



上海實業控股有限公司

SHANGHAI INDUSTRIAL HOLDINGS LIMITED

(Stock Code : 363)

INTERIM REPORT 2012



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## CORPORATE INFORMATION

### DIRECTORS

#### Executive Directors

Mr. Teng Yi Long (*Chairman*)  
Mr. Zhou Jie  
(*Vice Chairman & Chief Executive Officer*)  
Mr. Lu Ming Fang  
Mr. Lu Shen (*Executive 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. Zhou Jie  
Mr. Lu Ming Fang  
Mr. Lu Shen  
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. Li Han Sheng  
Mr. Guo Fa Yong

#### Nomination Committee

Dr. Lo Ka Shui (*Committee Chairman*)  
Prof. Woo Chia-Wei  
Mr. Leung Pak To, Francis  
Mr. Li Han Sheng  
Mr. Guo Fa Yong

### COMPANY SECRETARY

Mr. Yee Foo Hei

### QUALIFIED ACCOUNTANT

Mr. Lee Kim Fung, Edward

### AUTHORISED REPRESENTATIVES

Mr. Zhou Jie  
Mr. Yee Foo Hei

### REGISTERED OFFICE

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### STOCK CODE

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

### WEBSITE

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### AUDITOR

Deloitte Touche Tohmatsu

### SHARE REGISTRAR

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### ADR DEPOSITORY BANK

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## INFORMATION FOR SHAREHOLDERS

### DIVIDEND NOTICE

#### Interim Dividend

The Board of Directors has declared an interim dividend of HK50 cents (2011: HK50 cents) per share for the six months ended 30 June 2012, which will be payable on or about Friday, 28 September 2012 to shareholders whose names appear on the register of members of the Company on Friday, 14 September 2012.

#### Closure of Register of Members

For the purpose of determining shareholders' entitlement to the interim dividend, the register of members of the Company will be closed from Thursday, 13 September 2012 to Friday, 14 September 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, Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong by 4:30 p.m. on Wednesday, 12 September 2012.

### FINANCIAL CALENDAR

2012 interim results announced	30 August 2012
Despatch of 2012 interim report	on or about 14 September 2012
Ex-dividend date for 2012 interim dividend	11 September 2012
Record date for 2012 interim dividend	14 September 2012
Despatch of notice of 2012 interim dividend	on or about 28 September 2012

## CHAIRMAN'S STATEMENT

I am pleased to report to our shareholders our interim results for the period ended 30 June 2012.

During the first half of the year, the Group maintained steady growth and satisfactory results for its core businesses against the worsening European debt crisis, declining global economic growth and China's continued tightening regulations and control policies. The encouraging results have brought out the Group's edge in balancing its business mix and asset structure. The integration and merger of our business portfolio and asset structure continued to progress smoothly and this should help create greater value for the Group and generate better return to our shareholders in the future.

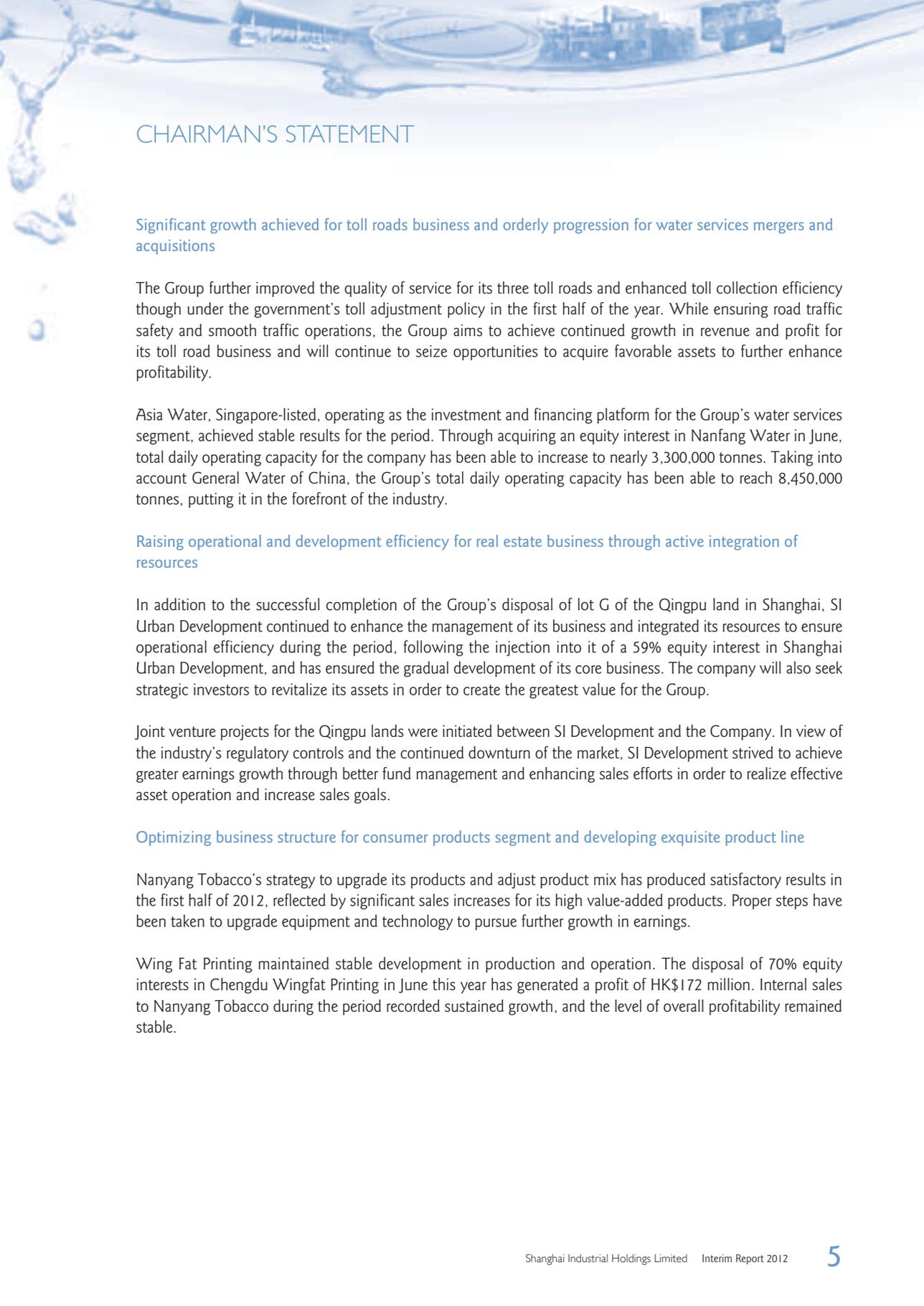
For the six months ended 30 June 2012, the Group realized a net profit of HK\$2,543 million, representing an increase of 3.6%, after excluding disposal gains and profits from the disposal of an equity interest in Four Seasons Hotel Shanghai during the same period last year. Total revenue amounted to HK\$6,236 million, representing a year-on-year decrease of 16.3%, mainly due to the continued slowdown in real estate sales under China's related policies during the period.

The Board of Directors has declared an interim dividend of HK50 cents (2011: HK50 cents) per share for 2012 to shareholders whose names appear on the register of members of the Company on Friday, 14 September 2012. The interim dividend will be paid to shareholders on or about Friday, 28 September 2012.

During the period, the Group's infrastructure facilities business recorded earnings of HK\$474 million, representing a slight decrease of 2.4%. Toll roads segment continued to maintain satisfactory growth during the first half of 2012 with excellent potential for further development. The water services business saw steady growth. Continued progress has been made on mergers and acquisitions, resulting in the rapid expansion of the scale of its operations. The high production capacity of the water services business has placed it in the forefront of the industry.

The real estate business realized earnings for the period of HK\$1,577 million, representing a decrease of 27.3%. During the period, the Group successfully completed the disposal of lot G of the Qingpu District in Shanghai and initiated joint venture projects located in the Qingpu District with SI Development, an A share subsidiary in Shanghai. The projects, for which all application and approval procedures have been completed, has put the Group in a favorable position in the future development of the Qingpu lands. SI Development has made great efforts to achieve better sales and facilitate capital operation, resulting in greater increases in earnings for the period. SI Urban Development has been able to enhance its management control and streamline its resources to create synergy following the injection into it of a 59% equity interest in Shanghai Urban Development. The effectiveness of such effort has been gradually realized.

The consumer products business continued to grow steadily with net profit reached HK\$635 million, representing a year-on-year increase of 8.7%. Wing Fat Printing recorded a disposal gain of HK\$172 million through the disposal of a 70% equity interest in Chengdu Wingfat Printing in June 2012.



## CHAIRMAN'S STATEMENT

### Significant growth achieved for toll roads business and orderly progression for water services mergers and acquisitions

The Group further improved the quality of service for its three toll roads and enhanced toll collection efficiency though under the government's toll adjustment policy in the first half of the year. While ensuring road traffic safety and smooth traffic operations, the Group aims to achieve continued growth in revenue and profit for its toll road business and will continue to seize opportunities to acquire favorable assets to further enhance profitability.

Asia Water, Singapore-listed, operating as the investment and financing platform for the Group's water services segment, achieved stable results for the period. Through acquiring an equity interest in Nanfang Water in June, total daily operating capacity for the company has been able to increase to nearly 3,300,000 tonnes. Taking into account General Water of China, the Group's total daily operating capacity has been able to reach 8,450,000 tonnes, putting it in the forefront of the industry.

### Raising operational and development efficiency for real estate business through active integration of resources

In addition to the successful completion of the Group's disposal of lot G of the Qingpu land in Shanghai, SI Urban Development continued to enhance the management of its business and integrated its resources to ensure operational efficiency during the period, following the injection into it of a 59% equity interest in Shanghai Urban Development, and has ensured the gradual development of its core business. The company will also seek strategic investors to revitalize its assets in order to create the greatest value for the Group.

Joint venture projects for the Qingpu lands were initiated between SI Development and the Company. In view of the industry's regulatory controls and the continued downturn of the market, SI Development strived to achieve greater earnings growth through better fund management and enhancing sales efforts in order to realize effective asset operation and increase sales goals.

### Optimizing business structure for consumer products segment and developing exquisite product line

Nanyang Tobacco's strategy to upgrade its products and adjust product mix has produced satisfactory results in the first half of 2012, reflected by significant sales increases for its high value-added products. Proper steps have been taken to upgrade equipment and technology to pursue further growth in earnings.

Wing Fat Printing maintained stable development in production and operation. The disposal of 70% equity interests in Chengdu Wingfat Printing in June this year has generated a profit of HK\$172 million. Internal sales to Nanyang Tobacco during the period recorded sustained growth, and the level of overall profitability remained stable.



## CHAIRMAN'S STATEMENT

### PROSPECTS

Looking into the second half of 2012, it is still hard to stay optimistic about the domestic and international markets as well as the policy environment. The Group will take proactive and effective initiatives on its real estate business depending on market situations, striving to achieve better sales and meeting development targets and to further enhance assets operation and improve operational efficiency.

Regarding the infrastructure facilities business, the water services segment is committed to improve profitability and continue to pursue mergers and acquisitions, and by capital operations, to expand and strengthen the business. The toll roads segment will continue to ensure steady improvement with quality management and stable performance while seeking opportunities to expand the scale of its assets.

Nanyang Tobacco and Wing Fat Printing will continue to carry out product mix and assets optimization to improve production and operational efficiencies, with a view to contributing stronger 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 August 2012

## GROUP BUSINESS STRUCTURE

As at 30 August 2012

### Infrastructure Facilities

Business	Interests held by the Group	Company name
Toll roads	100%	Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd.
	100%	Shanghai Luqiao Development Co., Ltd.
	100%	Shanghai Shen-Yu Development Co., Ltd.
Water services	54.64%	Asia Water Technology Ltd. (5GB SGX)
	47.50%	General Water of China Co., Ltd.

### Real Estate

Business	Interests held by the Group	Company name
Real estate	69.95%	Shanghai Industrial Urban Development Group Limited (563 HKSE)
	63.65%	Shanghai Industrial Development Co., Ltd. (600748 SSE)
	81.46%	Shanghai SIIC Hu Bin New City Development Ltd.
	81.46%	Shanghai Feng Ze Properties Ltd.
	81.46%	Shanghai Feng Mao Properties Ltd.
	81.46%	Shanghai Feng Qi Properties Ltd.
	10%	Shanghai Feng Shun Properties Ltd.
	10%	Shanghai Feng Tao Properties Ltd.
Hotel operations	10%	Shanghai SIIC South Pacific Hotel Co., Ltd.

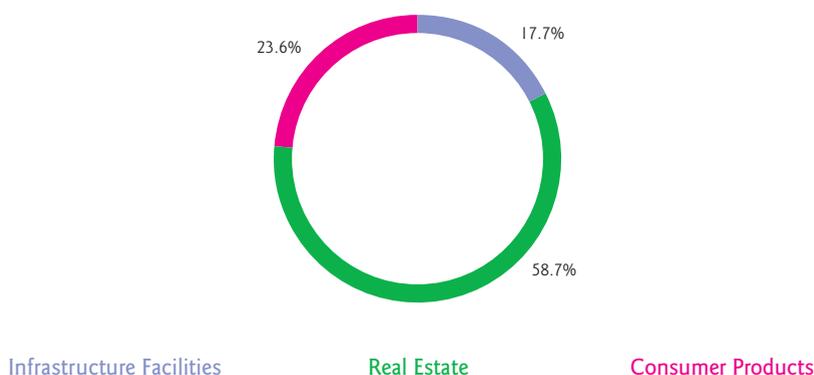
### Consumer Products

Business	Interests held by the Group	Company name
Tobacco	100%	Nanyang Brothers Tobacco Company, Limited
Printing	93.47%	The Wing Fat Printing Company, Limited

## BUSINESS REVIEW, DISCUSSION AND ANALYSIS

For the six months ended 30 June 2012, the Group recorded an unaudited revenue of HK\$6,236 million, representing a year-on-year decrease of 16.3%, mainly due to the continued slowdown in real estate sales against China's related policies; profits attributable to shareholders amounted to HK\$2,543 million, increased by 3.6%, after excluding the proceeds from the disposal of an equity interest in Four Seasons Hotel Shanghai. During the period, the Group maintained steady growth for its core businesses and made smooth progress with its restructuring and integration plans, putting it in a favorable position to implement operation strategy to optimize its business portfolio.

