000), which was satisfied partly in cash of RMB217,440,000 (equivalent to HK$268,444,000) and the balance by way of allotment and issuance of 827,082,375 new shares of Asia Water at an issue price of S$0.064 per share. Upon completion, United Environment became a 60.4% owned subsidiary of Asia Water.

On the same day, Asia Water further acquired 15.1% equity interest in United Environment from certain independent third parties at a consideration of RMB120,800,000 (equivalent to HK$149,136,000), which was satisfied by way of allotment and issuance by Asia Water of 375,951,078 new shares at an issue price of S$0.064 per share. Asia Water's shareholding in United Environment then increased from 60.4% to 75.5% and the Group's shareholding in Asia Water ultimately increased from 52.86% to 55.23%.

The above transactions resulted in an increase in the carrying amount of non-controlling interests by HK$97,846,000.

(iv) 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 acquired subsidiaries.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000 (restated)
OPERATING ACTIVITIES			
Profit for the year		4,279,543	6,891,394
Income tax expense from continuing operations		2,037,463	865,784
Income tax expense from discontinued operations		–	13,007
		6,317,006	7,770,185
Adjustments for:			
Amortisation of other intangible assets		25,757	4,813
Amortisation of toll road operating rights		532,601	469,680
Change in fair value of a financial asset designated as at FVTPL		(144,506)	(428,176)
Change in fair value of Warrants 2012	39	(16,597)	(15,700)
Depreciation of property, plant and equipment		269,889	320,470
Dividend income from listed equity investments		(9,443)	(5,282)
Equity-settled share-based payment expense		120,045	108,184
Fair value gain on transfer of properties held for sale to investment properties		(152,212)	–
Finance costs		1,078,804	542,388
Gain from bargain purchase of interests in subsidiaries	44	(73,671)	(361,060)
Gain on disposal from discontinued operations	12	–	(3,198,489)
Gain on disposal of available-for-sale investments		(3,273)	(19,290)
Gain on disposal of held-to-maturity investments		–	(3,654)
Gain on disposal of interests in subsidiaries holding property interests	45	(1,261,588)	–
Impairment loss on available-for-sale investments		110,474	284,224
Impairment loss on bad and doubtful debts		65,514	20,324
Impairment loss on goodwill relating to a subsidiary		–	5,730
Impairment loss on interests in associates		–	57,434
Impairment loss on other intangible assets		8,285	–
Impairment loss on properties held for sale		57,742	–
Impairment loss on property, plant and equipment		–	4,056
(Increase) decrease in fair value of investment properties		(453,791)	15,714
Interest income		(331,375)	(246,033)
Loss on disposal of property, plant and equipment		1,315	19,663
Loss on redemption of CN 2011	38	–	3,163
Net gain on disposal of interests in other subsidiaries, jointly controlled entities and associates		(1,773,231)	(136,137)
Provision for major overhauls		1,213	1,213
Release of prepaid lease payments		10,634	13,492
Reversal of impairment loss on bad and doubtful debts		(10,890)	(15,782)
Reversal of impairment loss on properties under development held for sale		–	(319,258)
Reversal of impairment loss on the payment for acquisition of PRC property projects		–	(165,557)
Share of results of associates		(36,587)	(45,392)
Share of results of jointly controlled entities		(19,960)	(385,561)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000 (restated)
Operating cash flows before movements in working capital		4,312,155	4,295,362
Increase in inventories		(8,080,747)	(4,791,065)
(Increase) decrease in financial assets at fair value through profit or loss		(703,833)	435,240
(Increase) decrease in trade and other receivables		(653,313)	162,686
(Increase) decrease in receivables under service concession arrangements		(67,955)	4,694
Decrease in amounts due from (to) customers for contract work		11,411	–
Increase in trade and other payables		6,866,445	2,821,356
(Decrease) increase in customer deposits from sales of properties		(406,858)	485,008
Decrease in provision for major overhauls		(5,110)	–
Cash generated from operations		1,272,195	3,413,281
PRC Enterprise income tax ("EIT") paid		(728,058)	(941,769)
PRC Land Appreciation Tax ("LAT") paid		(710,113)	(377,808)
Hong Kong Profits Tax paid		(175,715)	(82,067)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		(341,691)	2,011,637
INVESTING ACTIVITIES			
Acquisition of subsidiaries under common control	2	(6,157,669)	(1,595,350)
Capital injection to an associate		(1,201,084)	–
Purchase of property, plant and equipment		(744,982)	(321,535)
Capital injection to a jointly controlled entity		(393,423)	–
Purchase of and subsequent expenditures on investment properties		(108,026)	–
Increase in prepaid lease payments		(37,190)	(34,050)
Purchase of available-for-sale investments		(11,748)	(33,771)
Disposal of other subsidiaries	45	3,029,772	19,109
Decrease (increase) in bank deposits		1,425,283	(1,873,127)
Interest received		893,067	413,871
Acquisition of subsidiaries/businesses	44	611,633	(737,175)
Disposal of the disposal group held for sale	12	558,927	3,600,195
Disposal of subsidiaries holding property interests	45	474,778	–
Repayment from the vendor of a PRC investment project	33	436,424	865,257
Proceeds from disposal of investment properties		116,575	–
Proceeds from disposal of interest in a jointly controlled entity		65,953	–
Dividends received from associates		48,649	40,730
Proceeds from disposal of property, plant and equipment		37,816	23,057
Decrease (increase) in deposits paid on acquisition of property, plant and equipment		37,062	(38,921)
Proceeds from disposal of available-for-sale investments		26,750	19,326
Dividends received from listed equity investments		8,395	5,282
Repayment from Xuhui SAAC and its subsidiaries	33	8,102	1,494
Proceeds from disposal of interests in associates		5,971	523
Dividends received from jointly controlled entities		2,448	1,523
Additions to toll road operating rights		–	(119,474)
Proceeds from held-to-maturity investments upon disposal		–	32,858
Repayment of loan receivables		–	2,895
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(866,517)	272,717

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000 (restated)
FINANCING ACTIVITIES			
Bank and other borrowings raised		11,502,378	18,570,168
Proceeds from deemed disposal of interests in subsidiaries		4,253,532	–
Capital contributions by non-controlling interests		379,198	205,390
Repayment of bank and other borrowings		(7,154,487)	(16,848,444)
Repayment to a fellow subsidiary	36	(2,016,392)	(890,898)
Interest paid		(1,793,637)	(698,754)
Dividends paid		(1,166,168)	(1,187,742)
Dividends paid to non-controlling interests		(552,220)	(127,059)
(Repayment to) advances from Xuhui SAAC and its subsidiaries	36	(281,550)	28,823
Acquisition of additional interests in subsidiaries		(89,396)	(414,302)
Payment for redemption of CN 2011	38	(2,714)	(65,408)
Dividends paid to SIIC Shanghai by SI Development	15	–	(27,700)
Expenses incurred in connection with the issue of shares		–	(1)
Proceeds from issue of shares		–	732
NET CASH FROM (USED IN) FINANCING ACTIVITIES		3,078,544	(1,455,195)
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,870,336	829,159
CASH AND CASH EQUIVALENTS AT 1 JANUARY		14,452,550	13,277,770
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		206,949	345,621
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		16,529,835	14,452,550
Represented by:			
Bank balances and cash		16,529,835	14,271,809
Bank balances and cash classified as assets held for sale		–	180,741
		16,529,835	14,452,550

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

1. GENERAL

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

The Company is an investment holding company. The principal activities of its principal subsidiaries, jointly controlled entities and associates are set out in notes 54, 55 and 56, respectively.

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

2. MERGER ACCOUNTING AND RESTATEMENTS

The Group accounts for all its business combinations involving entities under common control using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("AG 5") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

In the current year, the Group completed the acquisition of approximately 63.65% equity interest in Shanghai Industrial Development Co., Ltd. ("SI Development") from SIIC Shanghai (Holdings) Co., Ltd. ("SIIC Shanghai"), an indirect wholly-owned subsidiary of SIIC.

In applying AG 5 to the acquisition of SI Development, the consolidated statements of financial position of the Group as at 1 January 2010 and 31 December 2010 have been restated to include the assets and liabilities of SI Development and its subsidiaries (collectively referred to as "SI Development Group") as if they were within the Group on that date (see below for the financial impact). The consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2010 have also been restated to include the results and cash flows of SI Development Group as if this acquisition had been completed on 1 January 2010 (also see below for the financial impact on the consolidated income statement).

2. MERGER ACCOUNTING AND RESTATEMENTS (Continued)

The effects of acquisition of SI Development Group using merger accounting on the consolidated income statement for the year ended 31 December 2010 are as follows:

	HK$'000 (originally stated)	Adjustments on merger accounting HK$'000 (note)	HK$'000 (restated)
Continuing operations			
Revenue	12,712,295	1,722,936	14,435,231
Cost of sales	(8,805,878)	(1,187,595)	(9,993,473)
Gross profit	3,906,417	535,341	4,441,758
Net investment income	720,347	35,676	756,023
Other income	575,961	1,042,579	1,618,540
Selling and distribution costs	(839,592)	(80,053)	(919,645)
Administrative and other expenses	(1,354,905)	(154,809)	(1,509,714)
Finance costs	(414,264)	(127,176)	(541,440)
Share of results of jointly controlled entities	151,949	232,003	383,952
Share of results of associates	45,392	–	45,392
Gain from bargain purchase of interests in subsidiaries	361,060	–	361,060
Net gain on disposal of interests in other subsidiaries, jointly controlled entities and associates	5,754	130,383	136,137
Impairment loss on available-for-sale investments	(284,224)	–	(284,224)
Profit before taxation	2,873,895	1,613,944	4,487,839
Income tax expense	(719,859)	(145,925)	(865,784)
Profit for the year from continuing operations	2,154,036	1,468,019	3,622,055
Discontinued operations			
Profit for the year from discontinued operations	3,269,339	–	3,269,339
Profit for the year	5,423,375	1,468,019	6,891,394
Profit for the year attributable to			
– Owners of the Company	5,277,752	927,282	6,205,034
– Non-controlling interests	145,623	540,737	686,360
	5,423,375	1,468,019	6,891,394

	HK$ (originally stated)	HK$	HK$ (restated)
Earnings per share			
For continuing and discontinued operations			
– Basic	4.89	0.86	5.75
– Diluted	4.89	0.86	5.75
For continuing operations			
– Basic	1.90	0.86	2.76
– Diluted	1.90	0.86	2.76

2. MERGER ACCOUNTING AND RESTATEMENTS (Continued)

The effects of acquisition of SI Development Group using merger accounting on the consolidated statement of financial position as at 1 January 2010 and 31 December 2010 are summarised below:

	1.1.2010 HK$'000 (originally stated)	Adjustments on merger accounting HK$'000 (note)	1.1.2010 HK$'000 (restated)	31.12.2010 HK$'000 (originally stated)	Adjustments on merger accounting HK$'000 (note)	31.12.2010 HK$'000 (restated)
ASSETS						
Investment properties	2,135,393	2,968,720	5,104,113	5,221,079	3,062,264	8,283,343
Property, plant and equipment	4,348,707	319,296	4,668,003	2,680,953	323,003	3,003,956
Interests in jointly controlled entities	1,026,433	203,879	1,230,312	1,204,498	–	1,204,498
Interests in associates	298,734	420	299,154	584,891	444	585,335
Investments	3,415,477	160,148	3,575,625	3,336,864	126,329	3,463,193
Deferred tax assets	96,953	481	97,434	144,700	8,646	153,346
Inventories	17,954,421	7,897,282	25,851,703	36,655,225	13,583,296	50,238,521
Trade and other receivables	3,677,171	468,128	4,145,299	3,564,038	445,689	4,009,727
Prepaid taxation	65,543	17,943	83,486	482,210	60,761	542,971
Bank balances and cash	9,408,136	1,863,344	11,271,480	12,092,133	2,179,676	14,271,809
Assets classified as held for sale	7,096,169	319,753	7,415,922	2,190,807	1,825,152	4,015,959
Other assets	14,745,820	–	14,745,820	19,673,378	–	19,673,378
	64,268,957	14,219,394	78,488,351	87,830,776	21,615,260	109,446,036
LIABILITIES						
Trade and other payables	6,412,619	12,311,525	18,724,144	7,388,742	12,061,355	19,450,097
Customer deposits from sales of properties	3,299,299	548,448	3,847,747	9,831,780	2,988,014	12,819,794
Taxation payable	852,077	330,476	1,182,553	2,296,945	677,561	2,974,506
Bank and other borrowings	15,615,457	5,041,013	20,656,470	19,114,144	6,308,723	25,422,867
Liabilities associated with assets classified as held for sale	1,734,249	188,467	1,922,716	1,033,800	1,802,429	2,836,229
Deferred tax liabilities	2,257,900	340,266	2,598,166	3,617,791	358,486	3,976,277
Other liabilities	–	–	–	3,165,530	–	3,165,530
	30,171,601	18,760,195	48,931,796	46,448,732	24,196,568	70,645,300
NET ASSETS	34,097,356	(4,540,801)	29,556,555	41,382,044	(2,581,308)	38,800,736
CAPITAL AND RESERVES						
Share capital and reserves	24,901,250	(5,167,804)	19,733,446	29,759,998	(4,200,514)	25,559,484
Non-controlling interests	9,196,106	627,003	9,823,109	11,622,046	1,619,206	13,241,252
TOTAL EQUITY	34,097,356	(4,540,801)	29,556,555	41,382,044	(2,581,308)	38,800,736

note: These represent inclusion of the results of SI Development Group for the year ended 31 December 2010 and their assets and liabilities as of 1 January 2010 and 31 December 2010, as adjusted by the non-controlling interests.

The adjustments to the trade and other payables and the merger reserve at 1 January 2010 and 31 December 2010 also include an amount of RMB5,130,371,000 (equivalent to HK$6,157,669,000) each, being the cash consideration payable by the Group for the acquisition of SI Development. The cash consideration was settled during the current year.

2. MERGER ACCOUNTING AND RESTATEMENTS (Continued)

The effects of acquisition of SI Development Group using merger accounting to the Group's equity on 1 January 2010 are analysed below:

	As originally stated HK$'000	Adjustments on merger accounting HK$'000	As restated HK$'000
Share capital and other reserves	13,406,484	–	13,406,484
Other revaluation reserve	13,668	17,364	31,032
Other reserve	2,944	(94,963)	(92,019)
Merger reserve	(1,536,780)	(5,240,028)	(6,776,808)
Translation reserve	1,802,704	200,477	2,003,181
Statutory reserves	477,084	171,999	649,083
Retained profits	10,735,146	(222,653)	10,512,493
Non-controlling interests	9,196,106	627,003	9,823,109
	34,097,356	(4,540,801)	29,556,555

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA.

Amendments to HKFRSs	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

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKAS 24 Related Party Disclosures (as revised in 2009)

HKAS 24 (as revised in 2009) has been revised on the following two aspects:

(a) HKAS 24 (as revised in 2009) has changed the definition of a related party but the application has no material impact to the Group.

(b) In addition, HKAS 24 (as revised in 2009) introduces 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. The Company and its subsidiaries are government-related entities as defined in HKAS 24 (as revised in 2009). 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 PRC government that ultimately has control over the Group and (b) other entities that are controlled, jointly controlled, or significantly influenced by the PRC 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.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

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

HKAS 24 (as revised in 2009) requires retrospective application. The application of HKAS 24 (as revised in 2009) has had no impact on the Group's financial performance and positions for the current and prior years. However, the related party disclosures set out in note 52 have been changed to reflect the application of HKAS 24 (as revised in 2009).

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2015
4 Effective for annual periods beginning on or after 1 January 2012
5 Effective for annual periods beginning on or after 1 July 2012
6 Effective for annual periods beginning on or after 1 January 2014

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss. The recognition and measurement of the Group's unlisted available-for-sale equity investments which are stated at cost less impairment will be affected.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 9 Financial Instruments (Continued)

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the financial year ending 31 December 2015. Based on an analysis of the Group's financial assets as at 31 December 2011, the adoption of HKFRS 9 will affect the recognition and measurement of the Group's available-for sale equity investments stated at cost less impairment but will not have a significant impact on the amounts reported in respect of the Group's other financial assets. It is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and HK (SIC) – Int 12 "Consolidation – Special Purpose Entities". 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) the 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.

HKFRS 11 replaces HKAS 31 "Interests in Joint Ventures" and HK (SIC) – Int 13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three 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.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The directors are still assessing the financial effect of the application of HKFRS 10 on the Group whereas it is anticipated that the application of HKFRS 11 will not have significant impact to the Group since 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. The directors have not yet performed a detailed analysis of the impact of the application of these standards and hence have not yet quantified the extent of the impact.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial Instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Amendments to HKAS 12 Deferred Tax – Recovery of Underlying Assets

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to HKAS 12 are effective for annual periods beginning on or after 1 January 2012. The directors anticipate that the application of the amendments to HKAS 12 in future accounting periods may result in adjustments to the amounts of deferred tax liabilities recognised in prior years regarding the Group's investment properties of which the carrying amounts are presumed to be recovered through sale.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests
Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries
Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained profits as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (except for combinations involving entities under common control)

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

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

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

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

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

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standard.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (except for combinations involving entities under common control) (Continued)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest was disposed of.

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

Merger accounting for business combination involving entities under common control

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

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

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

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

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

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

Investments in subsidiaries

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

Interests in jointly controlled entities

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

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under HKFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations" or when the investment is designated as at fair value through profit or loss upon initial recognition or is classified as held for trading (in which case it is accounted for under HKAS 39 "Financial Instruments: Recognition and Measurement"). Under the equity method, investments in jointly controlled entities are initial recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the jointly controlled entity recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

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

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in jointly controlled entities (Continued)

Upon disposal of a jointly controlled entity that results in the Group losing joint control over that jointly controlled entity, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the jointly controlled entity attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the jointly controlled entity. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that jointly controlled entity on the same basis as would be required if that jointly controlled entity had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that jointly controlled entity would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses joint control over that jointly controlled entity.

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

Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under HKFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations" or when the investment is designated as at fair value through profit or loss upon initial recognition or is classified as held for trading (in which case it is accounted for under HKAS 39 "Financial Instruments: Recognition and Measurement"). Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

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

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in associates (Continued)

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

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

Non-current assets held for sale

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

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

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

Service concession arrangements

Consideration given by the grantor

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Service concession arrangements (Continued)

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

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

Construction contracts

Where the outcome of a construction contract including construction or upgrade services of the infrastructure under a service concession arrangement can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

Revenue recognition

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from the sale of goods (including water supplied under service concession arrangements) is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

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

Specifically, revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Service income including that from operating service provided under service concession arrangements and hotel operation is recognised when services are provided.

Income from construction contracts is recognised as set out in the accounting policy for "Construction contracts" above.

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

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation, including properties under construction for such purpose.

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

Subsequent expenditures (including refurbishment and decoration) incurred for investment properties are capitalised as part of the carrying amount of the investment properties.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties (Continued)

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

Property, plant and equipment

Property, plant and equipment including hotel property and leasehold land (classified as finance leases) and buildings held for use in the production or supply of goods or services, or for administrative purposes, other than construction in progress as described below, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

Properties in the course of construction for production, supply or administrative purposes (i.e. construction in progress) are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Leasing

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

The Group as lessor

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

Leasehold land and building
When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets or liabilities acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in equity under the heading of translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

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

Retirement benefits costs

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

Taxation

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

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

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

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

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

Intangible assets

Intangible assets acquired separately

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

When the Group has a right to charge for usage of concession infrastructure (as a consideration for providing construction service in a service concession arrangement), it recognises an intangible asset at fair value (which is regarded as its cost) upon initial recognition. The intangible asset is carried at cost less accumulated amortisation and any accumulated impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Intangible assets acquired separately (Continued)
Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Research and development expenditure
Expenditure on research and development activities (where no internally-generated intangible asset can be recognised) is recognised as an expense in the period in which it is incurred.

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

Operating concessions
Operating concessions represent the rights to operate sewage and water treatment plants and are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on the straight-line basis over the respective periods of the operating concessions granted to the Group of 20 to 50 years.

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

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Inventories

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

Others
Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments, other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at fair value through profit or loss (Continued)
A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in net investment income line item in the consolidated income statement. Fair value is determined in the manner described in note 26.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including receivables under service concession arrangements, consideration receivables, restricted bank deposits, trade and other receivables, pledged bank deposits, short-term bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

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

Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment of financial assets below).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

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

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

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

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

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)
When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

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

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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

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

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

Interest expense is recognised on an effective interest basis.

Financial liabilities
The Group's financial liabilities, including trade and other payables, liability component of convertible notes, bank and other borrowings and senior notes, are subsequently measured at amortised cost, using the effective interest method.

