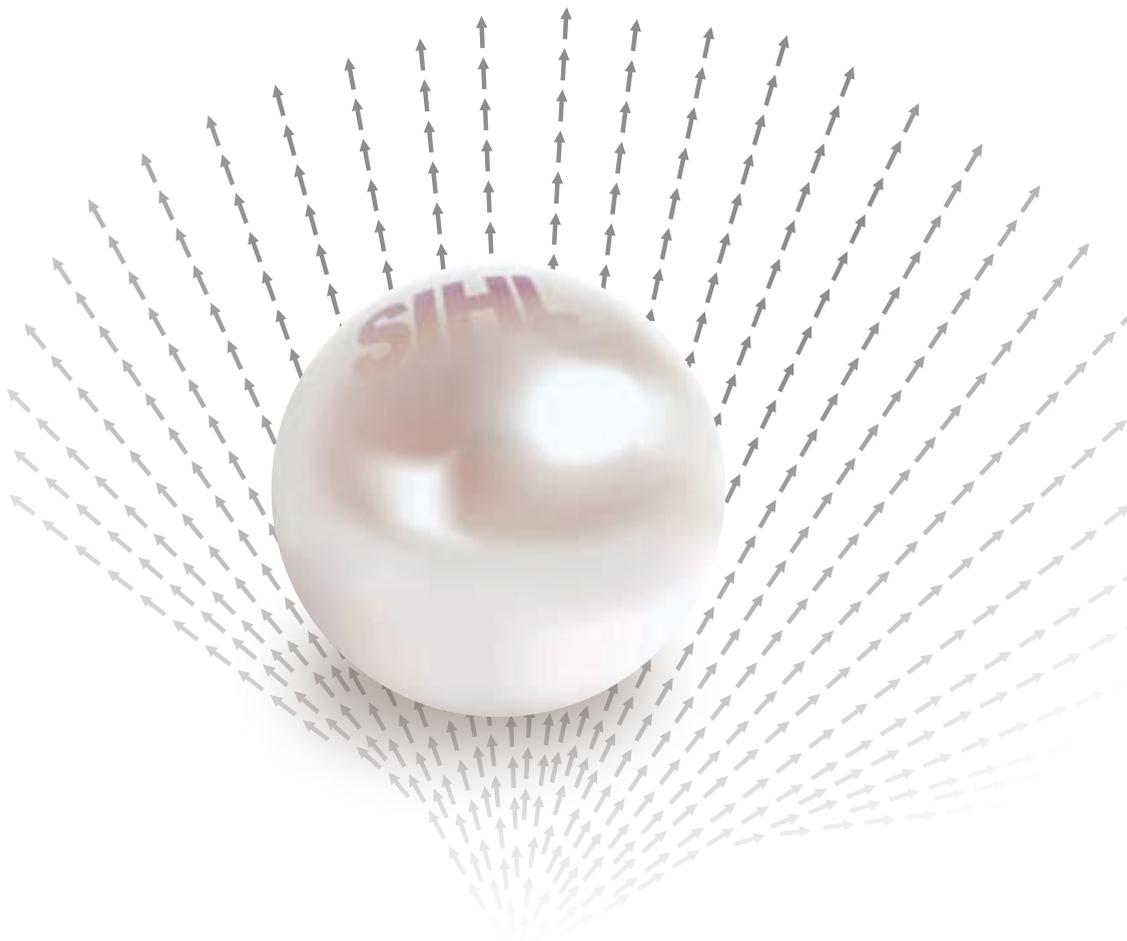




上海實業控股有限公司

SHANGHAI INDUSTRIAL HOLDINGS LIMITED

(Stock Code : 363)



SECURING STEADY GROWTH
CREATING VALUE

INTERIM REPORT 2013



 CONTENTS

| | |
|--------------------------------------------------------------------------------------|----|
| Corporate Information | 2 |
| Information for Shareholders | 3 |
| Chairman's Statement | 4 |
| Group Business Structure | 7 |
| Business Review, Discussion and Analysis | 8 |
| Financial Review | 23 |
| Report on Review of Interim Financial Information | 32 |
| Condensed Consolidated Statement of Profit or Loss | 33 |
| Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income | 34 |
| Condensed Consolidated Statement of Financial Position | 35 |
| Condensed Consolidated Statement of Changes in Equity | 37 |
| Condensed Consolidated Statement of Cash Flows | 40 |
| Notes to the Condensed Consolidated Financial Statements | 42 |
| Other Information | 65 |
| Glossary of Terms | 71 |