Profit contributions from the Group's core businesses



### INFRASTRUCTURE FACILITIES

During the period, the infrastructure facilities business recorded profits amounted to HK\$474 million, slightly dropped 2.4% over the same period last year, accounting for approximately 17.7% of the Group's Net Business Profit. In response to the rapid development of the water-related environmental protection sector, the Group has been actively expanding its water services business. The toll roads business continued with its growth momentum in both toll revenue and traffic flow.

#### Toll roads

Hu-Ning Expressway recorded a net profit of HK\$170 million for the period, increased year-on-year by 0.7%. Benefiting from natural growth in the total number of motor vehicles in the community, toll revenue and traffic flow of the Jing-Hu Expressway (Shanghai Section) increased by 7.9% and 6.4% to HK\$294 million and 17.30 million vehicle journeys respectively. During the period, timely measures have been taken to tackle peak passenger flow during holidays and Formula One races as well as severe weather road conditions caused by snow and fog. In addition, service quality and toll collection efficiency have been effectively enhanced through organizing contests that motivated toll collectors.

## BUSINESS REVIEW, DISCUSSION AND ANALYSIS

Luqiao Development's net profit for the first half of 2012 was HK\$179 million, increased by 6.5% over the same period last year. Toll revenue from Hu-Kun Expressway (Shanghai Section) for the period totaled HK\$430 million, representing a record high and an increase of 4.1%; traffic flow continued to grow to a total of 18.75 million vehicle journeys, a year-on-year increase of 11.3%. During the period, counter measures have been actively taken against impacts caused by toll rate adjustments and traffic increase at certain road junctions; road operations management has also been strengthened through proper arrangements for emergency drills and security inspections, thereby enhancing road capacity and the quality of road services. Meanwhile, normal road operations were ensured with smooth traffic operations being successfully achieved during holidays and critical peak periods.

Shanghai Shen-Yu recorded a net profit for the period of HK\$80.33 million, representing a year-on-year increase of 9.4%. Toll revenue and traffic flow from Hu-Yu Expressway (Shanghai Section) maintained satisfactory growth and increased year-on-year by 3.7% and 7.2% to HK\$225 million and 14.84 million vehicle journeys respectively, mainly driven by continuing increases in the total number of vehicles and tourists travelling to and from scenic attractions along the expressway. During the period, toll collector contests were held to motivate toll collectors in the pursuit of delivering high quality services to road users. Mechanism against congested road sections and the quality of management have also been further enhanced.

### Water Services

Asia Water realized a net profit of RMB44.70 million and a revenue of RMB336 million, increased year-on-year by 503.6% and 206.0% respectively. Following last year's injection of United Environment into it, Asia Water announced in June the acquisition of a 69.378% equity interests in Nanfang Water for a total consideration of RMB409.3 million, settled by way of cash payment, issuance of new shares in Asia Water and incentive new shares in Asia Water linked to the performance of Nanfang Water. The Company further provided Asia Water with a shareholder's loan of HK\$370 million to facilitate this acquisition. The transaction was completed in July. Incorporated in 2002, Nanfang Water is a professional sewage treatment enterprise in southern China operating 17 sewage treatment and recycled water projects across five provinces - Guangdong, Hunan, Jiangsu, Yunnan and Fujian, with a daily operating capacity of up to 1,165,000 tonnes. Upon completion of the acquisition, total daily operating capacity of Asia Water will be increased to nearly 3,300,000 tonnes.

For the first half of 2012, General Water of China recorded a revenue of HK\$795 million, increased by 50.7% over the same period last year; net profit increased year-on-year by 27.4% to HK\$27.32 million. General Water of China is committed to expanding and strengthening its core businesses to achieve stable growth through diversified development, optimizing development strategies, determining profit mode, adjusting operating and assets structure and promoting innovative development. The company has now obtained domestic sewage (Class A) and industrial wastewater (Class A) operator accreditation, further strengthening its competitiveness and position in the industry. The project on reservoir works in Tiger Lake, Huzhou was completed during the period.

With a main strategic direction of its infrastructure business on the water-related environmental protection sector, the Group will focus on expanding its water business. Operating as a capital platform for the Group's water business, Asia Water is now taking active steps to expand its scope of business by means of asset acquisitions and water plant extensions. Water price is expected to continue to increase in the future as the pricing is gradually going market-oriented in China. Following the consolidation of United Environment into Asia Water and upon the completion of acquisition of Nanfang Water by Asia Water, the total daily operating capacity of Asia Water and General Water of China, both under the Group, is able to reach 8,450,000 tonnes, putting it in the forefront of the industry.

## BUSINESS REVIEW, DISCUSSION AND ANALYSIS

Details of the water development projects of the Group as at 30 June 2012 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 Wunan 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%	<ul style="list-style-type: none"> <li>Phase I project is in operation.</li> <li>Construction of phase II project has yet to commence.</li> </ul>
6 Sewage treatment project in Hanxi, Wuhan, Hubei	Sewage treatment	400,000	80%	<ul style="list-style-type: none"> <li>Phase I project is in operation.</li> <li>Phase II project is under planning.</li> </ul>
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%	<ul style="list-style-type: none"> <li>The project is in operation.</li> <li>Other facilities of the Wuhu water plant are yet to be set up.</li> </ul>
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%	Major assets have been transferred to the local government, while the company is currently under liquidation.
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%	<ul style="list-style-type: none"> <li>Phase I TOT project is in operation.</li> <li>Phase II BOT project came into operation on 1 January 2012.</li> </ul>
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 Hanjing District, Weifang, Shandong	Water supply	60,000	26.2%	The project is in operation.

## BUSINESS REVIEW, DISCUSSION AND ANALYSIS

Projects of Asia Water (continued)	Project type	Daily production capacity (tonnes)	Interests attributable to Asia Water	Project progress
17 Sewage treatment plant franchise project in Shantung District, Zaozhuang, Shandong	Sewage treatment	20,000	75.5%	The project officially came into operation on 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%	<ul style="list-style-type: none"> <li>The first stage of Phase I project is in operation.</li> <li>Construction of Phase II and III projects are expected to commence in the next one to five years.</li> </ul>
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%	<ul style="list-style-type: none"> <li>The project is in operation.</li> <li>Water tariff was adjusted upward from RMB0.819/tonne to RMB0.85/tonne.</li> </ul>
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%	<ul style="list-style-type: none"> <li>The project is in operation.</li> <li>The new water tariff was imposed from 1 May 2012 onwards. Water tariff was adjusted upward from RMB1.1/tonne to RMB1.33/tonne.</li> </ul>
10 Sewage treatment plant project 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 2012.
12 Wuhua Mountain reservoir project and water supply project in Suifenhe, Heilongjiang	Water supply	195,000	100%	<ul style="list-style-type: none"> <li>Phase I of the water supply project is in operation.</li> <li>The Wuhua Mountain reservoir and the third water treatment plant are under construction.</li> </ul>
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%	<ul style="list-style-type: none"> <li>The project company has completed business registration by the end of 2011 and was consolidated into the group accounts. The project is in operation.</li> </ul>
Sub-total		5,159,000		
Total		7,189,000		

## BUSINESS REVIEW, DISCUSSION AND ANALYSIS

### REAL ESTATE

In view of China's related policies on the domestic real estate sector, the Group saw a continued slowdown in real estate sales during the period. The real estate business recorded a profit of HK\$1,577 million for the period, declined by 27.3% and accounting for approximately 58.7% of the Group's Net Business Profit. To improve overall profitability, active measures have been taken to integrate and upgrade existing real estate resources, to enhance synergy among the respective real estate enterprises, and to facilitate assets operation.

In April, the Company announced the signing of an amendment deed with Chow Tai Fook Group for the disposal of lot G in the Qingpu District, Shanghai, pursuant to which the parties agreed that the completion date for the original agreement would be moved forward by eight months and that the total consideration be adjusted accordingly for earlier payment of the consideration by the purchaser. The transaction was successfully completed in late April and by the end of June, partial proceeds of a total of approximately RMB551 million was received, boosting the Group's available funds for real estate development projects. Gain on disposal amounting to HK\$1,132 million has been accounted for during the period.

For the first half of 2012, SI Urban Development recorded a revenue of HK\$1,092 million; loss attributable to shareholders amounted to HK\$309 million. The company is taking a prudent approach for the development of its real estate projects and is taking active steps to broaden sales channels. A great deal of effort has also been made to solidify the brand's presence of "SI Urban Development" as a real estate enterprise across the nation. Projects which delivered sold properties units during the period included Neo Water City, Xi'an, Urban Cradle, Shanghai and Park Avenue, Chengdu, accounting for a total gross floor area of approximately 145,000 square meters; contractual amount for the period stood at HK\$2,100 million, accounting for a total gross floor area of 146,000 square meters, comprising mainly Urban Cradle, Shanghai, Neo Water City, Xi'an and Top City, Chongqing. The company is actively seeking strategic investors for the revitalization of its assets.

SI Development reported a revenue for the period of RMB1,869 million and a net profit of RMB523 million, increased by 7.7% and 129.8% respectively over the same period last year. During the period, the sale of 50% equity interests in the Tangdao Bay project in Qingdao was completed. At present, the Group is actively facilitating joint developments with SI Development in respect of lots A to E in the Qingpu District, Shanghai. Total ground floor area built under Phase I construction work upon lots A and B (Phase I of Belle Rive) together with Phase I construction work upon lot C (Phase I of Shanghai Bay) amounted to approximately 85,000 square meters. Sales for these projects have already begun. Construction work on lot D started late last year while lot E is yet to be developed. Sales of the respective lots are expected to deliver favorable profits to the Group in the future.

## BUSINESS REVIEW, DISCUSSION AND ANALYSIS

Set out below is a summary of the main property developments of the Group as at 30 June 2012:

### Major Development Properties

Projects of SI Urban Development	Type of property	Interests attributable to SI Urban Development	Approximate site area (square meter)	Planned total GFA (square meter)	Pre-sold GFA during the period (square meter)	Total GFA sold (square meter)	Date of completion
Urban Cradle (萬源城) Minhang District, Shanghai	Residential and commercial	53.1%	943,000	1,124,245	22,297	518,493	2007 to 2015, in phases
Jiujiu Youth City (九久青年城) Songjiang District, Shanghai	Residential and commercial	100%	57,944	212,130	578	121,953	2009 to 2012, in phases
Shanghai Jing City (上海晶城) Minhang District, Shanghai	Residential and commercial	59%	259,182	602,400	--	--	2012 to 2016, in phases
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	137	446,916	Completed
Youngman Point (青年匯) Chaoyang District, Beijing	Residential and commercial	100%	112,700	348,664	--	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	6,453	167,327	2007 to 2014, in phases
Laochengxiang (老城廂) Nankai District, Tianjin	Residential, commercial, office and hotel	100%	244,252	752,883	3,845	520,868	2006 to 2014, in phases
Yooou.net (游站) Huaqiao Town, Kunshan, Jiangsu	Residential, commercial and hotel	30.7%	34,223	129,498	730	14,022	2012 to 2013, in phases
Royal Villa (琨城帝景園) Northern District, Kunshan, Jiangsu	Residential	53.1%	205,017	267,350	4,016	96,782	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	4,096	5,457	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%	2,101,775	4,012,094	54,513	1,571,527	2008 to 2017, in phases

## BUSINESS REVIEW, DISCUSSION AND ANALYSIS

Projects of SI Urban Development (continued)	Type of property	Interests attributable to SI Urban Development	Approximate site area (square meter)	Planned total GFA (square meter)	Pre-sold GFA during the period (square meter)	Total GFA sold (square meter)	Date of completion
<b>Top City (城上城)</b> Jiulongpo District, Chongqing	Residential, commercial, office and hotel	100%	120,014	785,225	26,466	301,643	2008 to 2014, in phases
<b>Ivy Aroma Town (常春藤·緹香小鎮)</b> Jiulongpo District, Chongqing	Residential and commercial	32.5%	289,812	194,697	1,769	41,006	2009 to 2014, in phases
<b>Park Avenue (公園大道)</b> Wenjiang District, Chengdu, Sichuan	Residential and commercial	100%	228,107	920,996	9,627	216,187	2011 to 2015, in phases
<b>Tai Yuan Street (太原街)</b> Heping District, Shenyang, Liaoning	Commercial, hotel and serviced apartment	80%	22,651	239,651	--	--	2012 to 2014, in phases
<b>Toscana (托斯卡納)</b> Yuhua District, Changsha, Hunan	Residential and commercial	32.5%	180,541	210,980	5,111	170,907	2006 to 2012, in phases
<b>Forest Garden (森林海)</b> Wangcheng District, Changsha, Hunan	Residential and commercial	67%	667,749	907,194	6,700	215,559	2007 to 2017, in phases
<b>Phoenix Tower (鳳凰大廈)</b> Futian District, Shenzhen, Guangdong	Office, commercial and apartment	91%	11,038	106,190	--	78,343	Completed
Sub-total			5,715,850	11,907,471			