Convertible notes
Convertible notes issued by a subsidiary of the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the subsidiary's own equity instruments is classified as an equity instrument by the subsidiary.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Convertible notes (Continued)
On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the notes into equity, is included in equity of the subsidiary (convertible notes equity reserve). The convertible notes equity reserve is classified as and grouped under non-controlling interests by the Group on consolidation.

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the subsidiary, will remain in convertible notes equity reserve until the embedded option is exercised (in which case the balance stated in convertible notes equity reserve will be transferred to share premium of the subsidiary). On consolidation, the Group will account for the dilution as an equity transaction in accordance with HKAS 27 by the assumption that the exercise of embedded option does not constitute a loss of the Group's control over that subsidiary. Where the option remains unexercised at the expiry date or on redemption, the balance stated in convertible notes equity reserve will be released to the retained profits of the subsidiary. Whereas on consolidation, the amount released will be reallocated to the retained profits of the Group and non-controlling interests' share of net assets of that subsidiary according to the proportion of interests held by the Group and non-controlling shareholder. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

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

Derivative financial instruments and hedging
Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives
Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Hedge accounting
The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

Cash flow hedges
The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognised in other comprehensive income and accumulated in hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity (hedging reserve) are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the consolidated income statement as the recognised hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Financial guarantee contracts
A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition (Continued)
On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions, including those arising from the contractual obligation specified in the service concession arrangement to maintain or restore the infrastructure before it is handed over to the grantor, are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the date of acquisition. At the end of the subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognised less cumulative amortisation (if appropriate) recognised in accordance with HKAS 18 "Revenue".

Equity-settled share-based payment transactions

The fair value of services received by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity-settled share-based payment transactions (Continued)

In case of share options granted by a subsidiary, the share options reserve of the subsidiary is classified as and grouped under non-controlling interests by the Group on consolidation. At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium of that subsidiary. The Group will account for the dilution as an equity transaction in accordance with HKAS 27 if the exercise of share options does not constitute a loss of the Group's control over that subsidiary. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits of the Group and non-controlling interests' share of net assets of that subsidiary according to the proportion of interests held by the Group and non-controlling shareholders on consolidation.

Share-based payment transactions of the acquiree in a business combination

At the acquisition date, when the outstanding equity-settled share-based payment transactions held by the employees of an acquiree are not exchanged by the Group for its share-based payment transactions, the acquiree share-based payment transactions are measured at their market-based measure at the acquisition date. If the share-based payment transactions have vested by the acquisition date, they are included as part of the non-controlling interest in the acquiree. However, if the share-based payment transactions have not vested by the acquisition date, the market-based measure of the unvested share-based payment transactions is allocated to the non-controlling interest in the acquiree based on the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of those share options. The balance is recognised as remuneration cost for post-combination service.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position at 31 December 2011 at their fair value, details of which are disclosed in note 17. The fair value of the investment properties was determined by reference to valuations conducted on these properties by independent firms of property valuers using property valuation techniques which involve certain assumptions of prevailing market conditions. Favourable or unfavorable changes to these assumptions may result in changes in the fair value of the Group's investment properties and corresponding adjustments to the changes in fair value reported in the consolidated income statement and the carrying amount of these properties included in the consolidated statement of financial position.

Amortisation of toll road operating rights

Toll road operating rights amounting to approximately HK$14,389 million as at 31 December 2011 (31.12.2010: HK$14,289 million) is amortised on a units-of-usage basis, calculated based on the proportion of actual traffic volume for a particular period to the projected total traffic volume over the operating period of the toll road. If the actual traffic volume differs from the original projection, such difference will impact the amount of amortisation for the remaining operating period of the toll roads.

Allowance for properties under development and properties held for sale

Management regularly reviews the recoverability of the Group's properties under development and properties held for sale with reference to the current market environment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. Appropriate allowance for properties under development and properties held for sale is made if the estimated recoverable amount is lower than its carrying amount. As at 31 December 2011, the aggregate carrying amount of properties under development and properties held for sale was approximately HK$53,229 million (31.12.2010: HK$49,364 million, as restated).

Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during the construction stage and will be transferred to profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group typically divides the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated cost of each phase as a percentage of the total estimated cost of the entire project, or if the above is not practicable, the common costs are allocated to individual phases based on saleable area.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

PRC LAT

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

PRC LAT (Continued)

The Group is subject to LAT in the PRC which has been included in income tax of the Group. However, the Group has not finalised its land appreciation tax returns with the tax authorities for certain of its property development projects. Accordingly, significant judgment is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made. As at 31 December 2011, the carrying amount of LAT provision (included in taxation payable) was approximately HK$1,519 million (31.12.2010: HK$1,548 million, as restated).

Estimated impairment of trade and other receivables

The Group estimates impairment losses for trade and other receivables resulting from the inability of the debtors to make the required payments. The Group bases the estimates on the aging of the trade and other receivables balance, debtor credit-worthiness, and historical write-off experience. If the financial conditions of the debtors were to deteriorate, actual write-offs would be higher than estimated.

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2011, the aggregate carrying amount of trade and other receivables was approximately HK$4,650 million (31.12.2010: HK$4,010 million, as restated).

Estimation of contract revenue and costs

The Group recognises contract revenue and profit on a construction contract according to the management's estimation of the total outcome of the project as well as the percentage of completion of construction works. Notwithstanding that the management reviews and revises the estimates of both contract revenue and costs for the construction contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimations and this will affect the revenue and profit recognised.

6. REVENUE

Revenue represents the aggregate of the net amounts received and receivable from third parties. An analysis of the Group's revenue for the year from continuing operations is as follows:

	2011 HK$'000	2010 HK$'000 (restated)
Sales of properties	8,072,782	7,377,428
Sales of goods	3,932,055	4,797,867
Income from infrastructure facilities	2,453,826	1,687,270
Rental income	386,986	286,790
Income from hotel operation	123,483	285,876
	14,969,132	14,435,231

7. NET INVESTMENT INCOME

	2011 HK$'000	2010 HK$'000 (restated)
Continuing operations		
Interest on bank deposits	228,033	156,755
Interest on financial assets at FVTPL	24,506	30,702
Other interest income	78,836	56,032
Total interest income	331,375	243,489
Gain on disposal of available-for-sale investments	3,273	19,290
Gain on disposal of held-to-maturity investments	–	3,654
Dividend income from listed equity investments	9,443	5,282
Change in fair value of financial assets designated as at FVTPL	130,865	448,836
Change in fair value of financial assets classified as held-for-trading	(26,974)	35,112
Rental income from property, plant and equipment	670	360
	448,652	756,023

Net investment income earned from financial assets, analysed by category of asset, is as follows:

	2011 HK$'000	2010 HK$'000 (restated)
Continuing operations		
Financial assets at FVTPL	137,840	519,932
Loans and receivables (including bank balances and cash)	306,869	212,787
Held-to-maturity financial assets	–	3,654
Available-for-sale financial assets	3,273	19,290
	447,982	755,663
Investment income earned on non-financial assets	670	360
	448,652	756,023

Included above is loss from listed investments (other than impairment loss) of HK$17,531,000 (2010: gain of HK$40,394,000) and income from unlisted investments of HK$158,644,000 (2010: HK$502,482,000, as restated).

8. FINANCE COSTS

	2011 HK$'000	2010 HK$'000 (restated)
Continuing operations		
Interest on bank and other borrowings		
– wholly repayable within five years	1,424,688	949,872
– not wholly repayable within five years	77,164	166,650
Interest on convertible notes	107	1,791
Interest on senior notes	283,268	169,652
	1,785,227	1,287,965
Less: amounts capitalised in properties under development held for sale	(706,423)	(746,525)
	1,078,804	541,440

Borrowing costs capitalised during the year arose on the general borrowings pool and are calculated by applying capitalisation rates ranging from 10% to 56% (2010: 10% to 77%) per annum to expenditure on qualifying assets.

9. NET GAIN ON DISPOSAL OF INTERESTS IN OTHER SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

	2011 HK$'000	2010 HK$'000 (restated)
Continuing operations		
Gain on disposal of interests in subsidiaries classified as the disposal group held for sale (note 12)	341,618	130,383
Net gain on disposal of interests in other subsidiaries (note 45)	1,372,457	5,555
Fair value gain on revaluation of interest in an associate upon transfer to as a subsidiary (note 44)	25,741	–
Gain on deemed partial disposal of interest in a jointly controlled entity	17,859	–
Gain on disposal of a jointly controlled entity	13,684	–
Gain on disposal of interests in associates	1,872	199
	1,773,231	136,137

10. IMPAIRMENT LOSS ON AVAILABLE-FOR-SALE INVESTMENTS

The amount for the year ended 31 December 2011 included an impairment loss of HK$77,500,000 (2010: HK$194,524,000) recognised in respect of the Group's equity investment in Glorious Properties Holdings Limited ("Glorious Properties"), a public limited company listed on the Stock Exchange. These amounts were reclassified from investment revaluation reserve upon the recognition of the impairment losses after assessing the performance of Glorious Properties' share price.

The remaining amount of HK$32,974,000 (2010: HK$89,700,000) represented impairment losses recognised on other listed or unlisted equity investments.

11. INCOME TAX EXPENSE

	2011 HK$'000	2010 HK$'000 (restated)
Continuing operations		
Current tax		
– Hong Kong	154,323	122,365
– PRC LAT	650,405	418,061
– PRC EIT (including PRC withholding tax of HK$15,285,000 (2010: HK$30,215,000))	1,180,540	474,515
	1,985,268	1,014,941
Under(over)provision in prior years		
– Hong Kong	22,113	25,210
– PRC LAT (note)	–	(74,878)
– PRC EIT	(14,812)	32,312
	7,301	(17,356)
Deferred taxation for the year (including PRC withholding tax of HK$59,847,000 (2010: HK$553,000)) (note 31)	44,894	(131,801)
	2,037,463	865,784

note: During the year ended 31 December 2010, a group entity completed the tax clearance of a property project in Beijing which resulted in an overprovision of LAT of HK$74,878,000 and an underprovision of related PRC EIT of HK$18,720,000.

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

Under the Law of 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% from 1 January 2008 onwards. For companies that were qualified under old law or regulations for incentive tax rate of 15%, the tax rate would 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 for that subsidiary in the year 2011 is 12% and will increase to 12.5% in the year 2012 and to 25% thereafter.

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

11. INCOME TAX EXPENSE (Continued)

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

	2011 HK$'000	2010 HK$'000 (restated)
Profit before taxation (from continuing operations)	6,317,006	4,487,839
Tax at PRC statutory tax rate of 25%	1,579,252	1,121,960
Tax effect of share of results of jointly controlled entities and associates	(14,137)	(107,336)
Tax effect of expenses not deductible for tax purpose	181,034	190,629
Tax effect of income not taxable for tax purpose	(270,968)	(558,969)
Under(over)provision in prior years	7,301	(17,356)
Tax effect of tax losses not recognised as deferred tax assets	232,619	63,705
Utilisation of tax losses previously not recognised as deferred tax assets	(62,019)	(8,713)
Effect of Tax Benefit granted to PRC subsidiaries	(42,923)	(45,607)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(134,775)	(60,678)
PRC LAT	650,405	418,061
Overprovision of LAT in prior years	–	(74,878)
Tax effect of LAT deductible for PRC EIT	(162,601)	(85,796)
Tax charge on dividend withholding tax	75,132	30,768
Others	(857)	(6)
Income tax expense for the year (relating to continuing operations)	2,037,463	865,784

12. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE/NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale as at 31 December 2011

In March 2011, the Group and the non-controlling shareholder of Chengdu Wing Fat Printing Co. Ltd. ("Chengdu Wing Fat"), a non-wholly owned subsidiary of the Group, entered into a framework agreement with an independent third party to dispose of their entire interests in Chengdu Wing Fat which holds certain land and buildings in the PRC at a cash consideration of RMB300,000,000 (equivalent to HK$406,805,000). The assets attributable to Chengdu Wing Fat, which are expected to be sold within twelve months from the end of the reporting period, have been classified as assets held for sale and are presented separately in the consolidated statement of financial position. The proceeds of the disposal exceed the carrying amount of the assets and accordingly, no impairment loss has been recognised. As at 31 December 2011, a deposit of HK$226,220,000 was received and included in other payables.

12. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE/NON-CURRENT ASSETS HELD FOR SALE (Continued)

Non-current assets held for sale as at 31 December 2011 (Continued)

Further, on 9 December 2011, the Group entered into a conditional agreement to dispose of Qingdao company (see note 45), a 50% held jointly controlled entity, to a purchaser company which is deemed to be a connected person of the Company under the Listing Rules, at a cash consideration of approximately RMB1,183 million (equivalent to approximately HK$1,443 million). The Group's interest in the jointly controlled entity has also been classified as assets held for sale. The jointly controlled entity's major asset is a piece of land in Qingdao, the PRC. A deposit of RMB600 million (approximately HK$740 million) was received by the Group and included in other payables as at 31 December 2011.

The above transactions have not been completed up to the date that these consolidated financial statements were approved by the board of directors of the Company.

The assets classified as held for sale, which have been presented separately in the consolidated statement of financial position, are as follows:

	HK$'000
Property, plant and equipment	55,831
Prepaid lease payments	4,796
Premium on prepaid lease payments	56,836
Interest in a jointly controlled entity	1,343,852
Total assets classified as held for sale	1,461,315

The above property, plant and equipment represent properties erected on land held under medium-term land use rights in the PRC.

Disposal group held for sale as at 31 December 2010

In October 2010, the Group decided 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 RMB564,000,000 (equivalent to HK$670,857,000) while the Counterparties and their connected persons had the obligations to procure Hebei Yongxin to repay the shareholders' loan of RMB466,141,000 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 and presented separately in the consolidated statement of financial position as at 31 December 2010. The disposal was completed on 31 May 2011, on which date the Group lost control over Hebei Yongxin.

12. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE/NON-CURRENT ASSETS HELD FOR SALE (Continued)

Disposal group held for sale as at 31 December 2010 (Continued)

In addition, two wholly-owned subsidiaries of SI Development, namely 泉州上實置業有限公司 ("泉州上實") and 福建上實地產開發有限公司 ("福建上實"), entered into capital injection agreements with certain independent third parties in December 2010. Pursuant to the agreements, the third parties would inject RMB90 million (equivalent to approximately HK$106 million) each into 泉州上實 and 福建上實 and a total consideration of RMB130,352,000 (equivalent to HK$158,849,000) would be paid to SI Development. 泉州上實 and 福建上實 are principally engaged in property development. Upon completion of the above capital injections in January 2011, SI Development's equity interests in 泉州上實 and 福建上實 were diluted to 10% each and accordingly, SI Development lost control over 泉州上實 and 福建上實.

The major classes of assets and liabilities of Hebei Yongxin, 泉州上實 and 福建上實 as at 31 December 2010, which were presented separately in the consolidated statement of financial position at that date, are as follows:

	Hebei Yongxin HK$'000	泉州上實 and 福建上實 HK$'000	Total HK$'000
Property, plant and equipment	1,402,770	–	1,402,770
Prepaid lease payments	36,696	–	36,696
Other intangible assets	6,779	–	6,779
Goodwill	13,723	–	13,723
Inventories	185,150	1,696,283	1,881,433
Trade and other receivables	493,643	174	493,817
Bank balances and cash	52,046	128,695	180,741
Total assets classified as held for sale	2,190,807	1,825,152	4,015,959
Trade and other payables	324,240	1,802,429	2,126,669
Taxation payable	1,846	–	1,846
Bank and other borrowings	707,714	–	707,714
Total liabilities associated with assets classified as held for sale	1,033,800	1,802,429	2,836,229

Included in property, plant and equipment were properties of HK$269,286,000 erected on land held under medium-term land use rights in the PRC.

12. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE/NON-CURRENT ASSETS HELD FOR SALE (Continued)

Disposal group held for sale as at 31 December 2010 (Continued)

The net assets of Hebei Yongxin, 泉州上實 and 福建上實 at their respective dates of disposal during the year ended 31 December 2011 were as follows:

	Hebei Yongxin HK$'000	泉州上實 and 福建上實 HK$'000	Total HK$'000
Consideration received:			
Cash received	670,857	158,849	829,706
Available-for-sale investments	–	23,477	23,477
	670,857	182,326	853,183
Analysis of assets and liabilities over which control was lost:			
Property, plant and equipment	1,364,653	–	1,364,653
Prepaid lease payments	37,151	–	37,151
Other intangible assets	6,779	–	6,779
Inventories	287,218	1,752,509	2,039,727
Trade and other receivables	507,456	179	507,635
Bank balances and cash	137,817	132,962	270,779
Trade and other payables	(712,411)	(1,862,173)	(2,574,584)
Taxation payable	(1,803)	–	(1,803)
Bank and other borrowings	(939,080)	–	(939,080)
Net assets disposed of (excluding goodwill)	687,780	23,477	711,257
Gain on disposal:			
Consideration received	670,857	182,326	853,183
Net assets disposed of (excluding goodwill)	(687,780)	(23,477)	(711,257)
Attributable goodwill	(13,723)	–	(13,723)
Non-controlling interests	150,385	–	150,385
Release of other revaluation reserve	(2,100)	–	(2,100)
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of the subsidiary	65,130	–	65,130
Gain on disposal of interests in subsidiaries classified as the disposal group held for sale	182,769	158,849	341,618
Net cash inflow arising on disposal:			
Cash consideration received	670,857	158,849	829,706
Less: bank balances and cash disposed of	(137,817)	(132,962)	(270,779)
	533,040	25,887	558,927

The impact of Hebei Yongxin, 泉州上實 and 福建上實 on the Group's results and cash flows in the current and prior periods is not significant.

12. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE/NON-CURRENT ASSETS HELD FOR SALE (Continued)

Discontinued operations/disposal group held for sale as at 1 January 2010

Pursuant to a business restructuring of the Group launched in the year of 2009 and completed in February 2010, the Group disposed of its entire medicine business segment to certain fellow subsidiaries under common control by SIIC. The results and assets and liabilities attributable to medicine business segment were classified as discontinued operations and a disposal group held for sale as at 1 January 2010 and were presented separately in the consolidated income statement and the consolidated statement of financial position, respectively. Profit for the year from discontinued operations for the year ended 31 December 2010 of HK$3,269,339,000 comprised profit for the year of HK$70,850,000 (out of which HK$28,285,000 was attributable to owners of the Company) and gain on disposal of HK$3,198,489,000.

Further details are set out in the 2010 annual report of the Group.

Disposal group held for sale as at 1 January 2010

In November 2009, SI Development entered into a sale and purchase agreement with an independent third party to dispose of its entire equity interest in 上海海際房地產有限公司 (“海際房地產”), which is principally engaged in property development, for a consideration of approximately HK$269 million. The assets and liabilities of 海際房地產 were classified as a disposal group held for sale as at 1 January 2010 and were presented separately in the consolidated statement of financial position. The disposal was completed in January 2010 and resulted in a gain of HK$130,383,000.

13. PROFIT FOR THE YEAR

	2011 HK$'000	2010 HK$'000 (restated)
Continuing operations		
Profit for the year has been arrived at after charging:		
Employee benefits expense, including directors' emoluments:		
Basic salaries and allowances	557,263	561,896
Bonuses	42,575	50,584
Equity-settled share-based payment expense	102,731	97,460
Retirement benefits scheme contributions, net of forfeited contributions of HK$183,000 (2010: HK$2,051,000)	50,908	51,615
	753,477	761,555
Amortisation of toll road operating rights (included in cost of sales)	532,601	469,680
Amortisation of other intangible assets		
– included in cost of sales	24,662	3,612
– included in administrative and other expenses	1,095	1,201
Depreciation of property, plant and equipment	269,889	320,471
Release of prepaid lease payments	10,634	13,492
Total depreciation and amortisation	838,881	808,456
Auditors' remuneration	15,942	13,785
Cost of inventories recognised as an expense	8,171,635	8,722,925
Compensation to customers as a result of late delivery of properties	132,832	16,837
Equity-settled share-based payment expense in respect of options granted to eligible participants other than employees	17,314	10,724
Impairment loss on bad and doubtful debts	65,514	20,324
Impairment loss on interests in associates	–	57,434
Impairment loss on properties held for sale	57,742	–
Impairment loss on property, plant and equipment	–	4,056
Impairment loss on other intangible assets	8,285	–
Impairment loss on goodwill relating to a subsidiary	–	5,730
Provision for major overhauls (included in cost of sales)	1,213	1,213
Decrease in fair value of investment properties (included in administrative and other expenses)	–	15,714
Loss on disposal of property, plant and equipment	1,315	19,663
Operating lease rentals in respect of land and buildings to		
– fellow subsidiaries	10,367	9,947
– others	82,507	64,169
Research and development costs	8,019	3,842
Loss on redemption of CN 2011 (defined in note 38)	–	3,163
Share of PRC EIT of jointly controlled entities (included in share of results of jointly controlled entities)	17,359	10,639
Share of PRC EIT of associates (included in share of results of associates)	29	16,892
Settlement of litigations	44,267	–

13. PROFIT FOR THE YEAR (Continued)

	2011 HK$'000	2010 HK$'000 (restated)
and after crediting other income as follows:		
Change in fair value of Warrants 2012 (defined in note 39)	16,597	15,700
Fair value gain on transfer of properties held for sale to investment properties (note 17)	152,212	–
Increase in fair value of investment properties	453,791	–
Net foreign exchange gains	281,354	149,210
Reversal of impairment loss on bad and doubtful debts	10,890	15,782
Reversal of impairment loss on properties under development held for sale (note a)	–	319,258
Reversal of impairment loss on the payment for acquisition of PRC property projects (note b)	–	165,557
Reversal of compensation expenses	–	483,715

notes:

(a) During the year ended 31 December 2010, after assessing the value of certain properties under development of the Group by the management, it was considered that impairment losses of approximately HK$319 million previously recognised in profit or loss should be reversed. The assessment was performed with reference to the then current market conditions and valuations conducted by external valuers.