DIRECTORS

Executive Directors

Mr. Wang Wei (*Chairman*)
Mr. Zhou Jie
(*Vice Chairman & Chief Executive Officer*)
Mr. Lu Shen (*Executive Deputy CEO*)
Mr. Zhou Jun (*Deputy CEO*)
Mr. Xu Bo (*Deputy CEO*)
Mr. Qian Yi (*Deputy CEO*)

Independent Non-Executive Directors

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

BOARD COMMITTEES

Executive Committee

Mr. Wang Wei (*Committee Chairman*)
Mr. Zhou Jie
Mr. Lu Shen
Mr. Zhou Jun
Mr. Xu Bo

Audit Committee

Mr. Cheng Hoi Chuen, Vincent
(*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. Cheng Hoi Chuen, Vincent
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. Cheng Hoi Chuen, Vincent
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

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Reuters : 0363.HK
ADR : SGHIY

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DIVIDEND NOTICE

Interim Dividend

The Board of Directors has resolved to pay an interim dividend of HK42 cents (2012: HK50 cents) per share for the six months ended 30 June 2013, which will be payable on or about Monday, 30 September 2013 to shareholders whose names appear on the register of members of the Company on Thursday, 12 September 2013.

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 on Thursday, 12 September 2013. No transfer of shares will be effected on that day. 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, 11 September 2013.

FINANCIAL CALENDAR

| | |
|--------------------------------------------|-------------------------------|
| 2013 interim results announced | 29 August 2013 |
| Despatch of 2013 interim report | on or about 16 September 2013 |
| Ex-dividend date for 2013 interim dividend | 10 September 2013 |
| Record date for 2013 interim dividend | 12 September 2013 |
| Notice of 2013 interim dividend | on or about 30 September 2013 |



It has been a great honour for me to be appointed as Chairman and Executive Director of the Company and Chairman of the Executive Committee on 25 June 2013. On behalf of the Board of Directors, I wish to take this opportunity to once again express my sincere gratitude to our former Chairman, Mr. Teng Yi Long, for his invaluable contribution to the Company during his tenure.

With this new appointment, I am pleased to report to our shareholders our interim results for the period ending 30 June 2013.

During the first half of the year, the impact of the global financial crisis has continued to prevail, which included a slowdown in the growth of the China economy and the continued tightening of the regulatory policies within the country. Despite this, under the leadership of the Board and the management team, the Group has taken decisive and active measures to overcome various difficulties and improve internal control to further enhance operational efficiency. The Group has also continued to capitalize on its edge in balancing its business portfolio and asset structure to maintain stable growth for its various core businesses, achieve better results overall and realize the established targets for the Company. The integration of our business and assets which has continued smoothly is expected to create a greater value for the Group and provide better returns for our shareholders.

For the six months ended 30 June 2013, the Group realized a net profit of HK\$1,675 million, representing a year-on-year decrease of 34.1%, mainly due to a considerable disposal gain from lot G of the Qingpu District in Shanghai recorded during the first half of the previous year. Profits rose 18.7%, after non-comparable factors were deducted. Total revenue amounted to HK\$8,789 million, a year-on-year increase of 40.9%, arising mainly from increases in the number of properties completed during the period.

The Board of Directors has recommended an interim dividend of HK42 cents (2012: HK50 cents) per share for 2013 to shareholders whose names appear on the register of members of the Company on Thursday, 12 September 2013. The interim dividend will be paid to shareholders on or about Monday, 30 September 2013.

During the period, the Group's infrastructure facilities business recorded earnings of HK\$532 million, representing an increase of 12.2%. The toll roads segment continued to maintain growth with excellent potential for further development despite various adjustments on toll policies of the State during the first half of 2013. For the water services business, SI Environment achieved a revenue and profit of RMB498 million and RMB80.51 million during the period, rising by 48.1% and 80.1% year-on-year respectively.

The real estate business realized earnings for the period of HK\$653 million, representing a decrease of 58.6%, mainly due to a HK\$1,132 million disposal gain from lot G of the Qingpu District in Shanghai recorded during the first half of the previous year. During the first half of the year, SI Urban Development speeded up its project sales and deliveries and turned around its results for the period, achieving a profit of HK\$482 million. The company disposed of a 21,600 square meter land development right of the U Center project in Shanghai for approximately RMB1,175 million, realizing a profit after tax of HK\$737 million. SI Urban Development also entered into a land swap agreement with the government of Xuhui District to swap its existing site of Xujiahui Centre for four other pieces of land in Binjiang, Xuhui District. This is a favourable move for the long term development of the company. In the first half of 2013, the revenue of SI Development amounted to RMB2,184 million, an increase of 16.9%. Profits attributable to shareholders amounted to RMB291 million.