## BUSINESS REVIEW, DISCUSSION AND ANALYSIS

Projects of SI Development	Type of property	Interests attributable to SI Development	Approximate site area (square meter)	Planned total GFA (square meter)	Pre-sold GFA during the period (square meter)	Total GFA sold (square meter)	Date of completion
Longines Bay (盛世江南) Daoli District, Harbin, Heilongjiang	Residential	100%	42,110	234,069	30,362	190,700	Completed
Rhine Town (萊茵小鎮) Xiqing District, Tianjin	Commercial and residential	100%	375,796	529,971 (basement included)	35,009	217,264	2012
Hi-Shanghai (上實·海上海) Laoshan District, Qingdao, Shandong	Residential and hotel	55%	43,164	143,008	--	67,837	2015
Belle Rive (海源別墅) Qingpu District, Shanghai	Villa	100%	315,073	45,646	--	11,963	2013
Shanghai Bay (上實·海上海) Qingpu District, Shanghai	Residential	100%	820,196	534,328	6,572	44,609	2012 to 2017, in phases
Changhai Building (長海大廈) Putuo District, Shanghai	Commercial and office	51%	6,255	34,716	--	--	Completed
Jinxiu Mansion (錦綉尊邸) Jinshan District, Shanghai	Residential	52%	135,144	214,143	--	--	2013 to 2014, in phases
Lakeside Villa (東方國際別墅) Wuxing District, Huzhou, Zhejiang	Residential	100%	62,951	66,217	711	53,904	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	13,897	256,179	2013
Waterscape & Sky Garden (水天花園) Beibei District, Chongqing	Residential and commercial	50%	363,640	226,164	987	192,319	Completed
Eastern Chengdu Project (成都城東項目) Chenghua District, Chengdu, Sichuan	Residential	50.4%	61,506	254,886	--	--	2012 to 2015, in phases
Sub-total			2,531,619	2,659,288			
Total			8,247,469	14,566,759			

## BUSINESS REVIEW, DISCUSSION AND ANALYSIS

### Major Future Development Properties

Projects of SI Urban Development	Type of property	Interests attributable to SI Urban Development	Approximate site area (square meter)	Planned total GFA (square meter)	Anticipated project commencement and completion date
Xujiahui Centre (徐家匯中心) Xuhui District, Shanghai	Commercial and hotel	35.4%	132,000	629,000	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 (莘莊地鐵上蓋項目) Minhang District, Shanghai	Commercial, hotel and office	20.7%	117,825	405,000	Under planning
Yanjiao (燕郊) Yanjiao Economic Technology Development Zone, Sanhe, 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%	1,115,477	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			4,001,478	5,350,850	

## BUSINESS REVIEW, DISCUSSION AND ANALYSIS

Projects of SI Development	Type of property	Interests attributable to SI Development	Approximate site area (square meter)	Planned total GFA (square meter)	Anticipated project commencement and completion date
International Beer City (國際啤酒城) Shilaoren National Tourist Resort, Qingdao, Shandong	Composite	72%	227,675	760,000	2012 to 2018, in phases
SIIC Huijin 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
Lots BLD22-3/4 Hudong Sub-District, Huzhou, Zhejiang	Commercial	100%	117,785	94,228	Under planning
Lots C-7, C-8-1, C-8-2, C-5, C-6-1, C-6-2, B-5 Tantu Construction Project, East Sea, Quanzhou (泉州東海灘塗整理項目) Fengze District, Quanzhou, Fujian	Commercial and residential	49%	381,795	1,751,355	2012 to 2018, in phases
Sub-total			1,041,631	2,924,565	
Total			5,043,109	8,275,415	

## BUSINESS REVIEW, DISCUSSION AND ANALYSIS

### Major Investment Properties

Projects of SI Urban Development	Type of property	Interests attributable to SI Urban Development	Total area for investment properties (square meter)
Laochengxiang (老城廂) Nankai District, Tianjin	Residential, commercial and office	100%	33,698 <sup>Note</sup>
Jiujiu Youth City (九久青年城) Songjiang District, Shanghai	Commercial	100%	16,349 <sup>Note</sup>
Top City (城上城) Jiulongpo District, Chongqing	Commercial	100%	171,040 <sup>Note</sup>
Phoenix Tower (鳳凰大廈) Futian District, Shenzhen, Guangdong	Office	91%	1,048 <sup>Note</sup>
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			290,858

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

## BUSINESS REVIEW, DISCUSSION AND ANALYSIS

Projects of SI Development	Type of property	Interests attributable to SI Development	Total area for investment properties (square meter)
Shanghai Industrial Investment Building (上海實業大廈) Xuhui District, Shanghai	Commercial and office	100%	10,089
		32.27%	50,591 (carpark included)
Golden Bell Plaza (金鐘廣場) Huangpu District, Shanghai	Commercial and office	100%	12,270
		90%	47,211 (carpark included)
Hi-Shanghai Commercial and Cultural Complex (海上海商業用房及文化設施) Yangpu District, Shanghai	Composite	100%	44,027 (carpark included)
No. 1111, Shangchuan Road (上川路 111 號) 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%	26,668
Commercial Units of Huangpu Estate (黃浦新苑商舖) Huangpu District, Shanghai	Commercial	100%	20,918 (carpark included)
Gao Yang Hotel (高陽賓館) Hongkou District, Shanghai	Hotel	100%	3,847
Sub-total			255,829
Total			546,687

## BUSINESS REVIEW, DISCUSSION AND ANALYSIS

### CONSUMER PRODUCTS

During the period, profit contribution from the consumer products business increased 8.7% over the same period last year to HK\$635 million, accounting for approximately 23.6% of the Group's Net Business Profit.

#### Tobacco

Nanyang Tobacco maintained stable growth and continued to deliver steady profits and cash flows to the Group. Revenue for the period stood at HK\$1,329 million and net profit amounted to HK\$408 million, increased year-on-year by 8.4% and 13.7% respectively. Cumulative sales volume made during the period increased by 2.7%, with high value-added products sales volume increased by 9.8% and Double Happiness "Classic Deluxe" cigarettes grew by 22.53%. During the period, the company continued to actively implement its strategies for product upgrade and product mix adjustment and stayed committed to focusing on market expansion and brand excellence. Restructuring projects for cigarette packaging machine and tobacco production line were also initiated during the period to further enhance the company's production capacity and operating capability.

#### Printing

In the first half of 2012, Wing Fat Printing recorded a revenue of HK\$503 million, declined by 58.4% over the same period last year, resulting from a corresponding decrease in total sales due to the disposal of its containerboard business in May last year. During the period, stronger growth was seen in the external sales of metal can and internal sales to Nanyang Tobacco. In June, Wing Fat Printing disposed of all its 70% equity interests in Chengdu Wingfat Printing, mainly for disposing land assets held under the company, while existing wine packaging operations were transferred to a newly-established company, Sichuan Wingfat Printing. The transaction has realized total proceeds of RMB231 million and generated a disposal gain of HK\$172 million. Net profit for the period fell slightly by 0.8% over the same period last year to HK\$243 million. Looking ahead, the company will actively explore packaging business for electronic products and medicines and continue to expand its exquisite wine box packaging operation while striving to develop its can production line to secure more market orders.

## FINANCIAL REVIEW

### KEY FIGURES

	2012 Unaudited Six months ended 30 June (restated)	2011	Change %
<b>Results</b>			
Revenue (HK\$'000)	6,235,796	7,451,555	-16.3
Profit attributable to owners of the Company (HK\$'000)	2,543,179	3,171,909	-19.8
Earnings per share – basic (HK\$)	2.355	2.938	-19.8
Dividend per share			
– interim (HK cents)	50	50	–
Dividend payout ratio	21.2%	17.0%	
Interest cover (note(a))	10.6 times	13.0 times	
	Unaudited 30 June	Audited 31 December (restated)	%
<b>Financial Position</b>			
Total assets (HK\$'000)	114,082,145	115,814,617	-1.5
Equity attributable to owners of the Company (HK\$'000)	31,516,254	30,062,368	4.8
Net assets per share (HK\$)	29.18	27.84	4.8
Net debt ratio (note(b))	65.87%	62.66%	
Gearing ratio (note(c))	45.29%	44.93%	
Number of shares in issue (shares)	1,079,968,000	1,079,785,000	

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

Note (b): (interest-bearing loans – cash)/equity attributable to owners of the Company

Note (c): interest-bearing loans/(equity attributable to owners of the Company + non-controlling interests + interest-bearing loans)

Notes: The 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 2011 contained in this Financial Review had been restated accordingly.

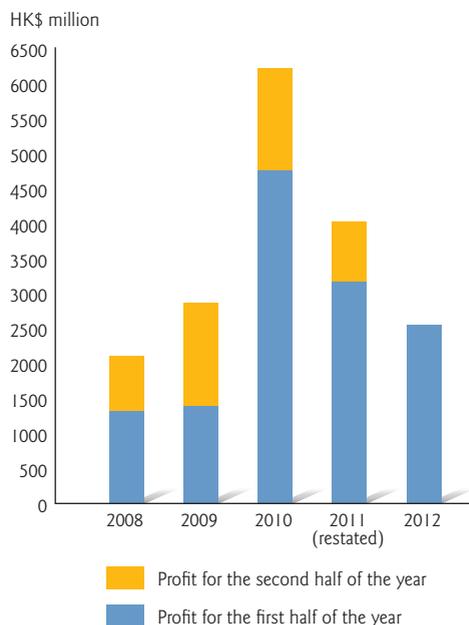
## FINANCIAL REVIEW

### I ANALYSIS OF FINANCIAL RESULTS

#### I Profit attributable to owners of the Company

For the six months ended 30 June 2012, the Group recorded a profit attributable to owners of the Company of HK\$2,543.18 million, a decrease of HK\$628.73 million or approximately 19.8% as compared to same period of 2011.

The Group recorded an increase of HK\$88.26 million or approximately 3.6% in profit attributable to owners of the Company as compared to the same period of 2011, excluding the net gain of HK\$716.99 million from disposal of 77% equity interest in Four Seasons Hotel Shanghai completed during the same period last year.

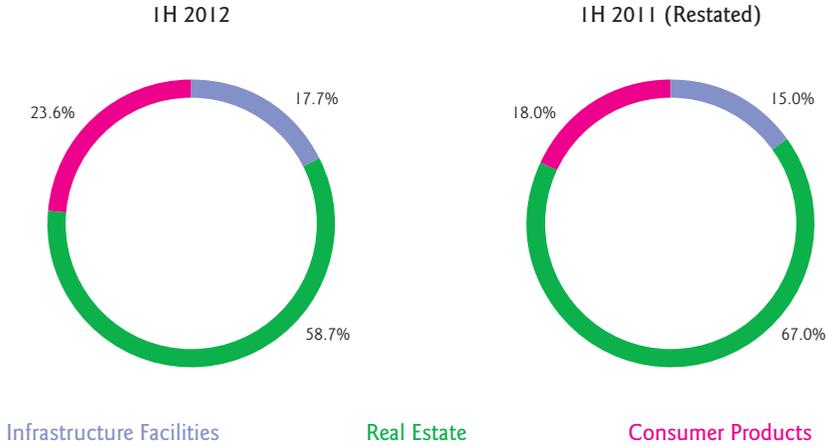


#### 2 Profit Contribution from Each Business

The profit contributed by each business in the Group during the first half of 2012 and the comparative figures of the corresponding period last year was summarized as follows:

	2012 Unaudited Six months ended 30 June HK\$'000	2011 (restated) HK\$'000	Change %
Infrastructure Facilities	474,350	485,940	-2.4
Real Estate	1,577,122	2,170,224	-27.3
Consumer Products	635,204	584,581	8.7
	<b>2,686,676</b>	<b>3,240,745</b>	<b>-17.1</b>

## FINANCIAL REVIEW



Net profit from the infrastructure facilities business for the period was approximately HK\$474.35 million, accounting for 17.7% of Net Business Profit and representing a moderate year-on-year decrease of 2.4%. After excluding the one-off gain from bargain purchase of approximately HK\$37.72 million recorded from 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 that the Group began to consolidate the results of Asia Water, net profit actually increased by HK\$26.13 million year-on-year, mainly driven by the natural growth in toll revenue achieved by the three expressways as well as the profit contribution after the completion of several equity restructurings of Asia Water.

The real estate business recorded a profit of approximately HK\$1,577.12 million, accounting for 58.7% of Net Business Profit and representing a decrease of HK\$593.10 million as compared to the same period last year, mainly due to non-recurrence of a net gain of HK\$716.99 million on the disposal of 77% equity interest in Four Seasons Hotel Shanghai and a profit contribution of HK\$64.46 million from the Shanghai Bay project during the same period last year. SI Urban Development turned profits into losses and recorded an increase in attributable loss to HK\$191.89 million for the period, due to the small amount of property sales booked during this period coupled with the significant increase in investment income contributed by fair value change in investment properties during the same period last year. An increase in SI Development's revenue for the period of approximately HK\$224.11 million as compared to the same period last year; coupled with a reversal of impairment loss from the sale of the Beijing Gongti project completed during the period as well as a profit booked upon the completion of the sale of the Tangdao Bay project, the net profit of SI Development attributable to the Group is HK\$643.77 million which partly offset the decrease in profit of the real estate business.