(b) In a prior year, the Group recognised full impairment against a deposit of approximately RMB144 million (equivalent to approximately HK$166 million) it made in relation to a suspended property project because of uncertain market conditions. During the year ended 31 December 2010, the Group decided to recommence the project following a re-assessment of its commercial viability. Having considered the project's future profitability, the impairment allowance previously recognised was reversed in the year ended 31 December 2010.

14. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

The emoluments paid or payable to each of the ten (2010: eleven) directors were as follows:

	Teng Yi Long HK$'000	Cai Yu Tian HK$'000	Lu Ming Fang HK$'000	Zhou Jie HK$'000	Qian Shi Zheng HK$'000	Zhou Jun HK$'000	Qian Yi HK$'000	Yao Fang HK$'000 (note)	Lo Ka Shui HK$'000	Woo Chia-Wei HK$'000	Leung Pak To, Francis HK$'000	Total HK$'000
Year ended 31 December 2011												
Independent non-executive directors:												
Directors' fees and committee remuneration	–	–	–	–	–	–	–	–	374	360	360	1,094
Equity-settled share-based payment expense	–	–	–	–	–	–	–	–	367	367	367	1,101
Executive directors:												
Directors' fee and committee remuneration	–	–	200	–	–	–	–	–	–	–	–	200
Basic salaries and allowances	3,103	2,251	–	1,847	1,797	1,797	1,797	–	–	–	–	12,592
Bonuses	2,100	1,995	–	945	840	840	840	–	–	–	–	7,560
Equity-settled share-based payment expense	3,667	7,111	2,292	2,598	5,445	5,445	2,292	–	–	–	–	28,850
Retirement benefits scheme contributions	54	58	–	52	48	46	40	–	–	–	–	298
Total directors' emoluments	8,924	11,415	2,492	5,442	8,130	8,128	4,969	–	741	727	727	51,695
Year ended 31 December 2010												
Independent non-executive directors:												
Directors' fees and committee remuneration	–	–	–	–	–	–	–	–	374	360	360	1,094
Equity-settled share-based payment expense	–	–	–	–	–	–	–	–	206	206	206	618
Executive directors:												
Directors' fee and committee remuneration	–	–	200	–	–	–	–	–	–	–	–	200
Basic salaries and allowances	3,103	2,251	262	1,847	1,797	1,797	1,797	–	–	–	–	12,854
Bonuses	2,100	1,995	–	945	840	840	840	–	–	–	–	7,560
Equity-settled share-based payment expense	2,059	6,861	1,287	1,458	5,289	5,288	1,287	–	–	–	–	23,529
Retirement benefits scheme contributions	50	51	76	46	43	41	35	–	–	–	–	342
Total directors' emoluments	7,312	11,158	1,825	4,296	7,969	7,966	3,959	–	580	566	566	46,197

note: Yao Fang resigned as a director of the Company on 1 January 2010.

14. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (Continued)

Directors' emoluments (Continued)

In the two years ended 31 December 2011, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as a compensation for loss of office. None of the directors has waived any emoluments during the two years.

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

Employees' emoluments

The five highest paid individuals of the Group for both years were all directors of the Company and details of their emoluments are set out above.

15. DIVIDENDS

	2011 HK$'000	2010 HK$'000
Dividends recognised as distribution during the year:		
2011 interim dividend of HK50 cents		
(2010: 2010 interim dividend of HK50 cents) per share	539,893	539,883
2010 final dividend of HK58 cents		
(2010: 2009 final dividend of HK60 cents) per share	626,275	647,859
	1,166,168	1,187,742

The final dividend of HK58 cents in respect of the year ended 31 December 2011 (2010: final dividend of HK58 cents in respect of the year ended 31 December 2010) per share, amounting to approximately HK$626.3 million (2010: HK$626.3 million) in total, has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

In addition to the above, SI Development paid dividends of HK$27,700,000 during the year ended 31 December 2010 to SIIC Shanghai, its then controlling shareholder.

16. EARNINGS PER SHARE

For continuing and discontinued operations

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

	2011 HK$'000	2010 HK$'000 (restated)
Earnings:		
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	4,088,468	6,205,034

	2011	2010
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,079,785,000	1,079,767,795
Effect of dilutive potential ordinary shares – share options of the Company	–	8
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,079,785,000	1,079,767,803

The computation of diluted earnings per share does not assume:

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

ii) the conversion of convertible notes outstanding issued by SI Urban Development 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 Asia Water since they are anti-dilutive.

16. EARNINGS PER SHARE (Continued)

For continuing operations

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

	2011 HK$'000	2010 HK$'000 (restated)
Earnings figures are calculated as follows:		
Profit for the year attributable to owners of the Company	4,088,468	6,205,034
Less: profit for the year 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 for continuing operations	4,088,468	2,978,260

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

For discontinued operations

Basic and diluted earnings per share for the discontinued operations for the year ended 31 December 2010 was HK$2.99 per share, calculated based on the profit for the year 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 and diluted earnings per share.

17. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2010, as originally stated	2,135,393
Effect of inclusion of SI Development Group (note 2)	2,968,720
At 1 January 2010, as restated	5,104,113
Exchange adjustments	322,318
Acquired on acquisition of SI Urban Development (note 44)	2,872,626
Decrease in fair value recognised in profit or loss	(15,714)
At 31 December 2010, as restated	8,283,343
Exchange adjustments	391,455
Subsequent expenditures	4,975
Transfer from inventories	352,402
Additions	103,051
Disposals	(116,575)
Increase in fair value recognised in profit or loss	453,791
At 31 December 2011	9,472,442

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

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

During the year ended 31 December 2011, properties held for sale with a carrying amount of HK$200,190,000 were transferred to investment properties as the management had changed the intended use of the properties, as evidenced by commencement of leases of these properties. The properties were fair-valued by Debenham Tie Leung Limited at the date of transfer on the basis of net rental income capitalisation. The resulting increase in fair value of HK$152,212,000 has been recognised directly in profit or loss.

During the year ended 31 December 2011, the Group disposed of certain investment properties, for cash proceeds of HK$116,575,000.

The fair values of the Group's investment properties at 31 December 2011 have been arrived at on the basis of valuations carried out on that date by Debenham Tie Leung Limited. The fair values of the Group's investment properties at 31 December 2010 were arrived at on the basis of valuations carried out on that date by independent valuers including, Debenham Tie Leung Limited, Savills Valuation and Professional Services Limited and 上海財瑞房地產估價有限公司 ("上海財瑞").

Debenham Tie Leung Limited, Savills Valuation and Professional Services Limited are members of the Institute of Valuers. 上海財瑞 is a registered asset appraiser in the PRC.

17. INVESTMENT PROPERTIES (Continued)

All the valuers possess appropriate qualifications and experience in the valuation of properties in the relevant locations. All of the Group's investment properties were valued by the valuers with reference to market evidence of transaction prices for similar properties in similar locations and conditions, or on the basis of net rental income capitalisation. In arriving at the valuation on the basis of capitalisation of net rental income from properties, the market rentals of the lettable units of the properties are assessed and capitalised at the market yield expected by investors for these types of properties. The capitalisation rate adopted is arrived at by reference to the yields achieved in analysed market sales transactions and the valuers' knowledge of the market expectation from property investors.

The property rental income earned by the Group from its investment properties which are either held for rental income under operating leases or for capital appreciation purpose, amounted to HK$386,986,000 (2010: HK$286,790,000, as restated) with negligible direct operating expenses.

18. PROPERTY, PLANT AND EQUIPMENT

	Hotel property HK$'000	Leasehold land and buildings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Construction in progress HK$'000	Total HK$'000
THE GROUP							
COST							
At 1 January 2010, as originally stated	520,688	917,292	534,298	101,204	3,012,613	1,184,099	6,270,194
Effect of inclusion of SI Development Group (note 2)	–	413,530	29,565	18,226	1,181	–	462,502
At 1 January 2010, as restated	520,688	1,330,822	563,863	119,430	3,013,794	1,184,099	6,732,696
Exchange adjustments	29,846	34,204	22,179	4,753	61,193	13,973	166,148
Acquisition of SI Urban Development (note 44)	216,748	–	235,138	22,011	–	365,419	839,316
Acquisition of United Environment (note 44)	–	7,514	1,207	6,361	–	18,168	33,250
Acquisition of 青島瑞歐 (note 44)	–	–	79	296	–	–	375
Additions	5,353	15,411	39,139	21,332	68,526	171,776	321,537
Transfers/reclassifications	–	23,261	26,499	386	22,752	(1,200,547)	(1,127,649)
Reclassified as held for sale (note 12)	–	(323,306)	(4,903)	(9,155)	(1,183,005)	(76,571)	(1,596,940)
Disposals	(8,555)	(10,996)	(10,006)	(22,048)	(31,859)	–	(83,464)
Disposal of subsidiaries (note 45)	–	(32,898)	(7,512)	(11,848)	(129,419)	(331)	(182,008)
At 31 December 2010, as restated	764,080	1,044,012	865,683	131,518	1,821,982	475,986	5,103,261
Exchange adjustments	26,098	34,144	25,686	6,021	18,800	17,145	127,894
Acquisition of Asia Water (note 44)	–	33,723	2,894	4,152	700	–	41,469
Additions	40,895	45,071	33,952	27,164	185,825	412,075	744,982
Transfers/reclassifications	81,970	286,893	24,869	–	68,933	(364,612)	98,053
Reclassified as held for sale (note 12)	–	(74,610)	–	–	–	–	(74,610)
Disposals	(75)	(100,787)	(16,023)	(6,859)	(27,313)	–	(151,057)
Disposal of subsidiaries (note 45)	(543,176)	(1,804)	(159,541)	(4,255)	(280,163)	(5,285)	(994,224)
At 31 December 2011	369,792	1,266,642	777,520	157,741	1,788,764	535,309	4,895,768

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Hotel property HK$'000	Leasehold land and buildings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Plant and machinery HK$'000	Construction in progress HK$'000	Total HK$'000
DEPRECIATION, AMORTISATION AND IMPAIRMENT							
At 1 January 2010, as originally stated	172,602	172,958	363,209	53,954	1,158,764	–	1,921,487
Effect of inclusion of SI Development Group (note 2)	–	114,245	15,667	12,422	872	–	143,206
At 1 January 2010, as restated	172,602	287,203	378,876	66,376	1,159,636	–	2,064,693
Exchange adjustments	7,601	8,083	8,319	2,154	16,649	–	42,806
Provided for the year	43,492	53,422	32,822	20,225	170,510	–	320,471
Reclassified as held for sale (note 12)	–	(48,272)	(2,462)	(2,978)	(140,458)	–	(194,170)
Eliminated on disposals	(4,056)	(3,416)	(8,739)	(18,044)	(23,865)	–	(58,120)
Eliminated on disposal of subsidiaries (note 45)	–	(12,455)	(3,330)	(7,312)	(57,334)	–	(80,431)
Impairment loss recognised	–	–	–	–	4,056	–	4,056
At 31 December 2010, as restated	219,639	284,565	405,486	60,421	1,129,194	–	2,099,305
Exchange adjustments	6,780	9,499	7,657	3,636	11,559	–	39,131
Provided for the year	39,719	50,772	47,729	30,349	101,320	–	269,889
Reclassified as held for sale (note 12)	–	(18,779)	–	–	–	–	(18,779)
Eliminated on disposals	(24)	(93,414)	(9,464)	(4,466)	(4,558)	–	(111,926)
Eliminated on disposal of subsidiaries (note 45)	(214,863)	(1,804)	(127,785)	(3,525)	(224,527)	–	(572,504)
At 31 December 2011	51,251	230,839	323,623	86,415	1,012,988	–	1,705,116
CARRYING VALUES							
At 31 December 2011	318,541	1,035,803	453,897	71,326	775,776	535,309	3,190,652
At 31 December 2010, as restated	544,441	759,447	460,197	71,097	692,788	475,986	3,003,956
At 1 January 2010, as restated	348,086	1,043,619	184,987	53,054	1,854,158	1,184,099	4,668,003

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold land and buildings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
THE COMPANY				
COST				
At 1 January 2010	2,803	25,274	7,423	35,500
Additions	–	937	1,668	2,605
Disposals	–	(1,895)	(2,436)	(4,331)
At 31 December 2010	2,803	24,316	6,655	33,774
Additions	–	235	–	235
At 31 December 2011	2,803	24,551	6,655	34,009
DEPRECIATION				
At 1 January 2010	933	24,315	6,744	31,992
Provided for the year	112	667	753	1,532
Eliminated on disposals	–	(1,895)	(2,426)	(4,321)
At 31 December 2010	1,045	23,087	5,071	29,203
Provided for the year	112	532	765	1,409
At 31 December 2011	1,157	23,619	5,836	30,612
CARRYING VALUES				
At 31 December 2011	1,646	932	819	3,397
At 31 December 2010	1,758	1,229	1,584	4,571

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Hotel property	Over the period of the lease term
Leasehold land and buildings	The shorter of 4%-5% or over the period of the lease term
Furniture, fixtures and equipment	10%-33$^1/_3$% or over the period of the lease in case of fixtures in rented premises
Motor vehicles	10%-30%
Plant and machinery	5%-20%

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

	THE GROUP			THE COMPANY	
	31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)	1.1.2010 HK$'000 (restated)	31.12.2011 HK$'000	31.12.2010 HK$'000
The carrying values of property interests comprise properties erected on land held under					
– medium-term land use rights in the PRC	932,343	989,672	1,069,170	1,646	1,758
– medium-term leases in Hong Kong	422,001	314,216	321,596	–	–
– medium-term leases in Macau	–	–	939	–	–
	1,354,344	1,303,888	1,391,705	1,646	1,758

19. PREPAID LEASE PAYMENTS

	31.12.2011 HK$'000	31.12.2010 HK$'000
The Group's prepaid lease payments comprise medium-term land use rights in the PRC	136,123	400,233
Analysed for reporting purposes as:		
Current portion	4,566	13,737
Non-current portion	131,557	386,496
	136,123	400,233

20. TOLL ROAD OPERATING RIGHTS

	HK$'000
COST	
At 1 January 2010	13,606,283
Exchange adjustments	575,700
Additions	238,738
Transfer from construction in progress (note 18)	1,127,649
At 31 December 2010	15,548,370
Exchange adjustments	713,855
At 31 December 2011	16,262,225
AMORTISATION	
At 1 January 2010	748,272
Exchange adjustments	41,293
Charged for the year	469,680
At 31 December 2010	1,259,245
Exchange adjustments	81,475
Charged for the year	532,601
At 31 December 2011	1,873,321
CARRYING VALUES	
At 31 December 2011	14,388,904
At 31 December 2010	14,289,125

The toll road operating rights represent:

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

(b) the right to receive toll fees from vehicles using the Shanghai section of the Hu-Kun Expressway and to operate service facilities in designated areas along the Shanghai section for a period of 30 years ending in 2030; and

(c) the right to receive toll fees from vehicles using the Shanghai section of Hu-Yu Expressway and to operate service facilities in designated areas along the Shanghai section for a period of 20 years ending in 2027.

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

21. OTHER INTANGIBLE ASSETS

	Operating concessions HK$'000	Premium on prepaid lease payments HK$'000	Trademark HK$'000	Total HK$'000
COST				
At 1 January 2010	–	69,463	58,196	127,659
Exchange adjustments	7,639	2,162	2,227	12,028
Acquisition of United Environment (note 44)	440,580	–	–	440,580
Reclassified as held for sale (note 12)	–	(7,643)	–	(7,643)
At 31 December 2010	448,219	63,982	60,423	572,624
Exchange adjustments	47,394	2,525	2,447	52,366
Acquisition of Asia Water (note 44)	585,259	–	–	585,259
Acquisition of other subsidiaries (note 44)	52,766	–	–	52,766
Reclassified as held for sale (note 12)	–	(66,507)	–	(66,507)
At 31 December 2011	1,133,638	–	62,870	1,196,508
AMORTISATION AND IMPAIRMENT				
At 1 January 2010	–	7,437	–	7,437
Exchange adjustments	61	255	–	316
Charged for the year	3,612	1,201	–	4,813
Reclassified as held for sale (note 12)	–	(864)	–	(864)
At 31 December 2010	3,673	8,029	–	11,702
Exchange adjustments	2,128	547	–	2,675
Charged for the year	24,662	1,095	–	25,757
Reclassified as held for sale (note 12)	–	(9,671)	–	(9,671)
Impairment loss recognised	8,285	–	–	8,285
At 31 December 2011	38,748	–	–	38,748
CARRYING VALUES				
At 31 December 2011	1,094,890	–	62,870	1,157,760
At 31 December 2010	444,546	55,953	60,423	560,922

Operating concessions represent the rights to operate sewage and water treatment plants and are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on straight-line basis over the respective periods of the operating concessions granted to the Group of 20 to 50 years. Details of these operating concessions are set out in note 27.

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

The trademark has a legal life of 10 years from September 2001 to September 2011 and is renewable upon expiry. During the current year, the trademark was renewed for 10 years up to September 2021. The directors of the Company are of the opinion that the Group would renew the trademark continuously and has the ability to do so at minimal cost. Various studies including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by management of the Group, which supports that the trademark has no foreseeable limit to the period over which the trademarked products are expected to generate net cash flows for the Group.

21. OTHER INTANGIBLE ASSETS (Continued)

As a result, the trademark is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trademark will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

For the purpose of impairment testing, trademark with definite useful lives set out above has been allocated to the individual cash generating unit ("CGU"), comprising one subsidiary in the real estate segment. During the year ended 31 December 2011, management of the Group determines that there is no impairment (2010: Nil) of the CGU containing trademark by reference to the recoverable amount of the CGU, which has been determined based on a value in use calculation.

22. INVESTMENTS IN SUBSIDIARIES

	31.12.2011 HK$'000	31.12.2010 HK$'000
Unlisted shares, at cost	556,477	5,288,857

Details of the Company's principal subsidiaries are set out in note 54.

23. INTERESTS IN JOINTLY CONTROLLED ENTITIES/INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	THE GROUP			THE COMPANY	
	31.12.2011 HK$'000	31.12.2010 HK$'000	1.1.2010 HK$'000 (restated)	31.12.2011 HK$'000	31.12.2010 HK$'000
Cost of unlisted investments in jointly controlled entities	2,401,308	497,983	779,049	–	–
Share of post-acquisition profits and other comprehensive income, net of dividends received	763,407	785,894	583,190	–	–
	3,164,715	1,283,877	1,362,239	–	–
Less: Impairment loss recognised	(79,379)	(79,379)	(93,893)	–	–
	3,085,336	1,204,498	1,268,346	–	–
Interest in a jointly controlled entity classified as held for sale	(1,343,852)	–	(38,034)	–	–
	1,741,484	1,204,498	1,230,312	–	–

23. INTERESTS IN JOINTLY CONTROLLED ENTITIES/INVESTMENT IN A JOINTLY CONTROLLED ENTITY (Continued)

Included in the cost of investments is goodwill arising on acquisition of interests in jointly controlled entities in prior years. Details of goodwill are set out below:

	THE GROUP HK$'000
COST	
At 1 January 2010, 31 December 2010 and 31 December 2011	55,575
IMPAIRMENT	
At 1 January 2010, 31 December 2010 and 31 December 2011	55,575
CARRYING VALUES	
At 1 January 2010, 31 December 2010 and 31 December 2011	–

The summarised financial information in respect of the Group's interests in jointly controlled entities (excluding the jointly controlled entities classified as held for sale) which are accounted for using the equity method is set out below:

		THE GROUP	
	31.12.2011 HK$'000	31.12.2010 HK$'000	1.1.2010 HK$'000 (restated)
Current assets	1,437,929	1,145,396	1,646,787
Non-current assets	2,161,090	2,617,134	2,342,717
Current liabilities	(990,984)	(506,343)	(1,872,770)
Non-current liabilities	(870,643)	(2,065,538)	(897,679)

	Year ended 31.12.2011 HK$'000	Year ended 31.12.2010 HK$'000 (restated)
Income recognised in profit or loss	1,572,684	3,314,511
Expenses recognised in profit or loss	1,494,395	2,587,395
Profit for the year	78,289	727,116
Group's share of results for the year	19,960	383,952
Other comprehensive income	164,569	100,068
Group's share of other comprehensive income for the year	78,373	44,785

23. INTERESTS IN JOINTLY CONTROLLED ENTITIES/INVESTMENT IN A JOINTLY CONTROLLED ENTITY (Continued)

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

	THE GROUP	
	Year ended 31.12.2011 HK$'000	Year ended 31.12.2010 HK$'000
Unrecognised share of profits of jointly controlled entities for the year	(11)	(128)
Accumulated unrecognised share of losses of jointly controlled entities	27,896	37,653

Details of the Group's principal jointly controlled entities are set out in note 55.