The consumer products business continued to grow steadily with net profits reaching HK\$544 million, contributing to the Group's steady earnings and cash flow.



Seizing market opportunities to effectively deploy capital operation

The Company successfully seized an excellent market opportunity that cropped up within a short period of time in early 2013 and completed the issuance of HK\$3.9 billion of zero coupon 5-year convertible bonds with an exercise price of HK\$36.34 per share. This provided the Group with the advantage of a strong capital for its future development at a low cost.

Furthermore, following the transfer of the company's listing to the Mainboard of the Singapore Stock Exchange in late 2012, SI Development has been actively liaising with potential strategic investors in the market to seek mutual cooperation opportunities in pursuit of the company's rapid development in business in the future.

Steady growth in toll roads business and rapid expansion in water services

During the first half of 2013, under such policies as the waiver of small passenger car tolls on major holidays, the Group enhanced the quality and toll collection efficiency of its three expressways. Not only has this ensured road safety and smooth traffic, but also resulted in overall growth in traffic flows, revenues and profits for the expressways. The Group will continue to seek opportunities to acquire favourable projects to further enhance profitability for its toll road business.

For water services, SI Environment which is listed in Singapore continued with its merger and acquisition projects during the period. On top of expanding daily operation capacity through mergers and acquisitions in earlier stages, the company accelerated the consolidation process of various enterprises within its group and launched project bidding and alteration works in numerous provinces and municipals. Through this, the company achieved a daily operating capacity of up to 3.51 million tonnes. Taking into account contributions from General Water of China, the Group's current daily operating capacity reached almost 9 million tonnes, further reinforcing its position as a first-tier water service company in China.

Integrating and streamlining resources to raise operational and development efficiency for real estate business

The Group effectively revitalized its real estate resources and maximized value for enhancing its overall operational efficiency following several strategic moves taken by SI Urban Development. These included the swapping of its existing site of Xujiahui Centre for four other pieces of land in Binjiang, Xuhui District, the disposal of a 21,600 square meter land development right of the U Center project in Shanghai and the development of Parkson shopping mall in the Beer City, a joint venture project with the Parkson Retail Group.

In view of regulations and control measures in the industry, SI Urban Development continued to enhance its management and consolidate resources to raise its operational and development efficiency and revitalize its assets. Together with more stringent cost containment policies, the company has further enhanced its overall operating efficiency.

During the first half of the year, SI Development has managed to follow closely its operational targets established earlier in the year through persisting on a set of operation principles that emphasizes on "building a solid foundation and a strong management, achieving major breakthroughs and sustaining development". Under this set of principles, the Company has continued to optimize its businesses, resources, assets and capital structure and steadily improve its core competitiveness and value creation capability by focusing on its core businesses, emphasizing on project marketing, ensuring stable funding and promoting reforms and innovation.



Enhancing consumer products quality to raise operational efficiency

In the first half of 2013, Nanyang Tobacco actively increased its proportion of high-value added products, resulting in significantly higher sales and efficiency. With orderly progress in the upgrading of its equipment and technology, the company aims at maintaining steady growth in profitability.

Wing Fat Printing maintained steady growth in the first half of the year. The company gained HK\$87.95 million for the disposal of its 30% interests in Zhejiang Tianwai. During the period, sales to Nanyang Tobacco continued to increase. Overall profitability remained stable.

PROSPECTS

Looking into the second half of 2013, unpredictable factors in the domestic and overseas markets as well as uncertain policies within the country will continue to loom and these are expected to bring considerable challenges for the future development of the Group's business. Under the circumstances, we will further capitalize on the advantages of our intrinsic value to strengthen our basic operation management and improve our internal control systems in order to create the best value for our shareholders.

The Company will continue to adopt a more refined development strategy for its real estate business. Through establishing closer links among its various businesses, enhancing synergy and speeding up project development, the Company aims to further improve its gross profit margin and cash income. We are also seeking breakthroughs to realize the actual value of our existing projects.

Regarding the infrastructure facilities business, the water services segment will speed up its business consolidation process and expand the scale of its investment. The company will also diversify its financing activities through capital operations to promote rapid development of its business. The toll roads segment will continue to ensure steady growth in revenue while maintaining its operational efficiency. In the future, the Group will enlarge its scale of investment in new border areas to expand new scopes for earnings growth.