## FINANCIAL REVIEW

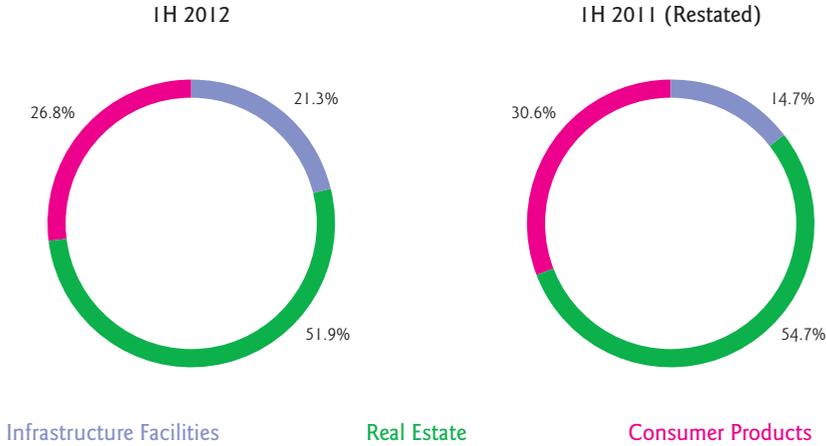
The consumer products business recorded a net profit of HK\$635.20 million for the period, accounting for 23.6% of Net Business Profit. Net profit increased year-on-year by HK\$50.62 million or 8.7%, mainly due to the fact that Nanyang Tobacco recorded a year-on-year increase of 5.6% in average selling price per case and an increase of 8.4% in net sales through continuous product mix and price adjustments during the period, notwithstanding a moderate increase of 2.7% in sales volume as compared to the same period last year. In face of rising production costs, price increases in tobacco leaves and raw materials were partially offset by cost control measures with gross margin being increased by 3 percentage points over the same period last year to reach 52.4% which resulted in a year-on-year growth of HK\$49.10 million in overall profit. During the period, Wing Fat Printing's packaging printing business was affected by the rise in material costs resulting in 3.2% gross margin drop year-on-year. Nevertheless, the attributable gain of approximately HK\$151.03 million from the disposal of its containerboard operation during the same period last year and part of the operating profit decline were offset by an attributable gain of approximately HK\$161.11 million recorded upon the completion of the disposal of its entire 70% equity interest in Chengdu Wingfat Printing during the first half of the year.

### 3 Revenue

The Group's revenue by principal activities for the first half of 2012 and the comparatives of the same period last year was summarized as follows:

	2012 Unaudited Six months ended 30 June HK\$'000	2011 (restated) HK\$'000	Change %
Infrastructure Facilities	1,326,259	1,092,022	21.4
Real Estate	3,239,617	4,080,265	-20.6
Consumer Products	1,669,920	2,279,268	-26.7
	<b>6,235,796</b>	<b>7,451,555</b>	<b>-16.3</b>

## FINANCIAL REVIEW



Revenue for the first half of 2012 decreased by 16.3% from the same period last year to approximately HK\$6,235.80 million, mainly due to a decrease in property sales booked in respect of the real estate business as compared to the same period last year and a year-on-year decrease in revenue of the consumer products business as a result of the completion of the disposal of Wing Fat Printing of its containerboard operation during the same period last year. The decrease, however, was partly offset by the consolidation of the six months revenue of Asia Water during the period following the completion of the acquisition of an additional equity interest in the company in the second quarter of last year.

The year-on-year increase in revenue of the infrastructure facilities business was mainly due to the natural growth in toll revenue achieved by the three expressways, and that the six months revenue of Asia Water was consolidated during the period following the acquisition of a controlling stake in the company in the second quarter of last year.

The real estate business recorded a decrease in sales of approximately 46% due to the small number of residential property units booked by SI Urban Development during the first half of the year. However, the decrease in revenue of the real estate business was partly offset by a 11.7% increase in the sales amount booked by SI Development during the period as compared to the same period last year.

Regarding the revenue of the consumer products business, Nanyang Tobacco maintained stable growth, which was offset by a significant year-on-year decrease in sales of Wing Fat Printing as a result of the completion of the disposal of its containerboard operation during the same period last year.

## FINANCIAL REVIEW

### 4 Profit before Taxation

#### *(1) Gross profit margin*

Gross profit margin for the period was 37.7%, a decrease of 3.1 percentage points as compared to 40.8% for the same period last year. The decrease in gross profit margin was mainly due to the property sales booked in respect of the real estate business for the period were mostly lower gross margin commodity housing.

#### *(2) Net investment income*

Investment income increased as compared to the same period last year mainly due to an increase in interest income for the period as compared to the same period last year.

#### *(3) Other income*

Other income for the period mainly comprised of a reversal of impairment loss of HK\$587.08 million for property projects while that of the same period last year was mainly attributable to the gains from change in fair value of investment properties of approximately HK\$489.54 million.

#### *(4) 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 and gain on disposal of Feng Shun*

During the period, the Group completed the disposal of 90% equity interest in Lot G of Qingpu land and recorded a pre-tax disposal gain of approximately HK\$1,276.52 million. During the period, the Group also completed the disposals of the Tangdao Bay project and the entire 70% equity interest in Chengdu Wingfat Printing and recorded pre-tax disposal gains totaling HK\$311.29 million. During the same period last year, the Group completed the disposal of 90% equity interest in Lot F of Qingpu land, 77% equity interest in Four Seasons Hotel Shanghai, the Quanzhou project, and the entire 78.13% equity interest in Hebei Yongxin Paper Co., Ltd. etc. and recorded pre-tax disposal gains totaling HK\$2,212.40 million.

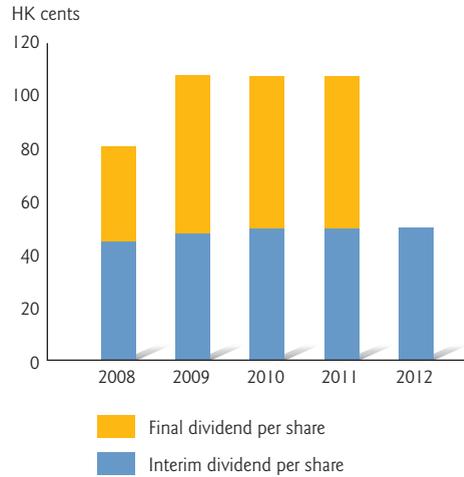
#### *(5) Gain from bargain purchase of interests in subsidiaries*

During the same period last 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.

## FINANCIAL REVIEW

### 5 Dividends

The Group continues to adopt a stable dividend payout policy. The Board of Directors has determined to declare an interim dividend of HK50 cents per share, maintaining the same interim dividend of HK50 cents per share in 2011.

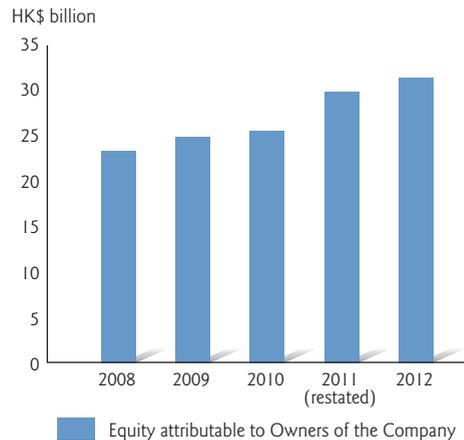


## II FINANCIAL POSITION OF THE GROUP

### I Capital and Equity attributable to Owners of the Company

The Group had a total of 1,079,968,000 shares in issue as at 30 June 2012, which was increased by 183,000 shares as compared with 1,079,785,000 shares in issue as at the end of 2011. The increase is mainly attributable to the exercise of share options by employees during the period.

The equity attributable to owners of the Company reached HK\$31,516.25 million as at 30 June 2012, which was attributable to the net profits after deducting the dividend actually paid during the period.



## FINANCIAL REVIEW

### 2 Indebtedness

#### *(1) Borrowings*

During the period, the Group through a wholly-owned subsidiary, SIHL Finance Limited concluded a bilateral bank loan facility of HK\$700 million, which will be applied to repay a multi-lateral term and revolving loan of HK\$4.9 billion due in 2012. In addition, in this July, the Company also concluded a revolving loan facility of US\$20 million (or its equivalent in HK\$) for the Group's reserved working capital.

As at 30 June 2012, the total borrowings of the Group including bank borrowings, other borrowings and senior notes amounted to approximately HK\$38,343.65 million (31 December 2011: HK\$37,102.45 million), of which 70.4% (31 December 2011: 68.4%) was unsecured credit facilities.

#### *(2) Pledge of assets*

As at 30 June 2012, 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\$6,116,425,000 (31 December 2011: HK\$6,221,268,000);
- (b) leasehold land and buildings with an aggregate carrying value of HK\$30,110,000 (31 December 2011: HK\$128,455,000);
- (c) plant and machineries with an aggregate carrying value of HK\$49,046,000 (31 December 2011: HK\$194,102,000);
- (d) toll road operating rights of HK\$3,359,927,000 (31 December 2011: HK\$10,708,600,000);
- (e) receivables under service concession arrangements with an aggregate carrying value of HK\$1,403,426,000 (31 December 2011: HK\$94,070,000);
- (f) properties under development held for sale with an aggregate carrying value of HK\$7,667,726,000 (31 December 2011: HK\$7,712,800,000);
- (g) bank deposits with an aggregate carrying value of HK\$67,122,000 (31 December 2011: HK\$333,594,000);
- (h) properties held for sale with an aggregate carrying value of HK\$30,545,000 as at 31 December 2011; and
- (i) trade receivables with an aggregate carrying value of HK\$132,363,000 as at 31 December 2011.

## FINANCIAL REVIEW

### (3) *Contingent liabilities*

As at 30 June 2012, 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\$263.67 million, nil and HK\$2,378.09 million (31 December 2011: HK\$266.27 million, HK\$61.64 million and HK\$2,954.70 million) respectively.

### 3 Capital Commitments

As at 30 June 2012, the Group had capital commitments mainly contracted for business development and investments in fixed assets of HK\$6,642.71 million (31 December 2011: HK\$6,174.94 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 30 June 2012, bank balances and short-term investments held by the Group amounted to HK\$17,582.60 million (31 December 2011: HK\$18,265.72 million) and HK\$475.27 million (31 December 2011: HK\$856.31 million) respectively. The proportions of US dollars and other currencies, Renminbi and HK dollars were 8%, 71% and 21% (31 December 2011: 16%, 66% and 18%) 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

### I Currency Risk

The Group mainly operates in China and the Hong Kong Special Administrative Region and the exposure in exchange rate risks mainly arises from fluctuations in the US dollar, HK dollar and Renminbi exchange rates. Exchange rate fluctuations and market trends have always been the concern of the Group. As the HK dollar and Renminbi are both under managed floating systems, the Group, after reviewing its exposure for the time being, did not enter into any derivative contracts aimed at minimizing exchange rate risks during the period. However, management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

### 2 Interest Rate Risk

The Group's fair value and cash flow interest rate risks mainly relate to fixed and variable rates borrowings 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.



## FINANCIAL REVIEW

### 3 Credit Risk

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

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

### 4 Equity Price Risk

The Group and the Company is exposed to equity price risk through its investment in equity securities classified as either available-for-sale investments or financial assets at fair value through profit or loss. Management manages this exposure by maintaining a portfolio of investments with different risks. The Group and the Company's equity price risk is mainly concentrated on equity instruments quoted in the Stock Exchange and the Shanghai Stock Exchange. In addition, management has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## TO THE BOARD OF DIRECTORS OF SHANGHAI INDUSTRIAL HOLDINGS LIMITED

*(incorporated in Hong Kong with limited liability)*

### INTRODUCTION

We have reviewed the condensed consolidated financial statements of Shanghai Industrial Holdings Limited (the "Company") and its subsidiaries set out on pages 33 to 62, which comprise the condensed consolidated statement of financial position as of 30 June 2012 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

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

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.



Deloitte Touche Tohmatsu  
Certified Public Accountants

Hong Kong  
30 August 2012

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012

	Notes	Six months ended 30 June	
		2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited and restated)
Revenue	4	6,235,796	7,451,555
Cost of sales		(3,887,817)	(4,409,967)
Gross profit		2,347,979	3,041,588
Net investment income		244,964	190,814
Other income		898,852	902,825
Selling and distribution costs		(304,279)	(437,504)
Administrative and other expenses		(659,197)	(835,578)
Finance costs		(432,458)	(431,399)
Share of results of jointly controlled entities		21,877	30,567
Share of results of associates		4,475	20,551
Gain from bargain purchase of interests in subsidiaries		–	37,718
Gain on disposal of Feng Shun	21(iii)	1,276,515	–
Gain on disposal of interests in subsidiaries holding property interests	5	–	1,261,588
Net gain on disposal of interests in other subsidiaries, jointly controlled entities and associates	6	311,288	950,808
Profit before taxation		3,710,016	4,731,978
Income tax expense	7	(688,360)	(1,353,000)
Profit for the period	8	3,021,656	3,378,978
Profit for the period attributable to			
– Owners of the Company		2,543,179	3,171,909
– Non-controlling interests		478,477	207,069
		3,021,656	3,378,978
Earnings per share	10		
– Basic		HK\$ 2.355	HK\$ 2.938
– Diluted		2.354	2.938

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited and restated)
Profit for the period	3,021,656	3,378,978
<b>Other comprehensive (expense) income</b>		
Exchange differences arising on translation of foreign operations		
– subsidiaries	(444,002)	846,304
– jointly controlled entities	(11,028)	23,024
– associates	(19,040)	10,917
Fair value adjustment on available-for-sale investments		
– subsidiaries	1,194	(24,872)
– a jointly controlled entity	(11,060)	–
Fair value gain on hedging instruments in cash flow hedges	–	2,458
Reclassification of hedging reserve upon termination of hedging relationship	–	8,254
Reclassification of translation reserve upon disposals of interests in subsidiaries/the disposal group held for sale	(8,963)	(177,736)
Other comprehensive (expense) income for the period	(492,899)	688,349
Total comprehensive income for the period	2,528,757	4,067,327
Total comprehensive income for the period attributable to		
– Owners of the Company	2,256,694	3,554,078
– Non-controlling interests	272,063	513,249
	2,528,757	4,067,327