24. INTERESTS IN ASSOCIATES

	31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)	1.1.2010 HK$'000 (restated)
Cost of unlisted investments in associates	1,739,089	188,470	182,183
Share of post-acquisition profits and other comprehensive income, net of dividends received	390,586	463,718	142,861
	2,129,675	652,188	325,044
Less: Impairment loss recognised	(66,853)	(66,853)	(9,419)
	2,062,822	585,335	315,625
Interest in an associate classified as held for sale	–	–	(16,471)
	2,062,822	585,335	299,154

Included in the cost of investments is goodwill arising on acquisition of interests in associates in prior years. Details of goodwill are set out below:

	HK$'000
COST	
At 1 January 2010, 31 December 2010 and 31 December 2011	3,370
IMPAIRMENT	
At 1 January 2010, 31 December 2010 and 31 December 2011	–
CARRYING VALUES	
At 1 January 2010, 31 December 2010 and 31 December 2011	3,370

24. INTERESTS IN ASSOCIATES (Continued)

The summarised financial information in respect of the Group's associates is set out below:

	31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)	1.1.2010 HK$'000 (restated)
Total assets	10,287,170	4,058,412	1,887,512
Total liabilities	(5,086,391)	(2,054,530)	(699,754)
Net assets	5,200,779	2,003,882	1,187,758
Group's share of net assets	2,126,305	648,818	305,203

	Year ended 31.12.2011 HK$'000	Year ended 31.12.2010 HK$'000 (restated)
Income recognised in profit or loss	955,487	755,326
Profit for the year	148,582	152,830
Group's share of results for the year	36,587	45,392
Other comprehensive income	127,386	70,720
Group's share of other comprehensive income for the year	54,986	33,324

Details of the Group's principal associates are set out in note 56.

25. AMOUNTS DUE FROM/TO SUBSIDIARIES

At the end of the reporting period, amounts due from subsidiaries are unsecured. Except for amounts of approximately HK$1,233 million and HK$431 million (31.12.2010: HK$350 million) which carry fixed interest at 4.3% and 3% (31.12.2010: Hong Kong Interbank Offer Rate ("HIBOR") plus 1.69%) per annum and are repayable in May 2014 and October 2012 (31.12.2010: June 2012), respectively, the balances are non-interest bearing and repayable on demand.

At the end of the reporting period, amounts due to subsidiaries are unsecured. Except for an amount of HK$3,370 million (31.12.2010: HK$2,870 million) which carries interest at HIBOR plus a spread, ranging from 0.92% to 1.17% (31.12.2010: 0.89% to 1.03%) per annum and is repayable in 2012 (31.12.2010: 2011), the balances are non-interest bearing and repayable on demand.

26. INVESTMENTS

	THE GROUP 31.12.2011 HK$'000	THE GROUP 31.12.2010 HK$'000 (restated)	THE GROUP 1.1.2010 HK$'000 (restated)	THE COMPANY 31.12.2011 HK$'000	THE COMPANY 31.12.2010 HK$'000
Available-for-sale investments					
Listed equity securities in					
– Hong Kong	119,771	235,142	309,119	–	–
– elsewhere	60,329	72,620	83,728	–	–
Unlisted equity securities in					
– Hong Kong (note ii)	5	5	5	–	–
– elsewhere (note ii)	753,567	212,041	315,785	99,697	–
	933,672	519,808	708,637	99,697	–
Held-to-maturity investments					
– Debentures listed elsewhere with fixed interest of 2.5%, redeem at a premium of 21.31% and maturity date on 22 February 2013	–	–	27,629	–	–
Investments held-for-trading					
Listed equity securities in					
– Hong Kong	503,764	14,230	3,626	–	–
– elsewhere	14,638	12,640	12,748	–	–
	518,402	26,870	16,374	–	–
Financial assets at FVTPL					
– Listed convertible notes/debentures	29,723	117,840	142,385	–	–
– Other (note iii)	–	2,798,675	2,680,600	–	–
	29,723	2,916,515	2,822,985	–	–
	1,481,797	3,463,193	3,575,625	99,697	–
Fair values of listed equity investments	698,502	334,632	409,221	–	–
Fair values of held-to-maturity investments	–	–	28,163	–	–
Analysed for reporting purposes as:					
Current	856,311	144,710	158,759	–	–
Non-current	625,486	3,318,483	3,416,866	99,697	–
	1,481,797	3,463,193	3,575,625	99,697	–

26. INVESTMENTS (Continued)

notes:

(i) At the end of the reporting period, except for those unlisted equity investments of which their fair values cannot be measured reliably, all available-for-sale investments and financial assets at FVTPL are stated at their fair values, which are determined by reference to bid prices quoted in active markets, prices provided by the respective issuing banks or financial institutions using valuation techniques.

(ii) The above investments in unlisted equity securities are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

(iii) This represents a secured investment arrangement with a real estate developer (the "Developer"), to earn fixed return over a fixed period of time. The fair values of the investment as at 1 January 2010 and 31 December 2010 were calculated based on the present value of contractually determined stream of future cash flows discounted at an appropriate discount rate and remaining time to maturity. In November 2011, the Group disposed of this investment to the Developer at a consideration of RMB2,000 million (equivalent to approximately HK$2,453 million) by transferring Better Score Limited ("Better Score"), the special-purpose entity holding the investment, to the Developer (see note 45). Because the controlling shareholder of the Developer is a director of Better Score, the transaction was deemed to be a connected transaction under the Listing Rules.

27. SERVICE CONCESSION ARRANGEMENTS

The Group through its subsidiaries, namely Asia Water and United Environment, engages in the businesses of sewage treatment and water supply in the PRC and has entered into a number of service concession arrangements with certain governmental authorities or their agencies in the PRC on a Build-Operate-Transfer ("BOT") or a Transfer-Operate-Transfer ("TOT") basis in respect of its businesses. These service concession arrangements generally involve the Group as an operator to (i) construct sewage and water treatment plants for those arrangements on a BOT basis; (ii) pay a specific amount for those arrangements on a TOT basis; (iii) operate and maintain the sewage and water treatment plants at a specified level of serviceability on behalf of the relevant governmental authorities for periods ranging from 20 to 50 years (the "service concession periods"), and the Group will be paid for its services over the relevant periods of the service concession arrangements at prices stipulated through pricing mechanism.

The Group is generally entitled to operate all the property, plant and equipment of the sewage and water treatment plants, however, the relevant governmental authorities as grantors control and regulate the scope of services the Group is to provide to the sewage and water treatment plants, and retain the beneficial entitlement to any residual interest in the sewage and water treatment plants at the end of the service concession periods. Each of these service concession arrangements is governed by a contract and, where applicable, supplementary agreements entered into between the Group and the relevant governmental authorities or their agencies in the PRC that set out, inter alia, performance standards, mechanisms for adjusting prices for the services rendered by the Group, specific obligations levied on the Group to restore the sewage and water treatment plants to a specified level of serviceability at the end of the service concession periods, and arrangements for arbitrating disputes.

At 31 December 2011, the Group had twenty (31.12.2010: eleven) service concession arrangements on sewage treatment and seven (31.12.2010: one) service concession arrangement on water treatment and distribution. A summary of the major terms of the principal service concession arrangements is set out below:

27. SERVICE CONCESSION ARRANGEMENTS (Continued)

Name of subsidiary as operator	Name of sewage and water treatment plant	Location	Name of grantor	Type of service concession arrangement	Practical processing capacity tons/day	Service concession period
東莞市大朗水口興寶水務有限公司	東莞市大朗松山湖南部污水處理廠	Dongguan, Guangdong Province, the PRC	東莞大朗鎮人民政府	BOT	100,000	25 years from 2008 to 2032
濰坊市自來水有限公司	濰坊市城市自來水	Weifang, Shandong Province, the PRC	濰坊市市政管理局	BOT	320,000	25 years from 2007 to 2031
濰坊市聯合潤通污水處理有限公司	濰坊高新區污水處理廠	Weifang, Shandong Province, the PRC	濰坊市人民政府	BOT	50,000	20 years from 2007 to 2027
聯合潤通水務股份有限公司	濰坊市污水處理廠	Weifang, Shandong Province, the PRC	濰坊市人民政府	TOT	100,000	20 years from 2004 to 2024
德州市聯合潤通水務有限公司	德州市污水處理廠	Dezhou, Shandong Province, the PRC	德州市建設委員會	TOT	100,000	20 years from 2006 to 2026
武漢漢西污水處理有限公司	武漢漢西污水處理廠	Wuhan, Hubei Province, the PRC	武漢市人民政府	BOT	400,000	25 years from 2004 to 2029
黃石凱迪水務有限公司	黃石磁湖污水處理廠	Huangshi, Hubei Province, the PRC	黃石市市政公用局	BOT	125,000	27 years from 2008 to 2035
武漢黃陂凱迪水務有限公司	武漢黃陂供水項目	Wuhan, Hubei Province, the PRC	武漢市黃陂區政府	BOT	150,000	30 years from 2008 to 2038
武漢新城污水處理有限公司	武漢經濟技術開發區污水處理廠	Wuhan, Hubei Province, the PRC	武漢經濟技術開發區管委會	BOT	60,000	20 years from 2004 to 2024

Receivables under service concession arrangements

As explained in the accounting policy for "Service concession arrangements" set out in note 4, consideration given by the grantor for a service concession arrangement is accounted for as an intangible asset (operating concession) or a financial asset (receivable under service concession arrangement) or a combination of both, as appropriate. The intangible asset component is detailed in note 21, and the financial asset component is as follows:

	31.12.2011 HK$'000	31.12.2010 HK$'000
Receivables under service concession arrangements	2,141,000	1,122,105
Less: current portion classified as current assets	(67,536)	(224,821)
Non-current portion	2,073,464	897,284

During the year, the Group recognised interest income of HK$38,912,000 (2010: HK$18,500,000) from receivables under service concession arrangements. The interest income is grouped under revenue as income from infrastructure facilities for presentation purpose. The effective interest applied ranges from 10% to 13% (2010: 10% to 11%).

27. SERVICE CONCESSION ARRANGEMENTS (Continued)

Provision for major overhauls

Pursuant to the service concession agreements, the Group has contractual obligations to maintain the sewage and water treatment plants to a specified level of serviceability and/or to restore the plants to a specified condition before they are handed over to the grantors at the end of the service concession periods. These contractual obligations to maintain or restore the sewage and water treatment plants, except for any upgrade element, are recognised and measured in accordance with HKAS 37, i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the end of the reporting period. The future expenditure on these maintenance and restoration costs is collectively referred to as "major overhauls". The estimation basis is reviewed on an ongoing basis, and revised where appropriate.

The movements in the provision for the major overhauls of sewage and water treatment plants during the year, are as follows:

	HK$'000
At 1 January 2010	–
Acquisition of United Environment (note 44)	72,116
Exchange adjustments	1,250
Additional provision included in cost of sales	1,213
At 31 December 2010	74,579
Exchange adjustments	3,365
Additional provision included in cost of sales	1,213
Utilisation	(5,110)
At 31 December 2011	74,047

28. CONSIDERATION RECEIVABLES

During the current year, the Group disposed of Good Cheer and Feng Tao as defined and detailed in note 45. Pursuant to the relevant sale and purchase agreements, the Group agreed to defer a portion of the consideration receivables to June 2012 and December 2013, respectively. Accordingly, such deferred cash considerations have been presented on the consolidated statement of financial position at their net present values determined using a discount rate of 6.6%.

	31.12.2011 HK$'000	31.12.2010 HK$'000
Analysed for reporting purposes as:		
Non-current	582,384	–
Current (included in other receivables)	331,024	7,600
	913,408	7,600

29. DEPOSITS PAID ON ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

The balance represents deposits paid by the Group in connection with the acquisition of property, plant and equipment for the Group's new production facilities.

The related capital commitments are disclosed in note 47.

30. RESTRICTED BANK DEPOSITS

These mainly represent certain deposits, the use of which by the Group is restricted as a result of a commercial court case brought by a non-controlling shareholder of a subsidiary. The restricted bank deposits carry variable interest at a rate of 0.5% (31.12.2010: 0.36%) per annum.

31. DEFERRED TAXATION

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

	Accelerated tax depreciation HK$'000	Amortisation of toll road operating rights HK$'000	Revaluation of properties HK$'000	Tax losses HK$'000	Fair value adjustments on business combinations HK$'000	LAT HK$'000	Undistributed earnings of PRC entities HK$'000	Fair value adjustments on properties under development/ properties held for sale HK$'000	Other deferred tax liabilities HK$'000	Other deferred tax assets HK$'000	Total HK$'000
At 1 January 2010, as originally stated	89,137	50,163	463,340	(32,640)	1,328,060	266,532	82,829	(83,485)	4,690	(7,679)	2,160,947
Effect of inclusion of SI Development Group (note 2)	5,651	–	334,615	–	–	(12)	–	–	–	(469)	339,785
At 1 January 2010, as restated	94,788	50,163	797,955	(32,640)	1,328,060	266,520	82,829	(83,485)	4,690	(8,148)	2,500,732
Exchange adjustments	493	5,661	59,101	(871)	60,624	5,383	2,700	(2,722)	152	(274)	130,247
Acquisition of SI Urban Development (note 44)	–	–	454,814	–	296,024	–	–	512,984	298	(23,625)	1,240,495
Acquisition of United Environment (note 44)	–	–	–	–	83,258	–	–	–	–	–	83,258
Charged (credited) to profit or loss	3,373	44,677	(3,881)	11,218	(3,184)	(50,702)	553	(157,258)	(293)	23,696	(131,801)
At 31 December 2010, as restated	98,654	100,501	1,307,989	(22,293)	1,764,782	221,201	86,082	269,519	4,847	(8,351)	3,822,931
Exchange adjustments	4,727	9,497	52,566	(1,019)	66,843	9,696	3,658	8,366	988	(6,381)	148,941
Acquisition of Asia Water (note 44)	17,043	–	–	–	–	–	–	–	–	–	17,043
Acquisition of other subsidiaries (note 44)	–	–	–	–	–	–	–	–	23,858	–	23,858
Disposal of Good Cheer (note 45)	–	–	–	13,681	–	–	–	–	–	–	13,681
Disposal of other subsidiaries (note 45)	–	–	–	–	–	–	–	–	16	–	16
Charged (credited) to profit or loss	13,466	78,536	117,166	(20,177)	(17,545)	(11,921)	59,847	17,246	117,096	(308,820)	44,894
At 31 December 2011	133,890	188,534	1,477,721	(29,808)	1,814,080	218,976	149,587	295,131	146,805	(323,552)	4,071,364

31. DEFERRED TAXATION (Continued)

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

	31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)	1.1.2010 HK$'000 (restated)
Deferred tax liabilities	4,359,574	3,976,277	2,598,166
Deferred tax assets	(288,210)	(153,346)	(97,434)
	4,071,364	3,822,931	2,500,732

At the end of the reporting period, the Group had unused tax losses of approximately HK$2,749.9 million (31.12.2010: HK$1,986.8 million, as restated) available for offset against future assessable profits. A deferred tax asset amounting to approximately HK$29.8 million (31.12.2010: HK$22.3 million, as restated) in respect of tax losses amounting to approximately HK$122.7 million (31.12.2010: HK$91.7 million, as restated) has been recognised. No deferred tax asset was recognised in respect of the remaining tax losses of approximately HK$2,627.2 million (31.12.2010: HK$1,895.1 million) due to the unpredictability of future profit streams. The Hong Kong tax losses of approximately HK$16.6 million (31.12.2010: HK$12.5 million) may be carried forward indefinitely and the remaining PRC tax losses of approximately HK$2,733.3 million (31.12.2010: HK$1,974.3 million, as restated) will expire in various dates in the next five years.

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

Other deferred tax liabilities mainly include deferred tax on fair value change of financial assets classified as held-for-trading. Other deferred tax assets include deferred tax on (i) impairment loss on bad and doubtful debts, (ii) pre-operating expenses and (iii) accrued expenses.

32. INVENTORIES

	31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)	1.1.2010 HK$'000 (restated)
Properties under development held for sale	41,217,015	43,947,910	20,442,461
Properties held for sale	12,011,581	5,415,600	4,315,239
Raw materials	759,847	708,571	849,700
Work in progress	59,521	64,076	24,462
Finished goods	124,537	98,048	211,504
Merchandise held for resale	3,603	4,316	8,337
	54,176,104	50,238,521	25,851,703

At 31 December 2011, included in inventories is an amount of HK$25,333,995,000 (31.12.2010: HK$36,162,131,000, as restated) properties under development held for sale which are not expected to be realised within one year.

33. TRADE AND OTHER RECEIVABLES

	31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)	1.1.2010 HK$'000 (restated)
Trade receivables	736,929	401,592	523,470
Less: allowance for doubtful debts	(61,159)	(6,682)	(11,800)
	675,770	394,910	511,670
Other receivables (note)	3,974,095	3,614,817	3,633,629
Total trade and other receivables	4,649,865	4,009,727	4,145,299

note: At 31 December 2011, included in other receivables were (i) consideration receivables of HK$331,024,000 on disposal of Good Cheer (see note 28) (31.12.2010: HK$7,600,000 on disposal of subsidiaries), (ii) amount due from certain associates of HK$1,576,958,000 (31.12.2010: HK$80,292,000) and (iii) amounts of HK$122,681,000 (31.12.2010: HK$114,579,000) due from entities controlled by Xuhui District State Owned Asset Administrative Committee ("Xuhui SAAC"), which are unsecured, non-interest bearing and repayable on demand.

Included in other receivables as at 31 December 2010 were (i) an advance to the vendor of an investment project in the PRC of HK$436,424,000, which was secured by the equity interest of the vendor held in the investment, interest-bearing at a fixed rate of 8% per annum and fully settled in February 2011, and (ii) guarantee deposits paid for land auction in the PRC of HK$796,257,000, which were fully refunded in early 2011.

Before accepting any new customer, the Group assesses the potential customer's credit quality by investigating their historical credit records and defines credit limits by customer. Credit sales are made to customers with good credit history and credit limits granted to customers are under regular review. Majority of the trade receivables that are neither past-due nor impaired has no default payment history.

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 aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period. The analysis includes those classified as part of a disposal group.

	31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)
Within 30 days	294,326	385,161
Within 31-60 days	98,662	163,755
Within 61-90 days	86,388	65,603
Within 91-180 days	73,006	30,649
Within 181-365 days	105,122	14,006
Over 365 days	18,266	9,360
	675,770	668,534

Included in the Group's trade receivables balance (including those classified as part of a disposal group) are debtors with an aggregate carrying amount of HK$103,067,000 (31.12.2010: HK$24,017,000, as restated) which were past due at the reporting date but for which the Group has not provided for impairment loss because management is of the opinion that the amounts will be fully recoverable as there has not been any significant deterioration in credit quality of the debtors. The Group does not hold any collateral over these balances.

33. TRADE AND OTHER RECEIVABLES (Continued)

Ageing of trade receivables which were past due but not impaired

	31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)
31-60 days	5,152	600
61-90 days	4,122	37
91-180 days	69,504	14
181-365 days	23,080	14,006
Over 365 days	1,209	9,360
Total	103,067	24,017

Movements in the allowance for doubtful debts

	2011 HK$'000	2010 HK$'000 (restated)
Balance at beginning of the year	6,682	11,800
Impairment losses recognised on receivables	65,514	20,324
Amounts written off as uncollectible	(147)	(1,398)
Amounts recovered during the year	(10,890)	(15,782)
Reclassified as held for sale	–	(8,262)
Balance at end of the year	61,159	6,682

34. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	31.12.2011 HK$'000	31.12.2010 HK$'000
Contracts in progress in relation to construction of sewage and water treatment plants at the end of the reporting period:		
Contract costs incurred plus recognised profits less recognised losses	961,068	–
Less: progress billings	986,828	–
	(25,760)	–
Analysed for reporting purposes as:		
Amounts due from contract customers	38,298	–
Amounts due to contract customers	(64,058)	–
	(25,760)	–

As at 31 December 2011, retentions held by customers for contract works amounted to HK$6,124,000 (31.12.2010: Nil).

35. PLEDGED BANK DEPOSITS, SHORT-TERM BANK DEPOSITS AND BANK BALANCES AND CASH

THE GROUP

Bank deposits with maturity of less than six months of HK$333,594,000 (31.12.2010: HK$108,862,000) have been pledged to secure the Group's general banking facilities and are therefore classified as current assets. The pledged bank deposits carry interest at fixed interest rates ranging from 0.0001% to 3.3% (31.12.2010: 2.25% to 4.55%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

Short-term bank deposits with maturity of more than three months carry interest at market rates, ranging from 2.00% to 3.50% (31.12.2010: 0.60% to 2.25%) per annum.

Bank balances with maturity of less than three months carry interest at market rates, ranging from 0.005% to 2.00% (31.12.2010: 0.01% to 1.35%, as restated) per annum.

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

	THE GROUP	
	31.12.2011 HK$'000	31.12.2010 HK$'000
Renminbi	1,236,416	49,798
United States dollar	2,929,674	894,494
Hong Kong dollar	326	318

THE COMPANY

Short-term bank deposits with maturity of more than three months carry interest at a market rate of 3.3% (31.12.2010: N/A) per annum.

Bank balances with maturity of less than three months carry interest at market rates, ranging from 0.005% to 2.00% (31.12.2010: 0.01% to 1.35%) per annum.

Included in bank balances and cash are amounts of HK$2,467,876,000 (31.12.2010: HK$903,349,000) denominated in the United States dollar.

36. TRADE AND OTHER PAYABLES

	31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)	1.1.2010 HK$'000 (restated)
Trade payables	1,957,196	1,179,536	1,627,222
Consideration payables	389,487	6,507,931	6,157,669
Other payables (note)	10,010,230	11,762,630	10,939,253
Total trade and other payables	12,356,913	19,450,097	18,724,144

note: Included in other payables as at 31 December 2011 were (i) amounts of HK$359,289,000 (31.12.2010: HK$640,839,000) due to Xuhui SAAC and entities controlled by Xuhui SAAC, which are unsecured, non-interest bearing and repayable on demand, (ii) an amount due to certain fellow subsidiaries of HK$1,318,561,000 (31.12.2010: HK$3,278,030,000), and (iii) consideration received in advance for disposal of subsidiaries of HK$965,865,000 (31.12.2010: Nil).

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period. The analysis includes those classified as part of a disposal group.

	31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)
Within 30 days	639,021	586,698
Within 31-60 days	174,055	50,883
Within 61-90 days	9,198	14,773
Within 91-180 days	29,933	20,155
Within 181-365 days	682,343	336,683
Over 365 days	422,646	306,197
	1,957,196	1,315,389

37. CUSTOMER DEPOSITS FROM SALES OF PROPERTIES

Customer deposits from sales of properties represent proceeds received on property sales that have not been recognised as revenue in accordance with the Group's revenue recognition policy. An amount of approximately HK$3,494 million (31.12.2010: HK$3,778 million, as restated) is expected to be recognised as revenue after more than one year.

38. CONVERTIBLE NOTES

The balance as at 31 December 2010 represented the zero couple convertible notes issued by SI Urban Development on 12 June 2006 ("CN 2011") which, unless previously converted or redeemed, were to be redeemed by the Group at 135.7% of the principal amount (the "Redemption Price") on 11 May 2011.

On 15 October 2010, the Group redeemed CN 2011 with a principal sum of HK$50,160,000 at a consideration of HK$65,408,000, resulting in a loss on redemption of HK$3,163,000 recognised for the year ended 31 December 2010.

In May 2011, the Group redeemed all the outstanding CN 2011 with a principal sum of HK$2,000,000 at the Redemption Price. The payment for the redemption amounted to HK$2,714,000.

39. SENIOR NOTES/WARRANTS

On 23 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 23 July 2014 ("Notes Maturity Date"). The Senior Notes 2014 are guaranteed by all of SI Urban Development's existing subsidiaries at the date of issue and at any time in the future 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.

As at 31 December 2011, 66,000,000 (31.12.2010: 66,000,000) Warrants 2012 were outstanding. Exercise in full of the outstanding Warrants 2012 would result in the issue of 66,000,000 (31.12.2010: 66,000,000) additional shares of SI Urban Development with an aggregate subscription value of HK$443,520,000 (31.12.2010: 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 31 December 2010 and 2011.

The fair value of Warrants 2012 as at 31 December 2011 was HK$3,000 (31.12.2010: HK$16,600,000). Accordingly, a change in fair value of HK$16,597,000 (2010: HK$15,700,000) was credited to profit or loss for the year. The fair value of Warrants 2012 is calculated using option pricing models.

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

40. BANK AND OTHER BORROWINGS

	THE GROUP 31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)	1.1.2010 HK$'000 (restated)	THE COMPANY 31.12.2011 HK$'000	31.12.2010 HK$'000
Bank loans	31,174,733	23,029,129	20,307,758	1,663,134	–
Other loans	1,697,172	2,393,738	348,712	–	–
	32,871,905	25,422,867	20,656,470	1,663,134	–
Analysed as:					
Secured	11,719,288	10,284,147	10,032,750	–	–
Unsecured	21,152,617	15,138,720	10,623,720	1,663,134	–
	32,871,905	25,422,867	20,656,470	1,663,134	–

40. BANK AND OTHER BORROWINGS (Continued)

	THE GROUP		THE COMPANY	
	31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)	31.12.2011 HK$'000	31.12.2010 HK$'000
Carrying amount repayable:				
Within one year	14,929,558	11,556,425	430,392	–
More than one year but not more than two years	5,220,836	11,238,530	–	–
More than two years but not more than five years	11,308,999	1,477,530	1,232,742	–
Over five years	1,412,512	1,150,382	–	–
	32,871,905	25,422,867	1,663,134	–
Less: amounts due within one year shown under current liabilities	(14,929,558)	(11,556,425)	(430,392)	–
	17,942,347	13,866,442	1,232,742	–

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

	THE GROUP		THE COMPANY	
	31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)	31.12.2011 HK$'000	31.12.2010 HK$'000
Fixed-rate borrowings:				
Within one year	430,392	1,772,770	430,392	–
More than one year but not more than two years	494,206	147,097	–	–
More than two years but not more than three years	1,232,742	9,919	1,232,742	–
More than three years but not more than four years	–	9,436	–	–
More than four years but not more than five years	–	11,795	–	–
Over five years	–	23,591	–	–
	2,157,340	1,974,608	1,663,134	–

40. BANK AND OTHER BORROWINGS (Continued)

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

	THE GROUP		THE COMPANY	
	31.12.2011	31.12.2010 (restated)	31.12.2011	31.12.2010
Effective interest rate:				
Fixed-rate borrowings	2.20% to 9.60%	3.49% to 5.94%	2.20% to 3.00%	N/A
Variable-rate borrowings	0.99% to 9.10%	0.57% to 10.00%	N/A	N/A

Included in the Group's bank borrowings is an amount of HK$10,770 million (31.12.2010: HK$7,170 million) drawn under syndicated loan facilities of HK$10,770 million (31.12.2010: HK$15,970 million) obtained by the Group. Transaction costs directly attributable to such bank borrowings of approximately HK$66 million (31.12.2010: HK$93 million) were deducted from the fair values of the bank borrowings on initial recognition. At 31 December 2011, the carrying value of such bank borrowings was approximately HK$10,730 million (31.12.2010: HK$7,128 million).

As at 31 December 2010, the Group had entered into interest rate swaps to hedge against its cash flow interest rate risk of its variable-rate borrowings. The fair value of the interest rate swaps was HK$10,712,000 and included in other payables. During the current year, the interest rate swaps were early terminated and a loss of HK$8,254,000 thereon was charged to profit or loss.

Certain bank facilities granted to the Group include requirements that (i) SIIC retains management control over the Company and holds not less than 35% of the Company's voting capital and (ii) SIIC remains under the control of the Shanghai Municipal People's Government.

41. SHARE CAPITAL

	Number of ordinary shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.10 each		
– at 1 January 2010, 31 December 2010 and 31 December 2011	2,000,000,000	200,000
Issued and fully paid:		
Ordinary shares of HK$0.10 each		
– at 1 January 2010	1,079,765,000	107,977
– exercise of share options	20,000	2
– at 31 December 2010 and 2011	1,079,785,000	107,979

During the year ended 31 December 2010, the Company issued 20,000 shares to the option holders who exercised their share options under the SIHL Scheme (defined in note 42). These new shares rank pari passu in all respects with other shares in issue.

42. SHARE-BASED PAYMENT TRANSACTIONS

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

(a) SIHL Scheme

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

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

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

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

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

As at 31 December 2011, the number of shares in respect of which options were granted and which remained outstanding was 45,950,000 (31.12.2010: 25,880,000), representing 4.3% (31.12.2010: 2.4%) of the shares of the Company in issue at that date.

42. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) SIHL Scheme (Continued)

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

Month of grant	Exercise price per share HK$	Outstanding at 1.1.2010	Granted during the year	Exercised during the year	Outstanding at 31.12.2010	Granted during the year	Cancelled during the year	Outstanding at 31.12.2011
November 2010	36.60	–	25,900,000	(20,000)	25,880,000	–	(530,000)	25,350,000
September 2011	22.71	–	–	–	–	20,600,000	–	20,600,000
		–	25,900,000	(20,000)	25,880,000	20,600,000	(530,000)	45,950,000
Exercisable at the end of the year					10,340,000			25,820,000

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

Month of grant	Exercise price per share HK$	Outstanding at 1.1.2010	Granted during the year	Outstanding at 31.12.2010	Granted during the year	Outstanding at 31.12.2011
November 2010	36.60	–	6,410,000	6,410,000	–	6,410,000
September 2011	22.71	–	–	–	5,128,000	5,128,000
		–	6,410,000	6,410,000	5,128,000	11,538,000
Exercisable at the end of the year				2,564,000		6,538,200

Share options granted in November 2010 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)

Share options granted in September 2011 are exercisable during the period from 21 September 2011 to 20 September 2016 in three batches, being:

- 21 September 2011 to 20 September 2012 (up to 40% of the share options granted are exercisable)
- 21 September 2012 to 20 September 2013 (up to 70% of the share options granted are exercisable)
- 21 September 2013 to 20 September 2016 (all share options granted are exercisable)

42. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) SIHL Scheme (Continued)

During the year ended 31 December 2010, the closing price immediately before the date on which the share options were exercised was HK$37.25. Total consideration received for shares issued upon exercise of share options was HK$732,000.

On 20 September 2011, 20,600,000 options were granted and the estimated fair value of the options granted is HK$50,285,000. During the year ended 31 December 2010, 25,900,000 options were granted on 2 November 2010 and the estimated fair value of the options granted is HK$163,308,000.

The fair value was calculated using the Black-Scholes option pricing model with the following inputs:

	2011	2010
Weighted average share price	HK$22.05	HK$36.60
Exercise price	HK$22.71	HK$36.60
Expected volatility	31.714% to 39.404%	33.6% to 52.335%
Expected life	0.5 to 2.5 years	0.5 to 2.5 years
Risk-free rate	0.110% to 0.205%	0.224% to 0.364%
Expected dividend yield	4.9%	3.01%

The variables and assumptions used in the Black-Scholes option pricing model in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 0.5 to 2.5 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

The number of share options granted and which are expected to vest has been reduced to reflect historical forfeiture rate of 20% to 30% prior to completion of vesting period and accordingly the share-based payment expense has been adjusted. At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit and loss over the remaining vesting period, with a corresponding adjustment to the share options reserve.

The Group recognised an expense of HK$79,047,000 (2010: HK$44,441,000) for the year in relation to the share options granted with reference to the respective vesting periods, of which HK$42,146,000 (2010: HK$22,718,000) was related to options granted to the Group's employees and shown as employee benefits expense, and the remaining balance represents share-based payment expense for eligible participants other than employees.

42. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(b) SI Urban Development Scheme

A listed subsidiary of the Company, SI Urban Development, also operates a share option scheme (the "SI Urban Development Scheme") which was first adopted on 12 December 2002 in a special general meeting of SI Urban Development. Under the SI Urban Development Scheme, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the SI Urban Development Scheme and options granted and yet to be exercised under any other schemes shall not exceed 30% of the issued share capital of SI Urban Development from time to time. The maximum number of shares issued and to be issued upon exercise of the options granted to each participant in any 12-month period must not exceed 1% of the issued share capital of SI Urban Development at any time.

The offer of a grant of options may be accepted within 21 days from the date of the offer with signed acceptance letter comprising consideration of HK$1 received by SI Urban Development. The exercise period of the share options granted is determinable by the directors of SI Urban Development, but no later than 10 years from the date of the offer. The subscription price for the shares in respect of which options are granted is determinable by the directors of SI Urban Development, but in any case must be the highest of (i) the closing price of SI Urban Development's shares as stated in the Stock Exchange's daily quotations sheet on the date of the grant; (ii) the average closing price of SI Urban Development's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of SI Urban Development's shares.

As at 31 December 2011, the number of shares of SI Urban Development in respect of which options were granted and which remained outstanding was 91,000,000 (31.12.2010: 111,500,000), representing 1.9% (31.12.2010: 4.2%) of the shares of SI Urban Development in issue at that date.

The following tables disclose movements of share options granted during the year:

Grantees	Date of grant	Exercised price per share HK$	On acquisition of SI Urban Development	Granted during the period	Cancelled during the period	Outstanding at 31.12.2010	Cancelled during the year	Outstanding at 31.12.2011
Directors of SI Urban Development, who are also directors of SIHL	24 September 2010	2.98	–	23,000,000	–	23,000,000	–	23,000,000
Other directors of SI Urban Development	4 April 2006	3.60	8,625,000	–	(8,625,000)	–	–	–
	17 November 2006	3.72	21,950,000	–	(21,950,000)	–	–	–
	14 March 2007	3.92	7,500,000	–	(7,500,000)	–	–	–
	24 September 2010	2.98	–	33,000,000	–	33,000,000	–	33,000,000
			38,075,000	33,000,000	(38,075,000)	33,000,000	–	33,000,000
Employees of SI Urban Development	4 April 2006	3.60	4,500,000	–	(4,500,000)	–	–	–
	17 November 2006	3.72	43,050,000	–	(43,050,000)	–	–	–
	14 March 2007	3.92	40,000,000	–	(40,000,000)	–	–	–
	24 September 2010	2.98	–	55,500,000	–	55,500,000	(20,500,000)	35,000,000
			87,550,000	55,500,000	(87,550,000)	55,500,000	(20,500,000)	35,000,000
			125,625,000	111,500,000	(125,625,000)	111,500,000	(20,500,000)	91,000,000
Exercisable at the end of the year						44,600,000		63,700,000

42. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(b) SI Urban Development Scheme (Continued)

Share options granted in September 2010 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)

During the year ended 31 December 2010, 111,500,000 options were granted on 24 September 2010 and the estimated fair value of the options granted is HK$129,898,000.

The fair value was calculated using the Binomial model with the following inputs:

Weighted average share price	HK$2.98
Exercise price	HK$2.98
Expected volatility	50%
Expected life	5.6 years
Risk-free rate	2.18%
Expected dividend yield	0%

The variables and assumptions used in the Binomial model in computing the fair value of the share options are based on SI Urban Development's directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

Expected volatility was determined by using the historical volatility of the share price of SI Urban Development over the previous four years. The expected life used in the model was adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

The number of share options granted expected to vest was reduced to reflect historical forfeiture rate of 13% prior to completion of vesting period and accordingly the share-based payment expense was adjusted. At the end of the reporting period, SI Urban Development revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit and loss over the remaining vesting period, with a corresponding adjustment to the share options reserve (attributable to non-controlling interests).

The Group recognised an expense of HK$40,998,000 (2010: HK$63,743,000) for the year in relation to share options granted with reference to the respective vesting periods, of which HK$10,363,000 (2010: HK$13,148,000) was related to options granted to the directors of SI Urban Development who are also directors SIHL and the remaining balance represents share-based payment expense for other SI Urban Development directors and SI Urban Development's employees and was included in employee benefits expense.

42. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(c) Asia Water Scheme

Asia Water, a listed subsidiary of the Company, also operates a share option scheme (the "Asia Water Scheme") which was first adopted on 24 January 2005 in a general meeting of Asia Water. The aggregate nominal amount of shares which may be issued and issuable in respect of all options granted under the Asia Water Scheme, shall not exceed 15% of the issued share capital of Asia Water (excluding treasury shares) from time to time.

Under the Asia Water Scheme, the aggregate number of shares in relation to the grant of options that are available to the controlling shareholders or their associates shall not exceed 25% of the total number of shares which may be granted under the Asia Water Scheme. The number of shares available to any one controlling shareholder or his/her associate(s) shall not exceed 10% of the total number of shares which may be granted under the Asia Water Scheme.

Under the Asia Water Scheme, Asia Water may grant options: (i) at a price which is equal to the average of the last dealt prices for the share, as determined by reference of the daily official list or any other publication published by the Singapore Exchange Securities Trading Limited (the "SGX-ST") for the five consecutive trading days immediately preceding the date of grant ("Market Price"); and/or (ii) at a discount of not more than 20% to the Market Price at the time of grant.

The offer of the grant of an option must be accepted by the grantee within 30 days from the date of offer of that option and, in any event, not later than 5:00 p.m. on the 30th day from such date of offer by completing, signing and returning the acceptance form accompanied by payment of S$1.00 as consideration. The exercise period of the share options granted is determinable by the remuneration committee of Asia Water. Options granted with exercise price set at Market Price shall only be exercisable, in whole or in part, after the 1st anniversary of the date of offer while options granted with exercise price set at a discount to Market Price shall only be exercisable, in whole or in part, after the 2nd anniversary of the date of offer, provided always that the options shall be exercised before the 10th anniversary of the relevant date of grant. Options granted to non-executive directors and employees of the associated companies shall be exercised before the 5th anniversary of the relevant date of offer.

As at 31 December 2011, the number of shares of Asia Water in respect of which options were granted and which remained outstanding was 17,037,467 (31.12.2010: 19,356,083), representing 0.34% (31.12.2010: 0.85%) of the shares of Asia Water in issue at that date.

42. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(c) Asia Water Scheme (Continued)

The following tables disclose movements of share options granted during the year:

Grantees	Date of grant	Exercised price per share S$	On acquisition of Asia Water on 18.02.2010	Cancelled during the period	Outstanding at 31.12.2010	Cancelled during the year	Outstanding at 31.12.2011
Directors of Asia Water	14 August 2007	0.09 (note)	–	–	–	–	–
Employees of Asia Water	14 August 2007	0.09 (note)	19,923,235 (note)	(567,152)	19,356,083	(2,318,616)	17,037,467
Exercisable at the end of the year					19,356,083		17,037,467

note: Pursuant to adjustments made in accordance with the terms of the existing Asia Water Scheme, the aggregate number of outstanding options and the exercise price has been adjusted in 2010.

The share options are exercisable during the period from 14 August 2008 to 13 August 2012.

43. SHARE PREMIUM AND RESERVES

	Share premium HK$'000	Share options reserve HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Retained profits HK$'000	Total HK$'000
THE COMPANY						
At 1 January 2010	13,344,886	–	1,071	1,137,728	6,045,239	20,528,924
Profit for the year	–	–	–	–	5,901,515	5,901,515
Recognition of equity-settled share-based payment expenses	–	44,441	–	–	–	44,441
Issue of shares upon exercise of share options	730	–	–	–	–	730
Release of share options reserve on exercise of share options	100	(100)	–	–	–	–
Expenses incurred in connection with the issue of new shares	(1)	–	–	–	–	(1)
Dividends paid (note 15)	–	–	–	–	(1,187,742)	(1,187,742)
At 31 December 2010	13,345,715	44,341	1,071	1,137,728	10,759,012	25,287,867
Profit for the year	–	–	–	–	801,513	801,513
Recognition of equity-settled share-based payment expenses	–	79,047	–	–	–	79,047
Dividends paid (note 15)	–	–	–	–	(1,166,168)	(1,166,168)
At 31 December 2011	13,345,715	123,388	1,071	1,137,728	10,394,357	25,002,259

The Company's reserve available for distribution to shareholders as at 31 December 2011 represents its retained profits of approximately HK$10,394 million (31.12.2010: HK$10,759 million).

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

44. ACQUISITION OF SUBSIDIARIES/BUSINESSES

For the year ended 31 December 2011

(a) Acquisition of Asia Water

On 28 March 2011, the Group and the joint venture partner of Asia Water, 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 Asia Water from independent third parties in February 2010; and (ii) the Group's effective equity interest in Asia Water increased from 36.6% to 52.86%. Asia Water then became a non-wholly owned subsidiary of the Group.