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	Notes	30 June 2012 HK\$'000 (unaudited)	31 December 2011 HK\$'000 (audited and restated)
<b>Non-Current Assets</b>			
Investment properties	11	9,303,403	9,472,442
Property, plant and equipment	11	3,155,955	3,190,652
Prepaid lease payments – non-current portion		126,591	131,557
Toll road operating rights		13,958,035	14,388,904
Other intangible assets		1,053,320	1,157,760
Interests in jointly controlled entities		1,780,512	1,741,484
Interests in associates		2,037,876	2,062,822
Investments		769,545	625,486
Receivables under service concession arrangements – non-current portion		2,009,851	2,073,464
Consideration receivables	12	1,304,728	582,384
Deposits paid on acquisition of subsidiaries	22(i)	85,303	–
Deposits paid on acquisition of property, plant and equipment		31,725	18,030
Restricted bank deposits		80,419	86,446
Deferred tax assets		273,779	288,210
		<b>35,971,042</b>	<b>35,819,641</b>
<b>Current Assets</b>			
Inventories	13	54,304,598	54,176,104
Trade and other receivables	14	5,099,767	4,649,865
Prepaid lease payments – current portion		4,428	4,566
Investments		475,266	856,311
Receivables under service concession arrangements – current portion		83,203	67,536
Amounts due from customers for contract work		75,369	38,298
Prepaid taxation		485,873	475,258
Pledged bank deposits		67,122	333,594
Short-term bank deposits		1,583,212	1,402,294
Bank balances and cash		15,932,265	16,529,835
		<b>78,111,103</b>	<b>78,533,661</b>
Assets classified as held for sale	15	–	1,461,315
		<b>78,111,103</b>	<b>79,994,976</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	Notes	30 June 2012 HK\$'000 (unaudited)	31 December 2011 HK\$'000 (audited and restated)
<b>Current Liabilities</b>			
Trade and other payables	16	9,664,473	12,356,913
Customer deposits from sales of properties	17	11,948,230	12,991,344
Amounts due to customers for contract work		66,143	64,058
Derivative financial instrument – warrants		–	3
Taxation payable		3,321,568	3,393,521
Bank and other borrowings	18	16,776,082	14,929,558
		<b>41,776,496</b>	<b>43,735,397</b>
<b>Net Current Assets</b>			
		<b>36,334,607</b>	<b>36,259,579</b>
<b>Total Assets less Current Liabilities</b>			
		<b>72,305,649</b>	<b>72,079,220</b>
<b>Capital and Reserves</b>			
Share capital		107,997	107,979
Share premium and reserves		31,408,257	29,954,389
<b>Equity attributable to owners of the Company</b>			
		<b>31,516,254</b>	<b>30,062,368</b>
Non-controlling interests		14,809,224	15,411,667
<b>Total Equity</b>			
		<b>46,325,478</b>	<b>45,474,035</b>
<b>Non-Current Liabilities</b>			
Provision for major overhauls		71,394	74,047
Senior notes		2,893,806	3,042,928
Bank and other borrowings	18	17,492,925	17,942,347
Deferred tax liabilities		5,522,046	5,545,863
		<b>25,980,171</b>	<b>26,605,185</b>
<b>Total Equity and Non-Current Liabilities</b>			
		<b>72,305,649</b>	<b>72,079,220</b>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Attributable to owners of the Company											Attributable to non-controlling interests						
	Share capital	Share premium	Share options reserve	Capital redemption reserve	Other revaluation reserve	Other reserve	Merger reserve	Hedging reserve	Investment revaluation reserve	Translation reserve	PRC statutory reserves	Retained profits	Convertible equity reserve of a listed subsidiary	Share options reserve of listed subsidiaries	Share of net assets of subsidiaries	Sub-total	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (note i)	HK\$'000 (note ii)	HK\$'000 (note iii)	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (note iv)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2011 (audited and originally stated)	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
Adjustments (note 3)	-	-	-	-	(10,095)	(198,024)	-	-	-	(6,232)	-	(332,119)	(546,470)	-	-	(457,983)	(457,983)	(1,004,453)
At 1 January 2011 (audited and restated)	107,979	13,345,715	44,341	1,071	20,937	(289,781)	(6,919,541)	(10,712)	89,957	2,701,301	553,367	15,368,380	25,013,014	20	63,743	12,719,506	12,783,269	37,796,283
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	3,171,909	3,171,909	-	-	207,069	207,069	3,378,978
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- subsidiaries	-	-	-	-	-	-	-	-	-	540,124	-	-	540,124	-	-	306,180	306,180	846,304
- jointly controlled entities	-	-	-	-	-	-	-	-	-	23,024	-	-	23,024	-	-	-	-	23,024
- associates	-	-	-	-	-	-	-	-	-	10,917	-	-	10,917	-	-	-	-	10,917
Fair value adjustment on available-for-sale investments of subsidiaries	-	-	-	-	-	-	-	-	(24,872)	-	-	-	(24,872)	-	-	-	-	(24,872)
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 interests in subsidiaries	-	-	-	-	-	-	-	-	-	(112,606)	-	-	(112,606)	-	-	-	-	(112,606)
Reclassified on disposal of the disposal group held for sale	-	-	-	-	-	-	-	-	-	(65,130)	-	-	(65,130)	-	-	-	-	(65,130)
Total comprehensive income (expense) for the period	-	-	-	-	-	-	-	10,712	(24,872)	396,329	-	3,171,909	3,554,078	-	-	513,249	513,249	4,067,327
Recognition of equity-settled share-based payments	-	-	34,282	-	-	-	-	-	-	-	-	-	34,282	-	12,852	-	12,852	47,134
Transfers	-	-	-	-	-	-	-	-	-	-	45,949	(45,949)	-	-	-	-	-	-
Capital contributions by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	339,790	339,790	339,790
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(332,985)	(332,985)	(332,985)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15,323	503,860	519,183	519,183
Acquisition of a jointly controlled entity from SIC	-	-	-	-	-	(9,384)	-	-	-	-	-	-	(9,384)	-	-	-	-	(9,384)
Acquisition of additional interests in subsidiaries	-	-	-	-	-	3,634	-	-	-	359	-	-	3,993	-	(182,253)	(182,253)	(178,260)	
Deemed disposal of interests in subsidiaries	-	-	-	-	-	622,729	-	-	-	-	-	-	622,729	-	1,963,130	1,963,130	2,585,859	
Disposal of interests in subsidiaries	-	-	-	-	38,167	-	-	-	-	-	-	-	38,167	-	(76,931)	(76,931)	(38,764)	
Disposal of the disposal group held for sale	-	-	-	-	2,100	-	-	-	-	-	-	-	2,100	-	(150,385)	(150,385)	(148,285)	
Transfer to retained profits upon redemption of convertible notes of a listed subsidiary	-	-	-	-	-	-	-	-	-	-	9	9	(20)	-	11	(9)	-	
Dividends paid (note 9)	-	-	-	-	-	-	-	-	-	-	(626,275)	(626,275)	-	-	-	-	(626,275)	
At 30 June 2011 (unaudited and restated)	107,979	13,345,715	78,623	1,071	61,204	327,198	(6,919,541)	-	65,085	3,097,989	599,316	17,868,074	28,632,713	-	91,918	15,296,992	15,388,910	44,021,623

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Attributable to owners of the Company											Attributable to non-controlling interests					
	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000	Capital redemption reserve HK\$'000	Other revaluation reserve HK\$'000 (note i)	Other reserve HK\$'000 (note ii)	Merger reserve HK\$'000 (note iii)	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	PRC statutory reserves HK\$'000 (note iv)	Retained profits HK\$'000	Sub-total HK\$'000	Convertible 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 2012 (audited and originally stated)	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
Adjustments (note 3)	-	-	-	-	(6,716)	(213,277)	-	-	(36,142)	-	(492,841)	(748,976)	-	-	(437,313)	(437,313)	(1,186,289)
At 1 January 2012 (audited and restated)	107,979	13,345,715	123,388	1,071	64,583	1,658,047	(5,893,770)	70,044	2,921,304	675,785	16,988,222	30,062,368	-	108,344	15,303,323	15,411,667	45,474,035
Profit for the period	-	-	-	-	-	-	-	-	-	-	2,543,179	2,543,179	-	-	478,477	478,477	3,021,656
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- subsidiaries	-	-	-	-	-	-	-	-	(237,588)	-	-	(237,588)	-	-	(206,414)	(206,414)	(444,002)
- jointly controlled entities	-	-	-	-	-	-	-	-	(11,028)	-	-	(11,028)	-	-	-	-	(11,028)
- associates	-	-	-	-	-	-	-	-	(19,040)	-	-	(19,040)	-	-	-	-	(19,040)
Fair value adjustment on available-for-sale investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- subsidiaries	-	-	-	-	-	-	-	1,194	-	-	-	1,194	-	-	-	-	1,194
- a jointly controlled entity	-	-	-	-	-	-	-	(11,060)	-	-	-	(11,060)	-	-	-	-	(11,060)
Reclassified on disposal of interest in a subsidiary held for sale (note 15)	-	-	-	-	-	-	-	-	(8,963)	-	-	(8,963)	-	-	-	-	(8,963)
Total comprehensive (expense) income for the period	-	-	-	-	-	-	-	(9,866)	(276,619)	-	2,543,179	2,256,694	-	-	272,063	272,063	2,528,757
Issue of shares upon exercise of share options	18	4,465	(339)	-	-	-	-	-	-	-	-	4,144	-	-	-	-	4,144
Recognition of equity-settled share-based payments	-	-	23,651	-	-	-	-	-	-	-	-	23,651	-	6,327	-	6,327	29,978
Transfers	-	-	-	-	-	-	-	-	-	140,113	(140,113)	-	-	-	-	-	-
Capital contribution by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,105	1,105	1,105
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(87,702)	(87,702)	(87,702)
Acquisition of additional interest in a subsidiary (note v)	-	-	-	-	(214,422)	-	-	-	-	-	-	(214,422)	-	-	(776,698)	(776,698)	(991,120)
Deemed disposal of interest in a subsidiary	-	-	-	-	1,516	-	-	-	-	-	-	1,516	-	-	37,033	37,033	38,549
Disposal of interest in a subsidiary held for sale (note 15)	-	-	-	-	(9,728)	(262)	-	-	-	(8,872)	9,134	(9,728)	-	-	(36,159)	(36,159)	(45,887)
Transfer to retained profits upon cancellation of share options of a listed subsidiary	-	-	-	-	-	-	-	-	-	-	18,412	18,412	-	(26,321)	7,909	(18,412)	-
Dividends paid (note 9)	-	-	-	-	-	-	-	-	-	-	(626,381)	(626,381)	-	-	-	-	(626,381)
At 30 June 2012 (unaudited)	107,997	13,350,180	146,700	1,071	54,855	1,444,879	(5,893,770)	60,178	2,644,685	807,026	18,792,453	31,516,254	-	88,350	14,720,874	14,809,224	46,325,478

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

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) The Group accounts for acquisitions of associates, jointly controlled entities or investee companies from its ultimate parent, Shanghai Industrial Investment (Holdings) Company Limited ("SIIC"), as equity transactions and any difference between the consideration paid and the fair value of the interest acquired is recorded in other reserve. In addition, the Group accounts for changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over those subsidiaries as equity transactions and any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recorded in other reserve.
- (iii) Merger reserve represents the difference in the fair value of the consideration paid to SIIC for the acquisition of subsidiaries/businesses controlled by SIIC and the share capital of the acquired subsidiaries.
- (iv) 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.
- (v) In March 2012, the Group acquired an additional 49.34% equity interest in a subsidiary at a consideration of approximately HK\$991 million from the non-controlling shareholder and the subsidiary then became wholly owned. The difference between the consideration paid and the fair value of the interest acquired amounting to approximately HK\$214 million is recorded in other reserve.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	Notes	Six months ended 30 June	
		2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited (and restated))
Net cash used in operating activities		(1,456,274)	(2,190,879)
Net cash from (used in) investing activities:			
Disposal of the disposal group held for sale (net of cash and cash equivalents disposed of)	15	774,710	533,040
Disposal of Feng Shun	21(iii)	653,620	–
Interest received		171,930	440,561
Decrease in bank deposits		91,580	464,560
Proceeds from disposal of investment properties		80,407	113,637
Entrusted fund placed with a jointly controlled entity		(488,281)	(361,185)
Purchase of property, plant and equipment		(149,920)	(315,551)
Deposits paid on acquisition of subsidiaries		(85,303)	(6,157,669)
Capital injection to an associate		–	(1,186,935)
Capital injection to a jointly controlled entity		–	(393,423)
Acquisition of subsidiaries		–	696,802
Disposal of other subsidiaries (net of cash and cash equivalents disposed of)		–	589,041
Disposal of subsidiaries holding property interests (net of cash and cash equivalents disposed of)		–	474,778
Repayment from the vendor of a PRC investment project		–	436,424
Proceeds from disposal of interest in an associate		–	5,462
Other investing cash flows		558,440	874,120
		1,607,183	(3,786,338)
Net cash (used in) from financing activities:			
Repayment of bank and other borrowings		(4,714,165)	(3,156,518)
Acquisition of additional interests in subsidiaries		(991,120)	(3,343)
Dividends paid		(626,381)	(626,275)
Interest paid		(436,788)	(449,976)
Dividends paid to non-controlling interests		(87,702)	(332,985)
Repayment to Xuhui SAAC Entities	16	(80,384)	(304,931)
Bank and other borrowings raised		6,401,004	9,655,906
Proceeds from deemed disposal of interests in subsidiaries without losing control		38,549	2,585,859
Capital contributions by non-controlling interests		1,105	339,790
Other financing cash flows		(6,550)	(2,604)
		(502,432)	7,704,923

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited (and restated))
Net (decrease) increase in cash and cash equivalents	(351,523)	1,727,706
Cash and cash equivalents at 1 January	16,529,835	14,323,855
Effect of foreign exchange rate changes	(246,047)	292,890
Cash and cash equivalents at 30 June	15,932,265	16,344,451
Represented by:		
Bank balances and cash	15,932,265	16,342,112
Bank balances and cash classified as assets held for sale	–	2,339
	15,932,265	16,344,451

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

## 1. BASIS OF PREPARATION

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

## 2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the current period are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2011.