44. ACQUISITION OF SUBSIDIARIES/BUSINESSES (Continued)

For the year ended 31 December 2011 (Continued)

(a) Acquisition of Asia Water (Continued)

	HK$'000
Assets acquired and liabilities recognised at the date of acquisition are as follows:	
Property, plant and equipment	41,469
Prepaid lease payments	11,172
Operating concessions (note i)	585,259
Interests in associates	47,214
Receivables under service concession arrangements (note i)	441,881
Amounts due from customers for contract work	26,926
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	273,079
Bank balances and cash	696,802
Assets classified as held for sale	13,693
Trade and other payables	(389,164)
Amounts due to customers for contract work	(41,275)
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
Gain from bargain purchase	
Waiver of an amount due from a jointly controlled entity	411,030
Share of post-acquisition profits of Asia Water	77,001
	488,031
Plus: non-controlling interests (note ii)	519,183
Less: recognised amount of identifiable net assets acquired	(1,044,932)
Gain from bargain purchase (note iii)	(37,718)
Net cash inflow arising on acquisition	
Cash and cash equivalent balances acquired	696,802

44. ACQUISITION OF SUBSIDIARIES/BUSINESSES (Continued)

For the year ended 31 December 2011 (Continued)

(a) Acquisition of Asia Water (Continued)

notes:

(i) 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 ranges from 10% to 13%.

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

(iii) The introduction of the Company as the new controlling shareholder of Asia Water was expected to strengthen its capital base, meet its working capital requirements 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 the above gain of HK$37,718,000 for the year.

(iv) Included in the profit for the year is HK$85,020,000 attributable to Asia Water. Revenue for the year includes HK$339,279,000 generated from Asia Water.

Had the acquisition been completed on 1 January 2011, the revenue of the Group for the year would have been approximately HK$15,028 million, and the profit for the year would have been approximately HK$4,268 million. The pro forma 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 on 1 January 2011, nor is it intended to be a projection of future results.

(b) Acquisition of other subsidiaries

On 3 July 2011, Asia Water acquired 100% equity interest in Lap Yin International Limited ("Lap Yin") from an independent third party satisfied by (i) a cash of S$16,186,697 (equivalent to HK$94,275,000) and 98,578,821 ordinary shares of Asia Water for the expansion of its business. Lap Yin indirectly owns 50% equity interest in a jointly controlled entity, which is engaged in the business of waste incineration power generation in the PRC.

In addition, on 29 November 2011, Asia Water acquired an additional 37% equity interest in a 43% held associate, Wuhan Hanxi Waste Water Treatment Co., Ltd. ("Wuhan Hanxi"), for total cash consideration of RMB51.4 million (equivalent to approximately HK$63.0 million) for the expansion of its business. Upon completion of the transaction, Wuhan Hanxi became a 80% owned subsidiary of Asia Water. Wuhan Hanxi is principally engaged in sewage treatment in the PRC.

44. ACQUISITION OF SUBSIDIARIES/BUSINESSES (Continued)

For the year ended 31 December 2011 (Continued)

(b) Acquisition of other subsidiaries (Continued)

	Lap Yin HK$'000	Wuhan Hanxi HK$'000	Total HK'000
Consideration transferred			
Cash	94,275	–	94,275
Deposit paid	–	62,593	62,593
Deferred consideration (note i)	2,287	–	2,287
Interest in an associate (note ii)	–	67,418	67,418
Shares issued by Asia Water (note iii)	37,048	–	37,048
	133,610	130,011	263,621
Assets acquired and liabilities recognised at the respective dates of acquisition are as follows:			
Operating concessions	52,766	–	52,766
Interest in a jointly controlled entity	84,369	–	84,369
Receivables under service concession arrangements	–	458,431	458,431
Inventories	–	2,322	2,322
Trade and other receivables	145	160,717	160,862
Bank balances and cash	3	9,103	9,106
Trade and other payables	(1,595)	(110,472)	(112,067)
Bank and other borrowings	–	(292,009)	(292,009)
Deferred tax liabilities	(2,078)	(21,780)	(23,858)
	133,610	206,312	339,922
Gain from bargain purchase			
Consideration transferred	133,610	130,011	263,621
Plus: non-controlling interests (note iv)	–	40,348	40,348
Less: net assets acquired	(133,610)	(206,312)	(339,922)
Gain from bargain purchase (note v)	–	(35,953)	(35,953)
Net cash (outflow) inflow arising on acquisition			
Bank balances and cash acquired	3	9,103	9,106
Less: cash consideration paid	(94,275)	–	(94,275)
	(94,272)	9,103	(85,169)

44. ACQUISITION OF SUBSIDIARIES/BUSINESSES (Continued)

For the year ended 31 December 2011 (Continued)

(b) Acquisition of other subsidiaries (Continued)

notes:

(i) The deferred consideration will be settled in shares of Asia Water by June 2012.

(ii) The 37% equity interest in Wuhan Hanxi was remeasured at fair value at the date of acquisition and the resulting gain of HK$25,741,000 was recognised in profit or loss (note 9).

(iii) The fair value of the shares was determined using their published share price at the date of acquisition, amounting to S$5,915,000 (equivalent to HK$37,048,000).

(iv) The non-controlling interests of 20% in Wuhan Hanxi recognised at the acquisition date was measured with reference to the non-controlling interests' proportionate share of the fair value of the net assets of Wuhan Hanxi and amounted to HK$40,348,000.

(v) The introduction of Asia Water as the new controlling shareholder of Wuhan Hanxi was expected to strengthen its capital base, meet its working capital requirements 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 the above gain of HK$35,953,000 for the year.

(vi) The impact of acquisitions of Lap Yin and Wuhan Hanxi by Asia Water has been included in the impact of the acquisition of Asia Water mentioned above in note 44(a).

For the year ended 31 December 2010

During the year ended 31 December 2010, the Group acquired the following subsidiaries:

(a) Acquisition of SI Urban Development

In June 2010, through the acquisition of existing shares in, and a subscription of new shares issued by, SI Urban Development, the Group acquired a 45.02% equity interest in SI Urban Development for an aggregate consideration of HK$2,746,165,000.

(b) Acquisition of United Environment

In November 2010, the Group acquired from certain independent third parties the controlling interest of 60.4% in United Environment at an aggregate consideration of RMB361,213,000 (equivalent to HK$418,982,000). United Environment and its subsidiaries are companies established in the PRC and are principally engaged in the businesses of sewage treatment and water supply in the PRC.

(c) Acquisition of 青島瑞歐

On 21 January 2010, SI Development acquired 50% equity interest in 青島上實瑞歐置業有限公司 ("青島瑞歐") from an independent third party for a consideration of RMB376,000,000 (equivalent to HK$431,539,000). 青島瑞歐 was previously an available-for-sale investment engaged in real estate business and owned by SI Development as to 5%. 青島瑞歐 became a 55% owned subsidiary after this transaction. The transaction was accounted for an acquisition of assets.

44. ACQUISITION OF SUBSIDIARIES/BUSINESSES (Continued)

For the year ended 31 December 2010 (Continued)

Details of the considered transferred, assets acquired and liabilities recognised in respect of the above acquisitions are as follows:

	SI Urban Development HK$'000	United Environment HK$'000	青島瑞歐 HK$'000	Total HK$'000
Consideration transferred				
Cash	2,746,165	418,982	431,539	3,596,686
Available-for-sale investment	–	–	43,154	43,154
	2,746,165	418,982	474,693	3,639,840
Assets acquired and liabilities recognised at the respective dates of acquisition are as follows:				
Investment properties	2,872,626	–	–	2,872,626
Property, plant and equipment	839,316	33,250	375	872,941
Prepaid lease payments	86,074	–	–	86,074
Operating concessions	–	440,580	–	440,580
Investments	–	1,159	–	1,159
Interests in associates	187,706	–	–	187,706
Receivables under service concession arrangements	–	1,107,594	–	1,107,594
Deferred tax assets	23,625	5,439	–	29,064
Inventories	17,832,129	13,897	1,441,705	19,287,731
Trade and other receivables	1,367,671	95,084	2,756	1,465,511
Prepaid taxation	271,721	–	–	271,721
Pledged bank deposits	97,918	27,418	–	125,336
Bank balances and cash	2,764,940	93,015	1,556	2,859,511
Trade and other payables	(2,007,214)	(196,649)	(583,313)	(2,787,176)
Customer deposits from sales of properties	(8,487,039)	–	–	(8,487,039)
Convertible notes	(64,979)	–	–	(64,979)
Derivative financial instrument – warrants	(32,300)	–	–	(32,300)
Taxation payable	(1,015,935)	(2,662)	–	(1,018,597)
Bank and other borrowings	(2,533,579)	(687,944)	–	(3,221,523)
Provision for major overhauls	–	(72,116)	–	(72,116)
Senior notes	(3,213,600)	–	–	(3,213,600)
Deferred tax liabilities	(1,264,120)	(88,697)	–	(1,352,817)
	7,724,960	769,368	863,079	9,357,407
Gain from bargain purchase				
Consideration transferred	2,746,165	418,982	474,693	3,639,840
Plus: non-controlling interests	4,617,735	350,386	388,386	5,356,507
Less: net assets acquired	(7,724,960)	(769,368)	(863,079)	(9,357,407)
	(361,060)	–	–	(361,060)
Net cash inflow (outflow) arising on acquisition				
Bank balances and cash acquired	2,764,940	93,015	1,556	2,859,511
Less: cash consideration paid	(2,746,165)	(418,982)	(431,539)	(3,596,686)
	18,775	(325,967)	(429,983)	(737,175)

44. ACQUISITION OF SUBSIDIARIES/BUSINESSES (Continued)

For the year ended 31 December 2010 (Continued)

Impact of acquisitions of SI Urban Development and United Environment on the results of the Group

Included in the profit for the year ended 31 December 2010 is a loss of HK$104,051,000 incurred by the business of SI Urban Development and a gain of HK$2,526,000 attributable to United Environment's sewage treatment and water supply businesses. Revenue for the year ended 31 December 2010 includes HK$1,692,957,000 and HK$61,636,000 generated from SI Urban Development and United Environment, respectively.

No information regarding the revenue and profit or loss of SI Urban Development and United Environment for the year ended 31 December 2010 as though the acquisition dates for the acquisitions of SI Urban Development and United Environment had been as of 1 January 2010 was disclosed as the directors of the Company considered it was impracticable to do so due to the wide ranges of assumptions and estimates required in the determination of fair value adjustments on such business combinations.

The directors of the Company are of the opinion that 青島瑞歐 acquired during the year ended 31 December 2010 had no significant contribution to the Group's revenue or results for the year ended 31 December 2010.

45. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2011

During the year ended 31 December 2011, the Group disposed of the following subsidiaries:

(a) 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.

(b) In June 2011, the Group disposed of its 88.5% equity interest in Good Cheer Enterprises Limited ("Good Cheer") and a related shareholder's loan of HK$397,007,000 to certain connected persons at a consideration of approximately HK$1,164 million, out of which payment of approximately HK$342 million was deferred, resulting in a gain of HK$803,683,000. Following completion of this disposal, the Group retains 11.5% equity interest in Good Cheer as an available-for-sale investment. Good Cheer, through its subsidiaries, engages in hotel business in the PRC.

45. DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 31 December 2011 (Continued)

(c) In June 2011, the Group disposed of its 90% equity interest in S.I. Feng Tao Properties (BVI) Limited ("Feng Tao") and a related shareholder's loan of HK$110,072,000 to certain connected persons at a consideration of approximately HK$1,226 million, out of which payment of approximately HK$665 million was deferred, resulting in a gain of HK$1,261,588,000. Following completion of this disposal, the Group retains 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.

(d) In November 2011, the Group disposed of its 100% equity interest in Better Score, which indirectly holds a financial asset designated as at FVTPL, to a connected person at a consideration of RMB2,000 million (equivalent to approximately HK$2,453 million).

(e) Other disposals mainly represent the disposal of a real estate project company in Qingdao, the PRC ("Qingdao company"), during the year. In July 2011, Qingdao company entered into a capital injection agreement with an independent third party. Pursuant to the agreement, the third party injected approximately RMB1,183 million (equivalent to approximately HK$1,442 million) into Qingdao company. Upon completion of the capital injection in July 2011, SI Development's equity interest in Qingdao company was diluted to 50% and accordingly, SI Development lost control over Qingdao company and accounted for it as a 50% held jointly controlled entity thereafter.

(f) As set out in note 12, the Group also disposed of two disposal groups classified as held for sale as at 31 December 2010 during the current year and details of these disposals are disclosed therein.

For the year ended 31 December 2010

During the year ended 31 December 2010, the Group disposed of the following subsidiaries:

(a) In January 2010, the Group disposed of its 50% equity interest in 上海城大水處理有限公司, a subsidiary owned by the Group as to 75% immediately before the transaction, to an independent third party at a consideration of HK$600,000.

(b) In July 2010, the Group disposed of its 26% equity interest in Xuchang Yongchang Printing Co., Ltd., a subsidiary owned by the Group as to 51% immediately before the transaction at a consideration of HK$44,512,000, to an independent third party, resulting in a gain of HK$5,652,000.

(c) In July 2010, the Group disposed of its 100% equity interest in Shanghai Advanced Software Institute at a consideration of HK$2,018,000 to an independent third party, resulting in a loss of HK$127,000.

45. DISPOSAL OF SUBSIDIARIES (Continued)

Further details of the consideration, and assets and liabilities disposed of in the above disposals are set out below:

	2011						2010
	Shanghai Hefei HK$'000	Good Cheer HK$'000	Feng Tao HK$'000	Better Score HK$'000	Others HK$'000	Total HK$'000	Total HK$'000
Consideration:							
Cash received	310,566	425,236	561,347	2,453,332	14,337	3,764,818	39,530
Deferred cash consideration (note)							
– non-current	–	–	563,236	–	–	563,236	–
– current (included in other receivables)	–	320,285	–	–	–	320,285	7,600
Interest in a jointly controlled entity	–	–	–	–	1,328,459	1,328,459	–
Interest in an associate	–	–	–	–	350,007	350,007	44,589
Available-for-sale investments	–	99,697	136,259	–	–	235,956	–
Provision for onerous contracts (included in other payables)	–	(76,161)	–	–	–	(76,161)	–
Total consideration	310,566	769,057	1,260,842	2,453,332	1,692,803	6,486,600	91,719
Analysis of assets and liabilities over which control was lost:							
Property, plant and equipment	645	419,836	250	–	989	421,720	101,577
Prepaid lease payments	–	289,808	–	–	–	289,808	2,528
Deposits paid on acquisition of property, plant and equipment	–	–	–	–	–	–	13,676
Deferred tax assets	–	13,681	–	–	16	13,697	–
Inventories	843,852	6,571	555,218	454	5,207,553	6,613,648	20,984
Trade and other receivables	25,434	8,066	519	–	8,183	42,202	52,906
Investments	–	–	–	2,452,880	–	2,452,880	–
Bank balances and cash	29,099	117,662	86,569	–	26,938	260,268	20,421
Trade and other payables	(478,556)	(562,592)	(638,997)	(2)	(3,621,207)	(5,301,354)	(28,154)
Taxation payable	–	–	–	–	(23)	(23)	(3,375)
Bank and other borrowings	(71,396)	(180,593)	–	–	–	(251,989)	–
Net assets disposed of	349,078	112,439	3,559	2,453,332	1,622,449	4,540,857	180,563
(Loss) gain on disposal:							
Consideration	310,566	769,057	1,260,842	2,453,332	1,692,803	6,486,600	91,719
Net assets disposed of	(349,078)	(112,439)	(3,559)	(2,453,332)	(1,622,449)	(4,540,857)	(180,563)
Non-controlling interests	–	76,931	–	–	348,000	424,931	87,187
Release of reserves	–	(38,167)	–	–	18,645	(19,522)	–
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of the subsidiary	–	108,301	4,305	170,287	–	282,893	7,212
	(38,512)	803,683	1,261,588	170,287	436,999	2,634,045	5,555

45. DISPOSAL OF SUBSIDIARIES (Continued)

Further details of the consideration, and assets and liabilities disposed of in the above disposals are set out below: (Continued)

	2011						2010
	Shanghai Hefei HK$'000	Good Cheer HK$'000	Feng Tao HK$'000	Better Score HK$'000	Others HK$'000	Total HK$'000	Total HK$'000
(Loss) gain on disposal:							
– subsidiaries holding property interests	–	–	1,261,588	–	–	1,261,588	–
– other subsidiaries	(38,512)	803,683	–	170,287	436,999	1,372,457	5,555
	(38,512)	803,683	1,261,588	170,287	436,999	2,634,045	5,555
Net cash inflow (outflow) arising on disposal:							
Cash consideration received	310,566	425,236	561,347	2,453,332	14,337	3,764,818	39,530
Less: bank balances and cash disposed of	(29,099)	(117,662)	(86,569)	–	(26,938)	(260,268)	(20,421)
	281,467	307,574	474,778	2,453,332	(12,601)	3,504,550	19,109

note: The deferred consideration on disposal of Good Cheer and Feng Tao will be settled in cash by the buyer by June 2012 and December 2013, respectively. The amounts have been arrived at by discounting the deferred consideration using a discount rate of 6.6%.

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

46. OPERATING LEASES

The Group and the Company as lessees

At the end of the reporting period, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP		THE COMPANY	
	31.12.2011 HK$'000	31.12.2010 HK$'000	31.12.2011 HK$'000	31.12.2010 HK$'000
Within one year	93,645	62,287	9,708	4,447
In the second to fifth year inclusive	139,657	107,101	5,042	–
After five years	8,000	28,000	–	–
	241,302	197,388	14,750	4,447

Operating lease payments represent rental payable by the Group and the Company for certain office and factory properties. Leases are negotiated for an average term of 20 years and rentals are fixed for a lease term of 1 to 5 years.

Included in the above are operating lease commitments for land and buildings of approximately HK$156.6 million (31.12.2010: HK$142.2 million) and HK$14.8 million (31.12.2010: HK$4.4 million) payable by the Group and the Company, respectively, to the ultimate holding company and certain fellow subsidiaries.

46. OPERATING LEASES (Continued)

The Group and the Company as lessors
At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP Investment properties and land and buildings	
	31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)
Within one year	439,266	423,826
In the second to fifth year inclusive	1,057,769	727,398
After five years	1,685,636	1,120,245
	3,182,671	2,271,469

Included in the above are operating lease commitments for investment properties of approximately HK$11.0 million (31.12.2010: HK$9.7 million, as restated) receivable by the Group from certain fellow subsidiaries.

The Company had no significant operating lease arrangements as lessor at the end of the reporting period.

47. CAPITAL COMMITMENTS

	THE GROUP	
	31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of		
– additions in properties under development held for sale	5,839,411	9,948,254
– investments in PRC subsidiaries	245,040	1,347,860
– acquisition of property, plant and equipment	90,493	139,587
– investment in a PRC associate	–	1,176,575
– toll road construction costs	–	234,461
– additions in construction in progress	–	118,466
	6,174,944	12,965,203
Capital expenditure authorised but not contracted for in respect of additions in properties under development held for sale	–	15,856,051

47. CAPITAL COMMITMENTS (Continued)

In addition to the above, the Group's share of capital commitments of a jointly controlled entity is as follows:

	THE GROUP	
	31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of investment in a PRC jointly controlled entity	251,972	198,435

The Company had no significant capital commitment at the end of the reporting period.

48. CONTINGENT LIABILITIES

	THE GROUP	
	31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)
Guarantees given to banks in respect of banking facilities utilised by		
– property buyers	2,954,703	4,044,562
– an entity controlled by Xuhui SAAC	266,272	549,658
– a former subsidiary	61,637	–
	3,282,612	4,594,220

As at 31 December 2011, the Company granted financial guarantees to the extent of approximately HK$12,923 million (31.12.2010: HK$16,194 million) to banks in respect of banking facilities to its subsidiaries, out of which approximately HK$10,770 million (31.12.2010: HK$7,170 million) were utilised.

49. PLEDGE OF ASSETS

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

(i) investment properties with an aggregate carrying value of HK$6,221,268,000 (31.12.2010: HK$4,501,498,000, as restated);

(ii) leasehold land and buildings with an aggregate carrying value of HK$128,455,000 (31.12.2010: HK$363,528,000, as restated);

(iii) plant and machineries with an aggregate carrying value of HK$194,102,000 (31.12.2010: HK$66,130,000);

49. PLEDGE OF ASSETS (Continued)

(iv) two toll road operating rights of HK$10,708,600,000 (31.12.2010: HK$10,594,414,000);

(v) receivables under service concession arrangements with an aggregate carrying value of HK$94,070,000 (31.12.2010: HK$175,560,000);

(vi) properties under development held for sale with an aggregate carrying value of HK$7,712,800,000 (31.12.2010: HK$5,808,127,000, as restated);

(vii) properties held for sale with an aggregate carrying value of HK$30,545,000 (31.12.2010: HK$144,569,000, as restated);

(viii) trade receivables with an aggregate carrying value of HK$132,363,000 (31.12.2010: Nil); and

(ix) bank deposits with an aggregate carrying value of HK$333,594,000 (31.12.2010: HK$108,862,000).