In the current period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA:

- amendments to HKFRS 7 “Financial Instruments: Disclosures – Transfers of Financial Assets”;
- and
- amendments to HKAS 12 “Deferred Tax: Recovery of Underlying Assets”

### Amendments to HKAS 12 “Deferred Tax: Recovery of Underlying Assets”

Under the amendments to HKAS 12 “Deferred Tax: Recovery of Underlying Assets”, 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 Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group’s investment property portfolios and concluded that certain of the Group’s investment properties in the PRC are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, and that the presumption set out in the amendments to HKAS 12 is not rebutted.

As a result of the application of the amendments to HKAS 12, the Group recognises further deferred taxes on changes in fair value of the investment properties in relation to PRC Land Appreciation Tax (“PRC LAT”), which is the additional tax to be charged if a property in the PRC is recovered through sale. Previously, the Group recognised deferred taxes on changes in fair value of investment properties only on the basis that the entire carrying amounts of the properties were to be recovered through use.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### Amendments to HKAS 12 “Deferred Tax: Recovery of Underlying Assets” (continued)

The amendments to HKAS 12 have been applied retrospectively, resulting in the Group’s deferred tax liabilities being increased by HK\$1,186,289,000 as at 31 December 2011, with the corresponding adjustment being recognised in retained profits, various reserves and non-controlling interests. In addition, the application of the amendments has resulted in a decrease in income tax expense (and hence an increase in profit) for the six months ended 30 June 2012 by HK\$7,688,000 and an increase in income tax expense (and hence a decrease in profit) for the six months ended 30 June 2011 by HK\$77,079,000. Further details of the effects of this change in accounting policy are set out in note 3.

The application of amendments to HKFRS 7 “Financial Instruments: Disclosures – Transfers of Financial Assets” in the current period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

## 3. 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 HKICPA.

In July 2011, 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., an indirect wholly owned subsidiary of SIIC.

The Group applied AG 5 to the acquisition of SI Development in the year ended 31 December 2011. As a result, the condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the six months ended 30 June 2011 were restated to include the results and cash flows of SI Development and its subsidiaries (collectively referred to as “SI Development Group”) as if they were within the Group at the beginning of that period (see below for the financial impact on the condensed consolidated income statement).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

### 3. MERGER ACCOUNTING AND RESTATEMENTS (continued)

The effects of acquisition of SI Development Group using merger accounting and the application of amendments to HKAS 12 (see note 2) on the condensed consolidated income statement for the six months ended 30 June 2011 are as follows:

	HK\$'000 (originally stated)	Adjustments on merger accounting HK\$'000	After merger accounting HK\$'000	Adjustments on application of amendments to HKAS 12 HK\$'000	HK\$'000 (restated)
Revenue	5,527,959	1,923,596	7,451,555	–	7,451,555
Cost of sales	(3,295,005)	(1,114,962)	(4,409,967)	–	(4,409,967)
Gross profit	2,232,954	808,634	3,041,588	–	3,041,588
Net investment income	174,880	15,934	190,814	–	190,814
Other income	820,895	81,930	902,825	–	902,825
Selling and distribution costs	(375,112)	(62,392)	(437,504)	–	(437,504)
Administrative and other expenses	(740,182)	(95,396)	(835,578)	–	(835,578)
Finance costs	(322,108)	(109,291)	(431,399)	–	(431,399)
Share of results of jointly controlled entities	30,567	–	30,567	–	30,567
Share of results of associates	20,551	–	20,551	–	20,551
Gain from bargain purchase of interests in subsidiaries	37,718	–	37,718	–	37,718
Gain on disposal of interests in subsidiaries holding property interests	1,261,588	–	1,261,588	–	1,261,588
Net gain on disposal of interests in other subsidiaries, jointly controlled entities and associates	949,791	1,017	950,808	–	950,808
Profit before taxation	4,091,542	640,436	4,731,978	–	4,731,978
Income tax expense	(935,082)	(340,839)	(1,275,921)	(77,079)	(1,353,000)
Profit for the period	3,156,460	299,597	3,456,057	(77,079)	3,378,978
Profit for the period attributable to					
– Owners of the Company	3,022,668	183,652	3,206,320	(34,411)	3,171,909
– Non-controlling interests	133,792	115,945	249,737	(42,668)	207,069
	3,156,460	299,597	3,456,057	(77,079)	3,378,978

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

### 3. MERGER ACCOUNTING AND RESTATEMENTS (continued)

	HK\$ (originally stated)	Adjustments on merger accounting HK\$	After merger accounting HK\$	Adjustments on application of amendments to HKAS 12 HK\$	HK\$ (restated)
Earnings per share					
– Basic	2.799	0.170	2.969	(0.031)	2.938
– Diluted	2.799	0.170	2.969	(0.031)	2.938

The effects of the application of amendments to HKAS 12 (see note 2) on the results of the current period by line items presented in the condensed consolidated income statement are as follows:

	HK\$'000
Decrease in income tax expense and increase in profit for the period attributable to	
– Owners of the Company	5,384
– Non-controlling interests	2,304
	7,688
	HK\$
Basic earnings per share before adjustments	2.350
– adjustments on application of amendments to HKAS 12	0.005
Reported basic earnings per share	2.355
	HK\$
Diluted earnings per share before adjustments	2.349
– adjustments on application of amendments to HKAS 12	0.005
Reported diluted earnings per share	2.354

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

### 3. MERGER ACCOUNTING AND RESTATEMENTS (continued)

The effects of the application of amendments to HKAS 12 (see note 2) on the financial positions of the Group as at the beginning of the comparative period, i.e. 1 January 2011 and as at the end of the immediately preceding financial year, i.e. 31 December 2011, are as follows:

	1 January 2011 HK\$'000 (originally stated)	Adjustments HK\$'000	1 January 2011 HK\$'000 (restated)	31 December 2011 HK\$'000 (originally stated)	Adjustments HK\$'000	31 December 2011 HK\$'000 (restated)
Deferred tax liabilities	(3,976,277)	(1,004,453)	(4,980,730)	(4,359,574)	(1,186,289)	(5,545,863)
Share capital and reserves	25,559,484	(546,470)	25,013,014	30,811,344	(748,976)	30,062,368
Non-controlling interests	13,241,252	(457,983)	12,783,269	15,848,980	(437,313)	15,411,667
Total effect on total equity	38,800,736	(1,004,453)	37,796,283	46,660,324	(1,186,289)	45,474,035

### 4. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the chief operating decision maker (i.e. the executive 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

### 4. SEGMENT INFORMATION (continued)

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

Six months ended 30 June 2012

	Infrastructure facilities HK\$'000	Real estate HK\$'000	Consumer products HK\$'000	Consolidated HK\$'000
<b>SEGMENT REVENUE</b>				
External sales	1,326,259	3,239,617	1,669,920	6,235,796
Segment profit	704,890	1,246,498	577,897	2,529,285
Non-segment items:				
Net unallocated corporate expense				(966)
Finance costs				(432,458)
Share of results of jointly controlled entities				21,877
Share of results of associates				4,475
Gain on disposal of Feng Shun				1,276,515
Net gain on disposal of interests in other subsidiaries, jointly controlled entities and associates				311,288
Profit before taxation				3,710,016

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

### 4. SEGMENT INFORMATION (continued)

Six months ended 30 June 2011 (restated)

	Infrastructure facilities HK\$'000	Real estate HK\$'000	Consumer products HK\$'000	Consolidated HK\$'000
<b>SEGMENT REVENUE</b>				
External sales	1,092,022	4,080,265	2,279,268	7,451,555
Segment profit	617,315	1,675,192	553,104	2,845,611
Non-segment items:				
Net unallocated corporate income				16,534
Finance costs				(431,399)
Share of results of jointly controlled entities				30,567
Share of results of associates				20,551
Gain from bargain purchase of interests in subsidiaries				37,718
Gain on disposal of interests in subsidiaries holding property interests				1,261,588
Net gain on disposal of interests in other subsidiaries, jointly controlled entities and associates				950,808
Profit before taxation				4,731,978

Segment profit represents the profit earned by each segment without allocation of non-segment items. This is the measure reported to the executive directors of the Company for the purposes of resource allocation and performance assessment.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

### 4. SEGMENT INFORMATION (continued)

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

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Infrastructure facilities	19,715,071	20,290,026
Real estate	75,544,803	76,161,800
Consumer products	5,335,782	4,840,245
Total segment assets	100,595,656	101,292,071
Other unallocated assets	13,486,489	14,522,546
Total assets	114,082,145	115,814,617

### 5. GAIN ON DISPOSAL OF INTERESTS IN SUBSIDIARIES HOLDING PROPERTY INTERESTS

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\$1,336 million, resulting in a gain of approximately HK\$1,262 million. Feng Tao owns a development project located at Qingpu District in Shanghai, the PRC. Further details of this disposal are set out in the Group's annual financial statements for the year ended 31 December 2011.

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

The amount for the six months ended 30 June 2012 represents the aggregate gain on disposal of interest in a subsidiary and a jointly controlled entity, which were classified as held for sale as at 31 December 2011 (see note 15).

The amount for the six months ended 30 June 2011 comprises (i) net gain on disposal of interests in subsidiaries of approximately HK\$766 million (as restated), (ii) gain on disposal of interests in subsidiaries classified as the disposal group held for sale as at 31 December 2010 of approximately HK\$183 million and (iii) gain on disposal of interest in an associate of approximately HK\$2 million.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

### 7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000 (restated)
Current tax		
– Hong Kong	112,521	77,798
– PRC LAT	210,338	424,774
– PRC Enterprise income tax (“PRC EIT”) (including PRC withholding tax of HK\$120,986,000 (six months ended 30 June 2011: HK\$60,217,000))	549,851	882,559
	872,710	1,385,131
(Over)underprovision in prior periods		
– Hong Kong	(1,798)	9
– PRC EIT (note)	(149,066)	16,529
	(150,864)	16,538
Deferred taxation for the current period	(33,486)	(48,669)
	688,360	1,353,000

note: The Group recognised an overprovision of PRC EIT during the current period upon completion of tax clearance procedures by certain PRC subsidiaries with the respective tax authorities.

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

The Group's major subsidiaries in the PRC are subject to PRC EIT at 25%. Certain PRC subsidiaries were taxed at a lower rate on a transitional basis.

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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

### 8. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000 (restated)
Profit for the period has been arrived at after charging (crediting) the following items:		
Amortisation of toll road operating rights (included in cost of sales)	292,135	251,963
Amortisation of other intangible assets:		
– included in cost of sales	20,169	15,431
– included in administrative and other expenses	–	833
Depreciation of property, plant and equipment	136,749	175,352
Release of prepaid lease payments	2,220	7,776
Change in fair value of investment properties	8,271	(489,536)
Dividend income from investments (included in net investment income)	(4,852)	(1,110)
(Gain) loss on disposal of property, plant and equipment	(4,330)	139
Interest income (included in net investment income)	(162,787)	(86,148)
Change in fair value of financial assets at fair value through profit or loss (included in net investment income)	(43,003)	(53,949)
Net foreign exchange loss (gain)	45,326	(168,959)
Reversal of impairment loss on other receivables (note)	(587,079)	–
Compensation income (included in other income) (note)	(178,703)	(91,000)
Compensation to customers as a result of late delivery of properties	5,463	102,412
Share of PRC EIT of jointly controlled entities (included in share of results of jointly controlled entities)	7,108	15,883
Share of PRC EIT of associates (included in share of results of associates)	3,844	1,259

note: In a prior year, the Group recognised full impairment against a deposit of approximately RMB478 million (equivalent to approximately HK\$587 million) paid to a counterparty for the acquisition of a property project. During the current period, the Group reached an agreement with the counterparty whereby the counterparty agreed to (i) refund the deposit in full to the Group and (ii) pay the Group for a compensation of approximately RMB145.5 million (equivalent to approximately HK\$179 million). Accordingly, the Group recognised a reversal of impairment loss of HK\$587 million and compensation income of approximately HK\$179 million for the six months ended 30 June 2012.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

### 9. DIVIDENDS

	Six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
2011 final dividend declared and paid of HK58 cents (six months ended 30 June 2011: 2010 final dividend paid of HK58 cents) per share	626,381	626,275

Subsequent to the end of the reporting period, the directors have determined that an interim dividend of HK50 cents (2011: HK50 cents) per share will be paid to the shareholders of the Company whose names appear on the Company's register of members on 14 September 2012.

### 10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000 (restated)
<b>Earnings:</b>		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	2,543,179	3,171,909
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,079,913,014	1,079,785,000
Effect of dilutive potential ordinary shares – share options of the Company	475,677	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,080,388,691	1,079,785,000

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

### 10. EARNINGS PER SHARE (continued)

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 price for the corresponding period;
- ii) the exercise of options/warrants issued by Shanghai Industrial Urban Development Group Limited ("SI Urban Development"), a listed subsidiary of the Company, because they are anti-dilutive; and
- iii) the exercise of options issued by Asia Water Technology Limited ("Asia Water"), a listed subsidiary of the Company, since they are anti-dilutive.

### 11. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the current period, the Group incurred costs for construction in progress of approximately HK\$61 million (six months ended 30 June 2011: HK\$220 million) and acquired other property, plant and equipment at an aggregate cost of approximately HK\$89 million (six months ended 30 June 2011: HK\$96 million, as restated) for the purpose of expanding the Group's businesses.

The Group's investment properties as at the end of the reporting period were fair valued by Debenham Tie Leung Limited, an independent firm of qualified professional valuers not connected with the Group. Debenham Tie Leung Limited is a member of Institute of Valuers. The valuations were arrived at by reference to market evidence of transaction prices for similar properties in similar locations and conditions. During the current period, the Group (i) recognised a decrease in fair value of investment properties of approximately HK\$8 million in profit or loss (six months ended 30 June 2011: an increase of approximately HK\$490 million) and (ii) disposed of certain investment properties for cash proceeds of HK\$80,407,000 (six months ended 30 June 2011: HK\$113,637,000).

### 12. CONSIDERATION RECEIVABLES

The amounts represent consideration receivables by the Group on disposal of subsidiaries/investments, which are due after one year from the end of the reporting period. As set out in note 21(iii), the receipt of a portion of the proceeds for the disposal of Feng Shun (as defined therein) is deferred. Such amount is included in the balance of consideration receivables, having been discounted to its present value of HK\$695,018,000 using a discount rate of 6.65%.

### 13. INVENTORIES

Inventories mainly represent properties under development held for sale. Included in the amount is approximately HK\$15,551 million (31 December 2011: HK\$25,334 million) which is not expected to be realised within one year.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

### 14. TRADE AND OTHER RECEIVABLES

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

The following is an analysis of trade receivables by age, net of allowance for doubtful debts, presented based on the invoice date.

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Within 30 days	356,276	294,326
Within 31 – 60 days	157,332	98,662
Within 61 – 90 days	83,511	86,388
Within 91 – 180 days	69,660	73,006
Within 181 – 365 days	94,846	105,122
Over 365 days	30,341	18,266
	<b>791,966</b>	<b>675,770</b>

Included in other receivables as at 30 June 2012 were (i) consideration receivables of HK\$51,588,000 (31 December 2011: HK\$331,024,000) on disposal of a subsidiary, (ii) amounts due from certain associates of HK\$1,611,966,000 (31 December 2011: HK\$1,576,958,000), (iii) an entrusted fund with a guaranteed annual return rate of 8% placed with a jointly controlled entity of HK\$488,281,000 (31 December 2011: Nil), (iv) amounts of HK\$127,559,000 (31 December 2011: HK\$122,681,000) due from Xuhui District State Owned Asset Administrative Committee and/or entities controlled by it (collectively the "Xuhui SAAC Entities"), which are unsecured, interest-free and repayable on demand except that an amount of HK\$109,498,000 (31 December 2011: HK\$110,578,000) is interest-bearing at 7.7% (31 December 2011: 5.8%) per annum and repayable within one year, (v) amounts of HK\$88,067,000 (31 December 2011: HK\$81,724,000) due from non-controlling shareholders of subsidiaries, which are unsecured, non-interest bearing and repayable on demand and (vi) other taxes recoverable, various deposits, prepayments and temporary payments, dividend receivables, etc..

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

### 15. ASSETS CLASSIFIED AS HELD FOR SALE

In March 2011, the Group and the non-controlling shareholder of Chengdu Wing Fat Printing Co. Ltd. (“Chengdu Wingfat Printing”), 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 Wingfat Printing which holds certain land and buildings in the PRC at a cash consideration of RMB330,000,000 (equivalent to HK\$406,805,000). The assets attributable to Chengdu Wingfat Printing, were classified as held for sale and presented separately in the consolidated statement of financial position as at 31 December 2011. The disposal was completed on 28 June 2012, on which date the Group lost control over Chengdu Wingfat Printing.

Further, in December 2011, the Group entered into a conditional agreement to dispose of a real estate project company in Qingdao (“Qingdao Company”), being 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\$1,458 million). The Group’s interest in Qingdao Company was also classified as assets held for sale and presented separately in the consolidated statement of financial position as at 31 December 2011. Qingdao Company’s major asset is a piece of land in Qingdao, the PRC. The disposal was completed in February 2012.

The assets classified as held for sale as at 31 December 2011, which were presented separately in the consolidated statement of financial position at that date, are as follows:

	Chengdu Wingfat Printing HK\$'000	Qingdao Company HK\$'000	Total HK\$'000
Property, plant and equipment	55,831	–	55,831
Prepaid lease payments	4,796	–	4,796
Premium on prepaid lease payments	56,836	–	56,836
Interest in a jointly controlled entity	–	1,343,852	1,343,852
Total assets classified as held for sale	117,463	1,343,852	1,461,315

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

### 15. ASSETS CLASSIFIED AS HELD FOR SALE (continued)

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

The net assets of Chengdu Wingfat Printing and Qingdao Company at the respective dates of disposal were as follows:

	Chengdu Wingfat Printing HK\$'000	Qingdao Company HK\$'000	Total HK\$'000
Net assets disposed of	116,179	1,343,852	1,460,031
Reclassification of reserves upon disposal to profit or loss	(18,691)	–	(18,691)
	97,488	1,343,852	1,441,340
Non-controlling interests	(36,159)	–	(36,159)
	61,329	1,343,852	1,405,181
Gain on disposal			
– a subsidiary	196,923	–	196,923
– a jointly controlled entity	–	114,365	114,365
	196,923	114,365	311,288
<b>Total consideration</b>	<b>258,252</b>	<b>1,458,217</b>	<b>1,716,469</b>
Satisfied by:			
Cash received	56,138	718,572	774,710
Consideration received in advance (note 16)	226,220	739,645	965,865
Provision included in other payables	(24,106)	–	(24,106)
	258,252	1,458,217	1,716,469
Net cash inflow arising on disposal:			
Total cash consideration received	56,138	718,572	774,710

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

### 16. TRADE AND OTHER PAYABLES

The following is an analysis of trade payables by age, presented based on the invoice date.

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Within 30 days	847,045	639,021
Within 31 – 60 days	141,148	174,055
Within 61 – 90 days	65,432	9,198
Within 91 – 180 days	70,320	29,933
Within 181 – 365 days	171,030	682,343
Over 365 days	513,087	422,646
	<b>1,808,062</b>	<b>1,957,196</b>

Other payables as at 30 June 2012 included (i) amounts of HK\$275,107,000 (31 December 2011: HK\$359,289,000) due to Xuhui SAAC Entities, which are unsecured, interest-free and repayable on demand except that an amount of HK\$10,950,000 (31 December 2011: HK\$11,058,000) is interest-bearing at 7.2% (31 December 2011: 5.8%) per annum, (ii) amounts due to certain fellow subsidiaries of HK\$1,305,688,000 (31 December 2011: HK\$1,318,561,000), (iii) amounts of HK\$313,598,000 (31 December 2011: HK\$305,295,000) due to non-controlling shareholders of subsidiaries, of which HK\$96,321,000 (31 December 2011: HK\$88,866,000) are entrusted loans carrying interest at rates ranging from 5.3% to 7.3% (31 December 2011: 5.3% to 7.0%) per annum and repayable on demand, and the remaining amounts are non-trade in nature, unsecured, interest-free and repayable on demand and (iv) various accruals, other taxes payable, sundry creditors, etc..

Other payables as at 31 December 2011 also included consideration received in advance for disposal of assets classified as held for sale of HK\$965,865,000 (see note 15).

### 17. CUSTOMER DEPOSITS FROM SALES OF PROPERTIES

These 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\$3,505 million (31 December 2011: HK\$3,494 million) is expected to be recognised as revenue after more than one year.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

### 18. BANK AND OTHER BORROWINGS

During the current period, the Group (i) obtained new borrowings in the amount of approximately HK\$6,401 million (six months ended 30 June 2011: HK\$9,656 million, as restated) and (ii) repaid borrowings of approximately HK\$4,714 million (six months ended 30 June 2011: HK\$3,157 million, as restated). In addition, the Group recognised new borrowings of approximately HK\$708 million through acquisition of subsidiaries during the six months ended 30 June 2011.

Included in the other borrowings is a loan of approximately HK\$3,908 million (31 December 2011: HK\$2,671 million) from a fellow subsidiary.

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

### 19. CAPITAL COMMITMENTS

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of		
– additions in properties under development held for sale	6,117,336	5,839,411
– investments in PRC subsidiaries	358,640	245,040
– acquisition of property, plant and equipment	166,738	90,493
	<b>6,642,714</b>	<b>6,174,944</b>

### 20. CONTINGENT LIABILITIES

As at 30 June 2012, the guarantees given to banks by the Group in respect of banking facilities utilised by one of the Xuhui SAAC Entities and property buyers amounted to approximately HK\$264 million and HK\$2,378 million (31 December 2011: HK\$266 million and HK\$2,955 million), respectively.

Contingent liabilities as at 31 December 2011 also included a guarantee given to a former subsidiary amounted to approximately HK\$62 million.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

### 21. RELATED PARTY TRANSACTIONS

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

Related party	Nature of transactions	Six months ended 30 June	
		2012 HK\$'000	2011 HK\$'000
Ultimate holding company	Rentals and management fee paid by the Group on land and buildings	1,106	688
Fellow subsidiaries	Interest paid by the Group	50,466	35,610
	Rentals and management fee paid by the Group on land and buildings	20,606	19,408
A jointly controlled entity	Investment income received by the Group	33,751	25,504
	Capital injection by the Group	–	393,423
Associates	Property agency fee paid by the Group	33,194	19,078
	Rentals received by the Group on land and buildings	1,296	–
Non-controlling shareholders of subsidiaries	Interest received by the Group	6,113	3,139
	Interest paid by the Group	3,621	130
Entity controlled by an independent non-executive director of the Company	Rentals and management fee paid by the Group on land and buildings	2,463	2,823

In addition, a fellow subsidiary pledged a bank deposit amounting to RMB498 million (equivalent to approximately HK\$608 million) to secure a bank loan granted to SI Development Group.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

### 21. RELATED PARTY TRANSACTIONS (continued)

#### (ii) Compensation of key management personnel

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

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Directors' fee and committee remuneration	679	647
Basic salaries and allowance	8,427	8,755
Bonuses	3,324	4,679
Equity-settled share-based payment expense	8,597	18,399
Retirement benefits scheme contributions	232	218
	21,259	32,698

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

(iii) During the current period, immediately upon completion of the acquisition of 100% equity interest in S.I. Feng Shun Properties (BVI) Limited ("Feng Shun") from SIIC for a consideration of HK\$181,265,000, the Group (i) disposed of 90% equity interest in Feng Shun, and (ii) transferred a related shareholder's loan of HK\$151,401,000 to certain parties which are deemed to be connected persons of the Company under the Listing Rules, for a total consideration of approximately HK\$1,537 million, of which an amount of HK\$776 million is receivable in December 2013. These transactions resulted in a gain on disposal before taxation of HK\$1,276,515,000 to the Group for the current period. Further details of these transactions are set out in the Company's announcements dated 26 February 2011 and 20 April 2012.

#### (iv) Transactions with other PRC government 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 predominated 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 as above, 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 operations of the Group. The directors consider these government-related entities are independent third parties so far as the Group's business transactions with them are concerned.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

### 21. RELATED PARTY TRANSACTIONS (continued)

- (v) The Group has entered into several banking facility agreements with an aggregate loan facility amount of approximately HK\$12,948 million. Pursuant to the terms of the agreements, loans together with accrued interests and any other amounts accrued under the agreements may become immediately due and payable if (i) SIIC ceases to hold directly and indirectly at least 35% ultimate beneficial interest of and in the voting share capital of the Company or ceases to have management control over the Company; or (ii) the Shanghai Municipal People's Government, the controlling shareholder of SIIC, ceases to hold directly or indirectly at least 51% beneficial interest of and in the voting share capital of SIIC or SIIC ceases to remain under the administrative leadership of the Shanghai Municipal People's Government. The relevant facility agreements will mature in various dates up to 22 November 2015.

### 22. EVENTS AFTER THE END OF THE INTERIM PERIOD

The following significant events happened after the end of the interim period:

- (i) In July 2012, Asia Water, a non-wholly owned subsidiary of the Group, completed its acquisition of an indirect 69.378% equity interest in Nanfang Water Co., Ltd ("Nanfang Water") which is principally engaged in the business of environmental protection in the PRC, including waste water and tap water treatments. The consideration for the acquisition is RMB364.3 million (equivalent to approximately HK\$443.9 million), to be satisfied by cash of RMB218.3 million (equivalent to approximately HK\$266 million) and the balance by issue of shares in Asia Water. On top of the consideration, Asia Water also agreed to pay an earn-out amount of RMB45 million (equivalent to approximately HK\$55 million), to be settled by issue of shares in Asia Water and payable in three years' time if Nanfang Water achieves the agreed financial targets. Upon completion of the transaction, the Group's equity interest in Asia Water was diluted from 54.62% to 50.31%.

As at 30 June 2012, deposits of HK\$85,303,000 were paid in respect of this acquisition and separately presented on the condensed consolidated statement of financial position. Details of the related capital commitment are set out in note 19.

Up to the date of approving these condensed consolidated financial statements, the initial accounting for this acquisition has not yet been completed.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

### 22. EVENTS AFTER THE END OF THE INTERIM PERIOD (continued)

- (ii) On 25 July 2012, a writ of summons was issued by a third party against SI Urban Development for non-payment of a sum of RMB128,096,000 (equivalent to approximately HK\$156,367,000) which was alleged to be the outstanding consideration for its disposal of an entity to SI Urban Development in 2007. The consideration has been recorded in other payables since the completion of the acquisition by SI Urban Development in prior years. The writ also includes claims by the third party against SI Urban Development for liquidated damages of RMB218,017,000 (equivalent to approximately HK\$266,134,000) up to 25 July 2012, to be compounded at a daily rate of RMB128,096 (equivalent to HK\$156,367) thereafter until settlement.

The directors, after taking advice from the management of SI Urban Development which has consulted its legal advisors, are of the opinion that SI Urban Development has a genuine good defence for the case. SI Urban Development has taken legal action and is in the process of defending the case and no provision was made for the liquidated damages during the six months ended 30 June 2012.