50. RETIREMENT BENEFITS SCHEMES

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

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

At the end of the reporting period, no forfeited contributions were available to reduce the contribution payable in future years.

51. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES

(I) Connected persons

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

Connected persons	Nature of transaction	THE GROUP 2011 HK$'000	2010 HK$'000
Transactions			
Ultimate holding company:			
SIIC	Rentals and management fee paid by the Group on land and buildings (note i)	2,417	1,916
Fellow subsidiaries:			
International Hope Limited	Rentals and management fee paid by the Group on land and buildings (note i)	10,368	10,123
Nanyang Enterprises Properties Limited	Rentals paid by the Group on land and buildings (note i)	24,000	21,000
SIIC Estate Co., Ltd.	Rentals paid by the Group on land and buildings (note i)	26	26
SIIC Shanghai	Rentals and management fee paid by the Group on land and buildings (note i)	6,250	5,958
	Loans provided to the Group (note ii)	2,955,271	2,864,707
	Interest paid by the Group (note ii)	166,552	86,776
Shanghai Pharmaceutical (Group) Company Limited (note iv)	Sales of pharmaceutical products and raw materials by the Group (note iii)	–	17,586
	Purchase of pharmaceutical products and raw materials by the Group (note iii)	–	16,366

51. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(I) Connected persons (Continued)

(a) (Continued)

Connected persons	Nature of transaction	THE GROUP 2011 HK$'000	THE GROUP 2010 HK$'000
Transactions (Continued)			
Jointly controlled entity/ associate:			
上海星河數碼投資有限公司 ("Shanghai Galaxy")	Investment income received by the Group (note ii)	44,993	53,882
	Management fee paid by the Group (note ii)	8,840	12,052
	Capital injection by the Group	393,423	–
Non-controlling shareholders of subsidiaries:			
中國（杭州）青春寶集團有限公司 (China (Hangzhou) Qingchunbao Group Co. Ltd.) and its subsidiaries (note iv)	Sales of finished medicine and health products by the Group (note iii)	–	5,564
China Tobacco Henan Industrial Corporation (note v)	Sales of cigarette box packaging materials by the Group (note iii)	–	218,517
四川水井坊股份有限公司 (Sichuan Swelfun Co., Ltd.)	Sales of packaging materials by the Group (note iii)	–	632
Xinnan (Tianjin) Paper Co., Ltd.	Purchase of raw materials by the Group (note iii)	24,078	79,344
Hangzhou Huqingyutang Pharmaceutical Co. Ltd. (note iv)	Tradition Chinese medicine extraction services provided by the Group (note ii)	–	501
Fellow subsidiaries of non-controlling shareholders of subsidiaries:			
Four Season Hotels and Resorts Asia Pacific Pte. Ltd. (note vi)	Hotel advisory services provided by the Group (note ii)	4,157	12,462
Four Seasons Shanghai B.V. (note vi)	Hotel management services provided by the Group (note ii)	340	756
Four Seasons Hotels Limited (note vi)	Hotel services provided by the Group (note ii)	2,927	6,940

51. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(I) Connected persons (Continued)

(a) (Continued)

Connected persons	Nature of balance	THE GROUP 31.12.2011 HK$'000	 31.12.2010 HK$'000
Balances			
Non-controlling shareholders of subsidiary:			
Entities controlled by Xuhui SAAC	Non-trade receivables by the Group	122,681	114,579
	Non-trade payables by the Group	359,289	640,839

notes:

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

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

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

(iv) These companies are no longer connected persons since February 2010.

(v) This company is no longer a connected person since November 2010.

(vi) These companies are no longer connected persons since June 2011.

(b) Pursuant to an agreement dated 26 December 2002 and a supplemental agreement dated 15 December 2009 entered into between Xuhui State-owned Assets Management Co. Ltd. ("State-owned Management Company") and Shanghai Urban Development (the "Cross Guarantee Agreement"), the parties thereto agree to guarantee each other's obligations in respect of certain loans/facilities obtained by them from time to time from banks or credit unions to the extent of not more than RMB1,200 million. In respect of those guarantees which have already been entered into by State-owned Management Company and Shanghai Urban Development pursuant to the Cross Guarantee Agreement, they will continue until the underlying loans/facilities mature/expire and all amounts owed are fully repaid.

As at 31 December 2011, the total amount of loans/facilities obtained by State-owned Management Company in respect of which guarantees were provided by Shanghai Urban Development amounted to approximately RMB216 million (equivalent to approximately HK$266 million) (31.12.2010: RMB466 million (equivalent to approximately HK$550 million)).

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

51. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(I) Connected persons (Continued)

(c) In the year ended 31 December 2009, 上海滬寧高速公路（上海段）發展有限公司 (Shanghai Hu-Ning Expressway (Shanghai Section) Company Limited) ("Shanghai Hu-Ning Expressway"), a wholly owned subsidiary of the Company, entered into an asset management entrustment agreement with Shanghai Galaxy, a wholly-owned subsidiary of SIIC. The amount of funds entrusted to Shanghai Galaxy for the provision of assets management services amounted to RMB400 million (equivalent to approximately HK$482 million) (2010: RMB260 million (equivalent to approximately HK$307 million)) during the year.

(d) Details of operating lease commitments with connected parties are set out in note 46.

(e) Details of the acquisition of SI Development are set out in note 2.

(f) Details of an amount due to a fellow subsidiary are set out in note 36.

(g) Details of the disposal of an investment to a connected person are set out in notes 26 and 45.

(h) Details of the disposal of other subsidiaries to connected persons are set out in the note 45.

(i) As announced by the Company on 9 December 2011, the Company entered into a conditional agreement to dispose of a 50% held jointly controlled entity to a purchaser company which is deemed to be a connected person of the Company under the Listing Rules. Further details are set out in note 12.

(j) On 8 December 2009, the Group agreed to acquire from Glory Shine, a wholly owned subsidiary of SIIC, the 100% equity interest in S.I. Feng Shun Properties (BVI) Limited ("Feng Shun (BVI)"), and take assignment of the shareholder's loan for a cash consideration of RMB198,776,000. Feng Shun (BVI) owns a development project located at Qingpu District in Shanghai, the PRC. The acquisition of Feng Shun was approved at an extraordinary general meeting held on 11 January 2010 and is subsequently completed in March 2012.

On 26 February 2011, the Group entered into an agreement with various parties (the "Parties"), which are deemed to be connected persons under the Listing Rules, to sell its 90% equity interest in Feng Shun (BVI) and assign 90% of the shareholder's loan to the Parties at an aggregate consideration of RMB1,305,000,000. The completion of this transaction is conditional upon the completed transfer of Feng Shun (BVI) from Glory Shine to the Group.

Details of these transactions are set out in two announcements of the Company dated 8 December 2009 and 26 February 2011, respectively.

(k) Prior to the acquisition of SI Development, the Group had invested RMB250 million (equivalent to HK$308,185,000) in a subsidiary of SI Development through a trust arrangement. Details of the investment are set out in an announcement of the Company dated 19 May 2011.

51. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(II) Related parties, other than connected persons

(a) In addition to the transactions set out in note 51(I)(a) above, the significant transactions with other related parties, during the year, and significant balances with them at the end of the reporting period, are as follows:

Related parties	Nature of transaction	THE GROUP 2011 HK$'000	2010 HK$'000
Transactions			
Associates:			
上海城開地產經紀有限公司 (Shanghai Urban Development Real Estate Agency Co., Ltd.) ("SUD Real Estate Agency")	Property agency fees paid by the Group	34,692	83,011
上海申永燙金材料有限公司 (Shanghai Shen Yong Stamping Foil Co., Ltd.) ("Shanghai Shen Yong Stamping Foil")	Purchase of materials by the Group	–	337
廣西甲天下水松紙有限公司 (Guangxi Jiatianxia Tipping Paper Co., Ltd.) ("Guangxi Jiatianxia Tipping Paper")	Printing services income received by the Group	–	10,101

Related parties	Nature of balance	THE GROUP 31.12.2011 HK$'000	31.12.2010 HK$'000
Balances			
Associates:			
SUD Real Estate Agency	Trade payables by the Group	83,913	52,165
Shanghai Shen Yong Stamping Foil	Trade payables by the Group	–	141
Guangxi Jiatianxia Tipping Paper	Trade receivables by the Group	–	1,762

The Company's balances with other related parties are set out in the statement of financial position of the Company and in note 25.

(b) At 31 December 2011, a bank borrowing amounting to RMB499 million (equivalent to approximately HK$615 million) (31.12.2010: RMB499 million (equivalent to approximately HK$589 million), as restated) was secured by a property jointly owned by the Group and a fellow subsidiary of the Group.

51. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(III) Compensation of key management personnel

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

	2011 HK$'000	2010 HK$'000
Short-term benefits	31,676	43,554
Share-based payments	49,539	28,351
	81,215	71,905

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

52. MATERIAL TRANSACTIONS AND BALANCES WITH GOVERNMENT RELATED ENTITIES

The Group itself is part of a larger group of companies under SIIC, which is controlled by the PRC government. The directors consider that the Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predenominated by entities controlled, jointly controlled or significantly influenced by the PRC government. Apart from the transactions with SIIC, other connected persons and related parties disclosed in note 51, the Group also conducts business with other government related entities in the ordinary course of business. In the opinion of the directors of the Company, these transactions are considered as individually and collectively insignificant to the operation of the Group. The directors consider those government-related entities are independent third parties so far as the Group's business transactions with them are concerned.

53. GOVERNMENT GRANTS

Government grants of approximately HK$38.1 million (2010: HK$14.2 million) was received in the current year from local government as compensation for the decrease of toll fee income and approximately HK$0.4 million (2010: HK$37.7 million) was received as incentives for investments in certain provinces in the PRC. These amounts have been included in other income for the year.

54. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2011 and 2010 are as follows:

Name of subsidiary	Place of incorporation or establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital	Percentage of issued share/ registered capital held by the Company/subsidiaries 31.12.2011	31.12.2010	Principal activities
SI Development (note i)	The PRC	A shares – RMB1,083,370,873	63.65%	63.65% (see note 2)	Property development and investment
SI Urban Development (note ii)	Bermuda/ The PRC	Ordinary shares – HK$192,461,000	69.95%	45.02% (see note 44)	Property development and investment
Shanghai Hu-Ning Expressway (note iii)	The PRC	RMB3,000,000,000	100%	100%	Holding of the right to operate a toll road
上海路橋發展有限公司 (Shanghai Luqiao Development Co., Ltd.) (note iii)	The PRC	RMB1,600,000,000	100%	100%	Holding of the right to operate a toll road
上海申渝公路建設發展有限公司 (Shanghai Shen-Yu Development Co., Ltd.) (note iii)	The PRC	RMB1,200,000,000	100%	100%	Holding of the right to operate a toll road
Asia Water (note iv)	Republic of Singapore/ The PRC	Ordinary shares – RMB1,136,949,043	55.23%	N/A	Sewage treatment and water supply
S.I. Infrastructure Holdings Limited ("S.I. Infrastructure")	The British Virgin Islands/ Hong Kong	US$1	100%	100%	Investment holding
SIHL Treasury Limited ("SIHL Treasury")	Hong Kong	Ordinary shares – HK$2	100%	100%	Investment
Nanyang Tobacco (Marketing) Company, Limited	The British Virgin Islands/PRC and Macau	Ordinary shares – US$1 – HK$100,000,000	100%	100%	Sale and marketing of cigarettes and raw materials sourcing
Nanyang Brothers Tobacco Company, Limited	Hong Kong	Ordinary shares – HK$2	100%	100%	Manufacture and sale of cigarettes
		Non-voting deferred shares – HK$8,000,000	–	–	
The Wing Fat Printing Company, Limited	Hong Kong	Ordinary shares – HK$2,000,000	93.47%	93.44%	Manufacture and sale of packaging materials, printed products and paper making

54. PRINCIPAL SUBSIDIARIES (Continued)

Particulars of the Company's principal subsidiaries at 31 December 2011 and 2010 are as follows: (Continued)

notes:

(i) This company is listed on the A Shares Market of the Shanghai Stock Exchange.

(ii) This company is listed on the Main Board of the Stock Exchange.

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

(iv) This company is listed on the Singapore Exchange Securities Trading Limited.

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

None of the deferred shares are held by the Group. The deferred shares carry no rights to receive notice of or to attend or vote at any general meeting of the respective companies and have practically no rights to dividends or to participate in any distributions on winding up.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Other than as disclosed in notes 38 and 39, none of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

55. PRINCIPAL JOINTLY CONTROLLED ENTITIES

Particulars of the Group's principal jointly controlled entities at 31 December 2011 and 2010 are as follows:

Name of jointly controlled entity	Place of incorporation or establishment/ operations	Percentage of issued share/ registered capital attributable to the Group 31.12.2011	31.12.2010	Principal activities
Shanghai Galaxy	The PRC	50% (note i)	–	Provision of asset management services
中環保水務投資有限公司 (General Water of China Co., Ltd.)	The PRC	47.5%	50%	Joint investment and operation of water-related and environment protection business in the PRC
Asia Water	Republic of Singapore/ The PRC	– (note ii)	36.6%	Sewage treatment and water supply

55. PRINCIPAL JOINTLY CONTROLLED ENTITIES (Continued)

Particulars of the Group's principal jointly controlled entities at 31 December 2011 and 2010 are as follows: (Continued)

notes:

(i) Its was a 20% owned associate as at 31 December 2010. During the current year, the Group acquired an additional 30% equity interest through capital injection of HK$393,423,000.

(ii) As detailed in note 44, this company was derecognised as a jointly controlled entity upon the Group's increase in its effective interest therein from 36.6% to 52.86% in March 2011.

The above jointly controlled entities are indirectly held by the Company and the Group has members in the board of the respective entities.

The above table lists the jointly controlled entities of the Group which, in the opinion of the directors, principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other jointly controlled entities would, in the opinion of the directors, result in particulars of excessive length.

56. PRINCIPAL ASSOCIATES

Particulars of the Group's principal associates at 31 December 2011 and 2010, which are all sino-foreign equity joint venture companies established in the PRC, are as follows:

Name of associate	Percentage of registered capital attributable to the Group 31.12.2011	31.12.2010	Principal activities
Shanghai Galaxy	–	20%	Provision of asset management services
天津市億嘉合置業有限公司	28% (note)	18%	Property development

note: It is a 40% owned associate of SI Urban Development, which the Group owns as to its 69.95% (31.12.2010: 45.02%) equity interest.

The above associates are indirectly held by the Company.

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

57. 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

Infrastructure facilities, real estate and customer products also represent the Group's reportable segments.

As set out in note 2, the Group applied the principles of merger accounting in relation to its acquisition of SI Development Group during the current year. The segment revenue, segment results, segment assets and segment liabilities of the "Real estate" segment have been restated to include the revenue, results, assets and liabilities of SI Development Group.

57. SEGMENT INFORMATION (Continued)

Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by operating segment:

For the year ended 31 December 2011

Continuing operations

	Infrastructure facilities HK$'000	Real estate HK$'000	Consumer products HK$'000	Consolidated HK$'000
REVENUE				
Segment revenue – external sales	2,453,826	8,583,251	3,932,055	14,969,132
Segment profit	1,300,615	2,107,105	934,001	4,341,721
Net unallocated corporate expense				(474)
Finance costs				(1,078,804)
Share of results of jointly controlled entities				19,960
Share of results of associates				36,587
Gain from bargain purchase of interests in subsidiaries				73,671
Gain on disposal of interests in subsidiaries holding property interests				1,261,588
Net gain on disposal of interests in other subsidiaries, jointly controlled entities and associates				1,773,231
Impairment loss on available-for-sale investments				(110,474)
Profit before taxation (continuing operations)				6,317,006

For the year ended 31 December 2010 (restated)

Continuing operations

	Infrastructure facilities HK$'000	Real estate HK$'000	Consumer products HK$'000	Consolidated HK$'000
REVENUE				
Segment revenue – external sales	1,687,270	7,950,094	4,797,867	14,435,231
Segment profit	971,996	2,455,473	913,277	4,340,746
Net unallocated corporate income				46,216
Finance costs				(541,440)
Share of results of jointly controlled entities				383,952
Share of results of associates				45,392
Gain from bargain purchase of interests in subsidiaries				361,060
Net gain on disposal of interests in other subsidiaries, jointly controlled entities and associates				136,137
Impairment loss on available-for-sale investments				(284,224)
Profit before taxation (continuing operations)				4,487,839

57. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment profit represents the profit earned by each segment without allocation of net corporate (expense) income, 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, jointly controlled entities and associates 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.

Segment assets and liabilities

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

At 31 December 2011

	Infrastructure facilities HK$'000	Real estate HK$'000	Consumer products HK$'000	Consolidated HK$'000
Segment assets	20,290,026	76,161,800	4,840,245	101,292,071
Interests in jointly controlled entities				1,741,484
Interests in associates				2,062,822
Investments				1,481,797
Deferred tax assets				288,210
Prepaid taxation				475,258
Corporate bank balances and cash				6,609,328
Assets classified as held for sale				1,461,315
Other unallocated assets				402,332
Consolidated assets				115,814,617
Segment liabilities	1,217,661	23,373,568	765,741	25,356,970
Taxation payable				3,393,521
Bank and other borrowings				32,871,905
Senior notes				3,042,928
Deferred tax liabilities				4,359,574
Other unallocated liabilities				129,395
Consolidated liabilities				69,154,293

57. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

The following is an analysis of the Group's assets and liabilities by operating segment: (Continued)

At 31 December 2010 (restated)

	Infrastructure facilities HK$'000	Real estate HK$'000	Consumer products HK$'000	Consolidated HK$'000
Segment assets	17,448,501	72,438,106	4,050,364	93,936,971
Interests in jointly controlled entities				1,204,498
Interests in associates				585,335
Investments				3,463,193
Deferred tax assets				153,346
Prepaid taxation				542,971
Corporate bank balances and cash				5,492,672
Assets classified as held for sale				4,015,959
Other unallocated assets				51,091
Consolidated assets				109,446,036
Segment liabilities	705,283	31,096,531	424,343	32,226,157
Taxation payable				2,974,506
Convertible notes				2,607
Bank and other borrowings				25,422,867
Senior notes				3,071,744
Deferred tax liabilities				3,976,277
Liabilities associated with assets classified as held for sale				2,836,229
Other unallocated liabilities				134,913
Consolidated liabilities				70,645,300

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets of continuing operations are allocated to operating segments other than interests in jointly controlled entities, interests in associates, investments, deferred tax assets, prepaid taxation, corporate bank balances and cash, assets classified as held for sale and other unallocated assets; and

- all liabilities of continuing operations are allocated to operating segments other than taxation payable, convertible notes, bank and other borrowings, senior notes, deferred tax liabilities, liabilities associated with assets classified as held for sale and other unallocated liabilities.

57. SEGMENT INFORMATION (Continued)

Other segment information

2011

Continuing operations

	Infrastructure facilities HK$'000	Real estate HK$'000	Consumer products HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measurement of segment profit or loss or segment assets:					
Additions to non-current assets (note)	856,971	268,660	436,200	453	1,562,284
Depreciation and amortisation	575,742	135,346	125,258	2,535	838,881
Impairment loss on bad and doubtful debts	64,806	78	630	–	65,514
Impairment loss on properties held for sale	–	57,742	–	–	57,742
Impairment loss on other intangible assets	8,285	–	–	–	8,285
Reversal of impairment loss on bad and doubtful debts	10,890	–	–	–	10,890
Amounts regularly provided to the board of directors of the Company but not included in the measurement of segment profit or segment assets:					
Interests in jointly controlled entities	1,741,483	–	–	–	1,741,483
Interests in associates	–	1,805,192	257,631	–	2,062,823
Share of results of jointly controlled entities	24,464	–	(4,504)	–	19,960
Share of results of associates	(6,193)	(434)	43,214	–	36,587

57. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

2010 (restated)

Continuing operations

	Infrastructure facilities HK$'000	Real estate HK$'000	Consumer products HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measurement of segment profit or loss or segment assets:					
Additions to non-current assets (note)	1,714,520	3,840,370	213,100	2,684	5,770,674
Depreciation and amortisation	477,699	121,629	205,572	3,556	808,456
Impairment loss on bad and doubtful debts	–	19,794	530	–	20,324
Impairment loss on property, plant and equipment	–	–	4,056	–	4,056
Impairment loss on goodwill relating to a subsidiary	5,730	–	–	–	5,730
Reversal of impairment loss on bad and doubtful debts	–	–	15,782	–	15,782
Reversal of impairment loss on properties under development held for sale	–	319,258	–	–	319,258
Reversal of impairment loss on the payment for acquisition of PRC projects	–	165,557	–	–	165,557
Amounts regularly provided to the board of directors of the Company but not included in the measurement of segment profit or segment assets:					
Interests in jointly controlled entities	1,133,413	–	–	71,085	1,204,498
Interests in associates	122,351	221,307	241,677	–	585,335
Impairment loss on interests in associates	–	–	57,434	–	57,434
Share of results of jointly controlled entities	150,293	232,003	–	1,656	383,952
Share of results of associates	14,260	2,768	28,364	–	45,392

note: Non-current assets excluded those relating to discontinued operations or classified as held for sale and excluded financial instruments, goodwill and deferred tax assets.

57. SEGMENT INFORMATION (Continued)

Geographical information

The Group's operations are mainly located in Hong Kong (place of domicile) and the PRC.

The Group's revenue from continuing operations from external customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers	
	2011 HK$'000	2010 HK$'000 (restated)
PRC	13,322,674	12,991,938
Asia areas, other than Hong Kong and the PRC ("Asia")	544,185	932,688
Hong Kong (place of domicile)	976,840	444,653
Other areas	125,433	65,952
	14,969,132	14,435,231

	Non-current assets (note)	
	2011 HK$'000	2010 HK$'000 (restated)
PRC	27,368,691	25,708,733
Hong Kong (place of domicile)	990,654	870,201
	28,359,345	26,578,934

note: Non-current assets excluded those relating to discontinued operations or classified as held for sale, interests in jointly controlled entities and associates, financial instruments and deferred tax assets.

Information about major customers

No individual customer contributed to over 10% of the total revenue of the Group for both years.

58. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in notes 38, 39 and 40, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, retained profits and other reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

59. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments (excluding those classified as the disposal group held for sale)

	THE GROUP			THE COMPANY	
	31.12.2011	31.12.2010 (restated)	1.1.2010 (restated)	31.12.2011	31.12.2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets					
Fair value through profit or loss					
Held-for-trading	518,402	26,870	16,374	–	–
Designated as at FVTPL	29,723	2,916,515	2,822,985	–	–
Loans and receivables (including cash and cash equivalents)	24,449,006	22,087,132	20,004,213	29,972,900	24,224,619
Available-for-sale investments	933,672	519,808	708,637	99,697	–
Held-to-maturity investments	–	–	27,629	–	–
Financial liabilities					
Amortised cost	41,320,992	41,726,762	26,908,697	5,593,109	4,107,061

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, financial assets at FVTPL, trade and other receivables, receivables under service concession arrangements, restricted bank deposits, pledged bank deposits, short-term bank deposits, bank balances and cash, trade and other payables, bank and other borrowings and senior notes. The Company's major financial instruments include other receivables, amounts due from subsidiaries, short-term bank deposits, bank balances and amounts due to subsidiaries. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group mainly operates in the PRC and Hong Kong and the exposure in exchange rate risks mainly arises from fluctuations in United States dollar, Hong Kong dollar and Renminbi exchange rates. Exchange rate fluctuations and market trends have always been the concern of the Group. As Renminbi is under managed floating system, after reviewing the Group's exposure for the time being, the Group did not enter into any derivative contracts aimed at minimising exchange rate risks during the year. However, management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

59. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

The carrying amounts of the Group's and the Company's monetary assets and monetary liabilities at the reporting date that are denominated in currencies other than the functional currency of the group entities ("foreign currency") are as follows:

	THE GROUP				THE COMPANY			
	Assets		Liabilities		Assets		Liabilities	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Renminbi (against Hong Kong dollar)	1,478,307	58,618	1,664,738	1,634	906,462	–	–	–
United States dollar (against Hong Kong dollar and Renminbi)	3,433,608	1,465,388	3,393,709	3,218,277	2,467,876	723,090	–	–
Hong Kong dollar (against Renminbi)	116,600	1,116,545	1,049,418	1,076,526	–	–	–	–

The above foreign currency denominated monetary assets and monetary liabilities mainly represent the Group's available-for-sale investments, financial assets at FVTPL, trade and other receivables, pledged bank deposits, short-term bank deposits, bank balances and cash, trade and other payables, bank and other borrowings and senior notes.

Sensitivity analysis

The following table details the Group's and the Company's sensitivity to a 5% (2010: 5%) increase and decrease in the functional currency of each group entity against the above foreign currency. 5% (2010: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the year end for a 5% (2010: 5%) increase in foreign currency rates. A (negative) positive number below indicates (a decrease) an increase in profit after taxation/investment revaluation reserve where the above foreign currency strengthens 5% against the functional currency of each group entity.

	THE GROUP		THE COMPANY	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
(Decrease) increase in profit after taxation/investment revaluation reserve	(31,031)	(55,887)	140,879	30,189

59. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk

The Group's fair value and cash flow interest rate risks mainly relate to fixed and variable rates borrowings respectively. The Group's receivables under service concession arrangements, pledged bank deposits, fixed-rate bank and other borrowings and senior notes have exposure to fair value interest rate risk due to the fixed interest rate on these instruments. The Group's and the Company's bank balances and variable-rate bank and other borrowings also have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate.

The management monitors interest rate exposure on ongoing basis and entered into interest rate swaps to partially hedge against its exposure to variability in cash flows of the variable-rate borrowings. The critical terms of these interest rate swaps are similar to those of hedged borrowings. These interest rate swaps are designated as effective hedging instruments and hedge accounting is adopted. During the current year, the interest rate swaps were terminated upon the early repayment of the relevant bank borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for its variable-rate bank balances and short-term bank deposits (collectively referred to as the "Bank Deposits") and variable-rate borrowings at the end of the reporting period. The sensitivity analysis does not consider the exposure of the interest rate swaps because the effect is insignificant.

For variable-rate borrowings and Bank Deposits, the analysis is prepared assuming that the amount of asset/liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point and 10 basis point (2010: 50 basis point and 10 basis point), respectively, increase or decrease are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rate.

If interest rates had been 50 basis point and 10 basis point (2010: 50 basis point and 10 basis point) higher/lower and all other were variables were held constant, the Group's profit after taxation for the year would decrease/increase by HK$118,538,000 (2010: HK$79,995,000, as restated). This is mainly attributable to the Group's exposure to interest rates on its variable-rate Bank Deposits and borrowings.

No sensitivity analysis is prepared for the Company's exposure to interest rate risk as the impact is not significant.

59. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Equity price risk

The Group is exposed to equity price risk through their listed investment in equity securities classified as either available-for-sale investments or financial assets at FVTPL. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments quoted in the Stock Exchange and the Shanghai Stock Exchange. In addition, the management has appointed a team of specialists to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks on quoted equity investments held by the Group at the reporting date:

If the prices of the respective quoted equity instruments had been 5% (2010: 5%) higher/lower:

- profit after taxation for the year would increase/profit after taxation would decrease by HK$22,822,000 (2010: HK$5,988,000) as a result of the changes in fair value of financial assets at FVTPL; and

- investment revaluation reserve would increase/profit after taxation would decrease by HK$9,005,000 (2010: HK$15,388,000) as a result of the changes in fair value of available-for-sale investments.

Credit risk

As at 31 December 2011, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss due to failure to discharge an obligation by the counterparties and financial guarantees provided is arising from:

- the carrying amount of the respective recognised financial assets as stated in the statements of financial position; and

- the amount of contingent liabilities in relation to financial guarantee issued by the Group and the Company as disclosed in note 48.

The Group's principal financial assets are receivables under service concession arrangements, restricted bank deposits, short-term bank deposits, bank balances and cash, equity and debt investments and trade and other receivables.

59. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The Group's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the consolidated statement of financial position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

With respect to the credit risk of the Group's treasury operations, management has established internal procedures to monitor the Group's bank balances and cash, securities investments to be placed and entered into with financial institutions of good reputation. These internal procedures also impose limitation on the amount outstanding and to manage the credit ratings on equity investments to be held, so as to minimise the Group's credit risk exposure.

The credit risk arising from receivables under service concession arrangements is limited as these receivables are guaranteed by the relevant governmental authorities in the PRC.

The credit risk arising from consideration receivables, which are due from a few counterparties, is limited after assessing the financial background of the counterparties.

The Group's concentration of credit risk by geographical locations of customers are mainly in the PRC and Hong Kong which accounted for 70% (31.12.2010: 80%) and 30% (31.12.2010: 20%), respectively, of the trade receivables at 31 December 2011.

The Group's and the Company's credit risk on bank balances and bank deposits is limited because the counterparties are banks with good reputation.

At 31 December 2010, the Group also had concentration of credit risk relating to a financial investment designated as at FVTPL in the amount of approximately HK$2.8 billion which represents 81% of the Group's investment portfolio at that date. The Group had no similar concentration of credit risk at 31 December 2011 as that investment was disposed of during the year.

The Company has concentration of credit risk in relation to amounts due from five subsidiaries which account for 94% (31.12.2010: 92%) of the total amounts due from subsidiaries balance. These subsidiaries are of a good credit standing at the end of the reporting period by reference to their financial position and business prospects. The Company's credit risk position is monitored closely by management of the Company.

59. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk

The Group's and the Company's liquidity position are monitored closely by management. The following tables detail the contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period. No contractual maturity for the interest rate swaps entered into by the Group is disclosed as the impact is considered insignificant.

	Weighted average interest rate %	Less than 1 month or on demand HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2011 HK$'000
THE GROUP							
2011							
Non-interest bearing	–	1,758,947	338,721	2,527,281	781,210	5,406,159	5,406,159
Fixed interest rate instruments	4.42	32,860	65,238	722,374	5,376,577	6,197,049	5,200,268
Variable interest rate instruments	4.05	103,141	197,935	15,161,544	17,271,208	32,733,828	30,714,565
		1,894,948	601,894	18,411,199	23,428,995	44,337,036	41,320,992
Financial guarantee contracts	–	3,282,612	–	–	–	3,282,612	–

	Weighted average interest rate %	Less than 1 month or on demand HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000 (restated)	Carrying amount at 31.12.2010 HK$'000 (restated)
THE GROUP							
2010							
Non-interest bearing	–	3,854,562	118,556	9,019,163	239,870	13,232,151	13,232,151
Fixed interest rate instruments	4.72	–	75,008	2,105,166	4,213,167	6,393,341	5,046,352
Variable interest rate instruments	2.31	5,606	10,320	10,379,011	13,642,023	24,036,960	23,448,259
		3,860,168	203,884	21,503,340	18,095,060	43,662,452	41,726,762
Financial guarantee contracts	–	4,594,220	–	–	–	4,594,220	–

59. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Weighted average interest rate %	Less than 1 month or on demand HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2011 HK$'000
THE COMPANY							
2011							
Non-interest bearing	–	–	–	559,975	–	559,975	559,975
Variable interest rate instruments	1.34	3,914	6,085	3,398,288	–	3,408,287	3,370,000
Fixed interest rate instrument	2.41	3,445	6,677	458,202	1,270,487	1,738,811	1,663,134
		7,359	12,762	4,416,465	1,270,487	5,707,073	5,593,109
Financial guarantee contracts	–	12,923,310	–	–	–	12,923,310	–

	Weighted average interest rate %	Less than 1 month or on demand HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2010 HK$'000
THE COMPANY							
2010							
Non-interest bearing	–	1,234,560	–	3,131	–	1,237,691	1,237,691
Variable interest rate instruments	1.21	–	–	2,900,243	–	2,900,243	2,870,000
		1,234,560	–	2,903,374	–	4,137,934	4,107,691
Financial guarantee contracts	–	16,193,710	–	–	–	16,193,710	–

The amounts included above for financial guarantee contracts are the maximum amounts the Group and the Company could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group and the Company considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

59. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices;
- the fair value of the financial asset designated as at FVTPL held by Better Score is determined based on a discounted cash flows analysis using a discount factor estimated by reference to the credit rating of the counterparty and the remaining time to maturity;
- the fair value of other financial assets at FVTPL are determined by reference to bid prices quoted in active markets or prices provided by the respective issuing banks or financial institutions using valuation technique; and
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost, except for held-to-maturity investments, in the consolidated financial statements approximate their fair values.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

59. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value (Continued)

	At 31 December 2011				At 31 December 2010			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL								
Listed convertible bonds/ debentures	29,723	–	–	29,723	117,840	–	–	117,840
Non-derivative financial assets held for trading	518,402	–	–	518,402	26,870	–	–	26,870
Others	–	–	–	–	–	–	2,798,675	2,798,675
Available-for-sale financial assets								
Listed equity securities	180,100	–	–	180,100	307,762	–	–	307,762
Total	728,225	–	–	728,225	452,472	–	2,798,675	3,251,147

Reconciliation of Level 3 fair value measurement of financial assets:

	Others HK$'000
At 1 January 2010	2,680,600
Exchange adjustments	101,243
Change in fair value recognised in profit or loss (included in net investment income)	428,176
Settlement	(411,344)
At 31 December 2010	2,798,675
Exchange adjustments	69,044
Change in fair value recognised in profit or loss (included in net investment income)	144,506
Settlement	(559,345)
Disposal of Better Score (note 45)	(2,452,880)
At 31 December 2011	–

FINANCIAL SUMMARY

	Year ended 31 December				
	2007 HK$'000	2008 HK$'000	2009 HK$'000	2010 HK$'000 (restated)	2011 HK$'000
RESULTS					
Revenue	4,110,159	7,452,105	7,061,653	14,435,231	14,969,132
Profit before taxation	2,028,387	2,683,795	3,828,453	4,487,839	6,317,006
Income tax expense	(152,410)	(420,151)	(1,102,330)	(865,784)	(2,037,463)
Profit for the year from continuing operations	1,875,977	2,263,644	2,726,123	3,622,055	4,279,543
Profit for the year from discontinued operations	405,132	594,122	1,005,177	3,269,339	–
Profit for the year	2,281,109	2,857,766	3,731,300	6,891,394	4,279,543
Attributable to					
– Owners of the Company	1,963,023	2,101,546	2,870,132	6,205,034	4,088,468
– Non-controlling interests	318,086	756,220	861,168	686,360	191,075
	2,281,109	2,857,766	3,731,300	6,891,394	4,279,543

	HK$	HK$	HK$	HK$	HK$
Earnings per share					
– Basic	1.94	1.96	2.66	5.75	3.79
– Diluted	1.93	1.95	2.66	5.75	3.79

	As at 31 December				
	2007 HK$'000	2008 HK$'000	2009 HK$'000	2010 HK$'000 (restated)	2011 HK$'000
ASSETS AND LIABILITIES					
Total assets	47,488,947	51,716,344	64,268,957	109,446,036	115,814,617
Total liabilities	(17,404,073)	(19,835,332)	(30,171,601)	(70,645,300)	(69,154,293)
	30,084,874	31,881,012	34,097,356	38,800,736	46,660,324
Equity attributable to owners of the Company	22,625,731	23,401,358	24,901,250	25,559,484	30,811,344
Non-controlling interests	7,459,143	8,479,654	9,196,106	13,241,252	15,848,980
	30,084,874	31,881,012	34,097,356	38,800,736	46,660,324

Note: The results for each of the two years ended 31 December 2011 and the assets and liabilities as of 31 December 2010 and 2011 are extracted from the 2011 annual report and they have been adjusted for the inclusion of SI Development on a merger basis (see note 2 to the consolidated financial statements).

The results for each of the three years ended 31 December 2009 and the assets and liabilities as of 31 December 2007, 2008 and 2009 have not been adjusted for the acquisition of SI Development.

PARTICULARS OF MAJOR PROPERTIES HELD FOR INVESTMENT PURPOSES

Details of the Group's major properties held for investment purposes as at 31 December 2011 are as follows:

Location	Term of lease	Type of use	Group's interest
1. Urban Development International Tower（城開國際大廈） situated at No. 355 Hongqiao Road, Xuhui District, Shanghai, the PRC	Held under a land use right for a term expiring on 7 October 2053	Commercial	41.27%
2. 20 office units on Levels 8, 9 and 10 and 12 car parks situated at No. 333 Zhaojiabang Road, Xuhui District, Shanghai, the PRC	Held under a land use right for a term expiring on 5 December 2042	Commercial	41.27%
3. Levels 1 to 3, Nos. 498 and 500 Lane 388 Pubei Road, Xuhui District, Shanghai, the PRC	Held under a land use right for a term expiring on 30 June 2050	Commercial	41.27%
4. Huimin Commercial Tower（滙民商廈） and non-motor vehicle shed situated at Nos. 111 and 123 Tianyaoqiao Road, Xuhui District, Shanghai. the PRC	Held under a land use right with an unspecified term	Commercial	41.27%
5. Phase 2 of Jiujiu Youth City, No. 1519 Husong Road, Jiuting Zhen, Songjiang District, Shanghai, the PRC	Held under a land use right for a term expiring on 8 July 2055	Residential and Commercial	69.95%
6. Laochengxiang, Lot No. 11 of Laochengxiang Area, Nankai District, Tianjin, the PRC	Held under a land use right for a term expiring on 29 March 2075	Residential and Commercial	69.95%
7. Lot No. B2, Phase I of Top City, No. 1 Olympic Road, Yuanjiagang, Jiulongpo District, Chongqing, the PRC	Held under a land use right for a term expiring in February 2044	Commercial	69.95%
8. Several levels of Golden Bell Plaza, No. 98 Huahai Road Central, Huangpu District, Shanghai, the PRC	Held under a land use right for a term expiring on 18 November 2043	Commercial	57.29%
9. Several levels of commercial units of Hi Shanghai, Lane 568 Feihong Road and Nos. 950, 970 and 990 Dalian Road, Yangpu District, Shanghai, the PRC	Held under a land use right for a term expiring on 19 September 2052	Composite	63.65%
10. Several levels of Nan Kai Building, No. 1130 and Nos. 1-2, Lane 1108, Tibet Road South, Huangpu District, Shanghai, the PRC	Held under a land use right for a term expiring on 9 November 2050	Commercial	63.65%

PARTICULARS OF MAJOR PROPERTIES HELD FOR INVESTMENT PURPOSES

Location	Term of lease	Type of use	Group's interest
11. Several levels of Shanghai Industrial Investment Building, No. 18 Caoxi Road North, Xuhui District, Shanghai, the PRC	Held under a land use right for a term expiring on 28 November 2044	Commercial	63.65%
12. Gaoyang Commercial Centre, No. 815 Dongdaming Road, Hongkou District, Shanghai, the PRC	Held under a land use right for a term expiring on 5 March 2053	Commercial	63.65%
13. Blocks 1-9, Shanghai United Wool Wearing Factory, No. 1111 Shangchuan Road, Pudong New District, Shanghai, the PRC	Held under a land use right for a term expiring on 6 March 2056	Industrial	63.65%

GLOSSARY OF TERMS

Term used	Brief description
Asia Water	Asia Water Technology Ltd. (SGX stock code: 5GB)
Asia Water Scheme	A share option scheme adopted by Asia Water as approved by the shareholders at the general meeting held on 24 January 2005
China Energy	China Energy Conservation and Environmental Protection Group
Chow Tai Fook Group	Chow Tai Fook Enterprises Ltd. and its subsidiaries
Company	Shanghai Industrial Holdings Limited
Dongguan Wingfat Printing	The Wingfat Printing (Dongguan) Co., Ltd.
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.
Net Business Profit	Net profit excluding net corporate expenses
Qingdao Ruiou	Qingdao S.I. Ruiou Properties Co., Ltd.
SFO	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
Shanghai Pharmaceuticals	Shanghai Pharmaceuticals Holding Co., Ltd. (SSE stock code: 601607; HKSE stock code: 2607)
Shanghai Shenda Property	Shanghai Shenda Property Co., Ltd.
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 Ltd.
SUD Commercial Properties	Shanghai Urban Development Commercial Properties Development 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.

GLOSSARY OF TERMS

SGX	Singapore Stock Exchange
SSE	Shanghai Stock Exchange
Stock Exchange or HKSE	The Stock Exchange of Hong Kong Ltd.
United Environment	United Environment Co., Ltd.
Wanyuan Real Estate	Shanghai Wanyuan Real Estate Development Co., Ltd.
Wuhan Kaidi Water Services	Wuhan Kaidi Water Services Co., Ltd.
Wing Fat Printing	The Wing Fat Printing Co., Ltd.
Xi'an Chan-ba Construction	Xi'an Chan-ba Construction Development Co., Ltd.
Xi'an Chan-ba Europe-Asia Hotel	Xi'an Neo-China Chan-ba Europe-Asia Hotel Co., Ltd.

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