- (iii) In July 2012, a non-wholly owned subsidiary of the Group in the PRC obtained an authorisation from the National Development and Reform Commission for issuance of corporate bond (the "Bond") with par value of RMB1,500,000,000 (equivalent to HK\$1,831,054,000). Upon issuance, the Bond will be listed and traded on Shanghai Stock Exchange. The proceeds from issuance of the Bond will be used to finance the development of affordable housing projects in Shanghai by that subsidiary.

Up to the date of approving these condensed consolidated financial statements, the Bond has been issued.

## OTHER INFORMATION

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2012, 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 shares options (Note 2)	Total	Approximate percentage of the issued share capital
Teng Yi Long	Beneficial owner	Personal	–	2,160,000	2,160,000	0.20%
Zhou Jie	Beneficial owner	Personal	333,000	1,530,000	1,863,000	0.17%
Lu Ming Fang	Beneficial owner	Personal	586,000	1,350,000	1,936,000	0.18%
Lu Shen	Beneficial owner	Personal	–	1,350,000	1,350,000	0.13%
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	766,560	216,000	982,560	0.09%
Woo Chia-Wei	Beneficial owner	Personal	–	216,000	216,000	0.02%
Leung Pak To	Beneficial owner	Personal	–	216,000	216,000	0.02%

Notes:

- All interests stated above represented long positions.
- Such long position represented underlying shares derived from unlisted and physically-settled derivatives.

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

##### *SI Urban Development*

Name of Director	Capacity	Nature of interests	Number of outstanding shares options (Note 2)	Approximate percentage of the issued share capital
Zhou Jun	Beneficial owner	Personal	7,000,000	0.15%

Notes:

- All interests stated above represented long positions.
- Such long position represented underlying shares derived from unlisted and physically-settled derivatives.

##### *Shanghai Pharmaceuticals*

Name of Director	Class of shares	Capacity	Nature of interests	Number of issued shares held	Approximate percentage of respective class of issued share capital
Lu Ming Fang	A share	Beneficial owner	Personal	37,674	0.002%
Lu Shen	A share	Beneficial owner	Personal	6,440	0.0003%
Lo Ka Shui	H share	Founder of a discretionary trust	Other	4,000,000	0.52%

Note: 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 30 June 2012.

## OTHER INFORMATION

### SHARE OPTIONS

#### (I) SIHL Scheme

The SIHL Scheme was valid and effective for a period of 10 years commencing the date of adoption of the scheme. The scheme was terminated by the shareholders of the Company on 25 May 2012. During the period, the movements in the share options to subscribe for the Company's shares under the SIHL Scheme were as follows:

	Date of grant	Exercise price per share HK\$	Number of shares issuable under the share options					Outstanding at 30.6.2012
			Outstanding at 1.1.2012	Granted during the period	Exercised during the period	Reclassified during the period	Cancelled during the period	
<i>Category 1: Directors</i>								
Teng Yi Long	2.11.2010	36.60	1,200,000	-	-	-	-	1,200,000
	20.9.2011	22.71	960,000	-	-	-	-	960,000
Zhou Jie	2.11.2010	36.60	850,000	-	-	-	-	850,000
	20.9.2011	22.71	680,000	-	-	-	-	680,000
Lu Ming Fang	2.11.2010	36.60	750,000	-	-	-	-	750,000
	20.9.2011	22.71	600,000	-	-	-	-	600,000
Lu Shen <sup>(Note 1)</sup>	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
Cai Yu Tian <sup>(Note 2)</sup>	2.11.2010	36.60	1,000,000	-	-	(1,000,000)	-	-
	20.9.2011	22.71	800,000	-	-	(800,000)	-	-
Qian Shi Zheng <sup>(Note 3)</sup>	2.11.2010	36.60	750,000	-	-	(750,000)	-	-
	20.9.2011	22.71	600,000	-	-	(600,000)	-	-
Total			11,538,000	-	-	(1,800,000)	-	9,738,000
<i>Category 2: Employees</i>								
	2.11.2010	36.60	12,690,000	-	-	(750,000)	-	11,940,000
	20.9.2011	22.71	12,600,000	-	(99,000)	(600,000)	-	11,901,000
	16.5.2012	23.69	-	1,144,000	-	-	-	1,144,000
Total			25,290,000	1,144,000	(99,000)	(1,350,000)	-	24,985,000
<i>Category 3: Others</i>								
	2.11.2010	36.60	6,250,000	-	-	1,750,000	(80,000)	7,920,000
	20.9.2011	22.71	2,872,000	-	(84,000)	1,400,000	(44,800)	4,143,200
Total			9,122,000	-	(84,000)	3,150,000	(124,800)	12,063,200
Total for all categories			45,950,000	1,144,000	(183,000)	-	(124,800)	46,786,200

## OTHER INFORMATION

Notes:

1. Mr. Lu Shen was appointed as Director of the Company on 25 April 2012.
2. Mr. Cai Yu Tian resigned as Director of the Company on 25 April 2012.
3. Mr. Qian Shi Zheng resigned as Director of the Company on 25 April 2012.

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)

Share options granted in May 2012 are exercisable during the period from 17 May 2012 to 16 May 2017 in three batches, being:

- 17 May 2012 to 16 May 2013 (up to 40% of the share options granted are exercisable)
- 17 May 2013 to 16 May 2014 (up to 70% of the share options granted are exercisable)
- 17 May 2014 to 16 May 2017 (all share options granted are exercisable)

During the period, the weighted average closing price of the Company's shares immediately before the respective dates on which the share options were exercised is HK\$26.09.

### (II) SIHL New Scheme

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

## OTHER INFORMATION

### (III) SI Urban Development Scheme

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

	Date of grant	Exercise price per share HK\$	Number of shares issuable under the share options		
			Outstanding at 1.1.2012	Cancelled during the period	Outstanding at 30.6.2012
<i>Category 1: Directors of SI Urban Development, who are also Directors of the Company</i>					
Zhou Jun	24.9.2010	2.98	7,000,000	-	7,000,000
Cai Yu Tian <sup>(Note 1)</sup>	24.9.2010	2.98	9,000,000	(9,000,000)	-
Qian Shi Zheng <sup>(Note 2)</sup>	24.9.2010	2.98	7,000,000	(7,000,000)	-
			23,000,000	(16,000,000)	7,000,000
<i>Category 2: Other Directors of SI Urban Development</i>					
	24.9.2010	2.98	33,000,000	(7,000,000)	26,000,000
<i>Category 3: Employees of SI Urban Development</i>					
	24.9.2010	2.98	35,000,000	(2,750,000)	32,250,000
<b>Total for all categories</b>			<b>91,000,000</b>	<b>(25,750,000)</b>	<b>65,250,000</b>

Notes:

1. Mr. Cai Yu Tian resigned as Director of SI Urban Development on 24 April 2012.
2. Mr. Qian Shi Zheng resigned as Director of SI Urban Development on 27 April 2012.

Share options are exercisable during the period from 24 September 2010 to 23 September 2020 in three batches, being:

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

## OTHER INFORMATION

### (IV) Asia Water Scheme

The Asia Water Scheme was valid and effective for a period of 10 years commencing the date of adoption of the scheme. The scheme was terminated by the shareholders of Asia Water on 27 April 2012. During the period, 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 1.1.2012	Cancelled during the period	Outstanding at 30.6.2012
<i>Category 1: Directors of Asia Water</i>				
14.08.2007	0.09 <sup>(Note)</sup>	-	-	-
<i>Category 2: Employees of Asia Water</i>				
14.08.2007	0.09 <sup>(Note)</sup>	17,037,467 <sup>(Note)</sup>	(761,442)	16,276,025
<b>Total for all categories</b>		<b>17,037,467 <sup>(Note)</sup></b>	<b>(761,442)</b>	<b>16,276,025</b>

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

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

### (V) Asia Water New Scheme

The Asia Water New Scheme shall be valid and effective for a period of 10 years commencing the date of adoption of the scheme. During the period, no options were granted under the Asia Water New Scheme.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES OF THE COMPANY

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

## OTHER INFORMATION

### INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2012, the interests and short positions of the substantial shareholders of the Company and other persons, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, were as follows:

Name of shareholder	Capacity	Nature of interests	Number of issued ordinary shares beneficially held	Approximate percentage of the issued share capital
SIIC	Interests held by controlled corporations	Corporate	616,215,314 <sup>(Notes 1 &amp; 2)</sup>	57.06%

Notes:

1. SIIC through its subsidiaries, namely Shanghai Investment Holdings Limited, SIIC Capital (B.V.I.) Limited, SIIC Treasury (B.V.I.) Limited, Shanghai Industrial Financial (Holdings) Company Limited, SIIC Trading Company Limited, Billion More Investments Limited, South Pacific International Trading Limited, The Tien Chu Ve Tsin (Hong Kong) Company Limited and SIIC CM Development Limited held 500,573,748 shares, 80,000,000 shares, 15,893,000 shares, 13,685,000 shares, 2,705,000 shares, 1,300,000 shares, 650,000 shares, 360,000 shares and 10,000 shares of the Company respectively, and was accordingly deemed to be interested in the respective shares held by the aforementioned companies.
2. SIIC through its subsidiary, SIIC Treasury (B.V.I.) Limited, held 1,038,566 underlying shares of the Company which were derived from unlisted and physically-settled derivatives.
3. All interests stated above represented long positions.

Save as disclosed above, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO as at 30 June 2012.

### DISCLOSURE UNDER RULE 13.51B(1) OF THE LISTING RULES

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

Mr. Zhou Jie

- elected as an executive director of Shanghai Pharmaceuticals on 31 May 2012.
- no longer acted as the chairman of the supervisory committee of Shanghai Pharmaceuticals on 31 May 2012.
- elected as the chairman of Shanghai Pharmaceuticals on 1 June 2012.

Mr. Lu Ming Fang

- no longer acted as a director of Shanghai Pharmaceuticals on 31 May 2012.

Mr. Zhou Jun

- re-designated as the executive chairman of Asia Water on 4 May 2012.
- appointed as the chairman of General Water of China on 24 May 2012.
- appointed as an independent non-executive director of Zhejiang Expressway Co., Ltd. on 11 June 2012.

## OTHER INFORMATION

Dr. Lo Ka Shui

- resigned as a non-executive director of The Hongkong and Shanghai Banking Corporation Limited on 22 May 2012.

Prof. Woo Chia-Wei

- resigned as an independent non-executive director of Lenovo Group Limited on 3 July 2012.

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2012, the Group employed 10,378 staff (2011: 10,670), of whom 9,747 were stationed in mainland China and the remaining 631 were Hong Kong and overseas employees. The Group appraises staff remuneration with reference to the operating results of the Company, individual performance and industry average. With a strong commitment to staff relationship and training, the Group also encourages employees to continue their education, adding value both for themselves and for the Company.

## REVIEW OF REPORT

The Audit Committee has reviewed the Company's interim report for the six months ended 30 June 2012.

## CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code during the period from 1 April 2012 to 30 June 2012 contained in Appendix 14 to the Listing Rules, except for the deviations from A.6.7 and E.1.2 of the Corporate Governance Code as described below. An independent non-executive director, also being the chairman of the Audit Committee, Remuneration Committee and the Nomination Committee, was unable to attend the annual general meeting and extraordinary general meeting of the Company both held on 25 May 2012 due to an overseas business engagement.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

## GLOSSARY OF TERMS

<b>Term used</b>	<b>Brief description</b>
Asia Water	Asia Water Technology Ltd. (SGX stock code: 5GB)
Asia Water Scheme	A share option scheme adopted by Asia Water as approved at the general meeting held on 24 January 2005. Such scheme was terminated at the extraordinary general meeting of Asia Water held on 27 April 2012
Asia Water New Scheme	A new share option scheme adopted by Asia Water as approved at the extraordinary general meeting held on 27 April 2012
Chengdu Wingfat Printing	Chengdu Wingfat Printing Co., Ltd.
Chow Tai Fook Group	Chow Tai Fook Enterprises Limited and its subsidiaries
Company	Shanghai Industrial Holdings Limited
General Water of China	General Water of China Co., Ltd.
Group	the Company and its subsidiaries
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
Nanfang Water	Nanfang Water Co., Ltd.
Nanyang Tobacco	Nanyang Brothers Tobacco Company, Limited
Net Business Profit	Net profit excluding net corporate expenses
SFO	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
SGX	Singapore Stock Exchange
Shanghai Pharmaceuticals	Shanghai Pharmaceuticals Holdings Co., Ltd. (SSE stock code: 601607; HKSE stock code: 2607)
Shanghai Shen-Yu	Shanghai Shen-Yu Development Co., Ltd.
Shanghai Urban Development	Shanghai Urban Development Co., Ltd.
SI Development	Shanghai Industrial Development Co., Ltd. (SSE stock code: 600748)
SI Infrastructure	S.I. Infrastructure Holdings Limited
SI Urban Development	Shanghai Industrial Urban Development Group Limited (HKSE stock code: 563)
SI Urban Development Scheme	A share option scheme adopted by SI Urban Development as approved at the extraordinary general meeting held on 12 December 2002
Sichuan Wingfat Printing	Wingfat (Sichuan) Printing Co., Ltd.
SIHL Scheme	A share option scheme adopted by the Company as approved at the extraordinary general meeting held on 31 May 2002. Such scheme was terminated at the extraordinary general meeting of the Company held on 25 May 2012
SIHL New Scheme	A new share option scheme adopted by the Company as approved at the extraordinary general meeting held on 25 May 2012
SIIC	Shanghai Industrial Investment (Holdings) Company Limited
SSE	Shanghai Stock Exchange
Stock Exchange or HKSE	The Stock Exchange of Hong Kong Limited
United Environment	United Environment Co., Ltd.
Wing Fat Printing	The Wing Fat Printing Company, Limited