Nanyang Tobacco will accelerate product development in the year and make progressive alteration to its production lines to broaden its earnings base and operation capability. Wing Fat Printing will strive to meet its operation targets through continued pursuit to strengthen its marketing efforts while seeking to acquire projects with development potential in the market.

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.

Wang Wei
Chairman

Hong Kong, 29 August 2013



GROUP BUSINESS STRUCTURE

As at 29 August 2013

Infrastructure Facilities

| Business | Interests held by the Group | Company name |
|----------------|-----------------------------|----------------------------------------------------------|
| Toll roads | 100% | Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd. |
| | 100% | Shanghai Luqiao Development Co., Ltd. |
| | 100% | Shanghai Shen-Yu Development Co., Ltd. |
| Water services | 50.33% | SIIC Environment Holdings 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 Lake City Co., Ltd. |
| | 81.46% | Shanghai Feng Ze Property Company Limited |
| | 81.46% | Shanghai Feng Mao Property Company Limited |
| | 81.46% | Shanghai Feng Qi Property Company Limited |
| | 10% | Shanghai Feng Tao Property Company Limited |
| | 10% | Shanghai Feng Shun Property Company Limited |

Consumer Products

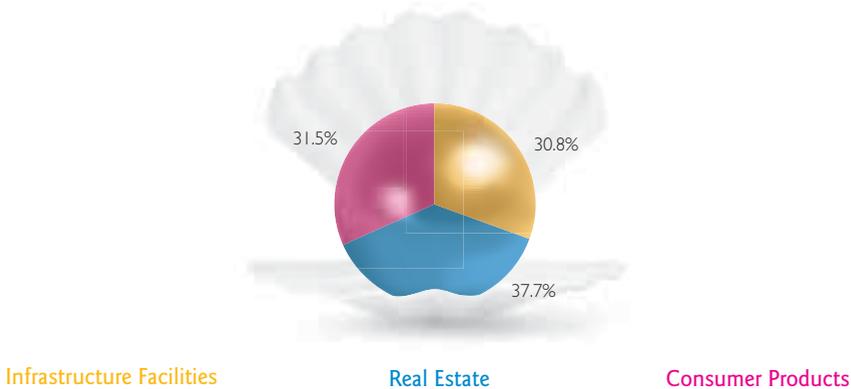
| Business | Interests held by the Group | Company name |
|----------|-----------------------------|-------------------------------------------|
| Tobacco | 100% | Nanyang Brothers Tobacco Company, Limited |
| Printing | 93.47% | The Wing Fat Printing Company, Limited |



The Group's key businesses performed well for the first six months of the year with an unaudited revenue of HK\$8,789 million, representing a 40.9% increase over the same period last year. Profits attributable to shareholders decreased by 34.1% to HK\$1,675 million, mainly due to a considerable gain arising from the disposal of lot G of the Qingpu District in Shanghai recorded during the same period last year. Profits rose 18.7%, after non-comparable factors were deducted. During the period, great efforts have been made to strengthen the Group's principal businesses with special focus on key projects. The Group's business development strategies were also implemented smoothly.

In February, the Company capitalized on favorable opportunities in the bond market and available resources in the Hong Kong capital market to complete the issuance of a HK\$3.9 billion 5-year zero coupon convertible bonds. The issue has significantly strengthened the source of fund of the Group, creating a favorable environment for its future development.

Profit contributions from the Group's core business



INFRASTRUCTURE FACILITIES

The infrastructure facilities business recorded net profits of HK\$532 million, representing an increase of 12.2% over the same period last year and accounting for 30.8% of the Group's Net Business Profit. During the period, the Group actively expanded its infrastructure business, including toll roads, water services, solid waste disposal and renewable energy. Steady growth were maintained overall for the traffic flows, revenues and profits for the expressways. Investments in the water services business have been significantly increased, resulting in an aggregate daily operating capacity of some 9 million tonnes.



Toll Roads

Despite measures taken by the State to waive small passenger car tolls on major holidays and other toll policy adjustments, the Group actively addressed the issue and made proactive efforts on cost control and traffic enhancement for its three toll roads in Shanghai. Benefiting from economic growth in the community and continued increases in traffic flow, the Group's overall revenue and return for road business remained stable. Meanwhile, opportunities to acquire favourable road assets were actively sought in future to further increase profit contributions from the business segment. The key operating figures for the Group's three expressways during the period were as follows:

| Toll roads | Net profit from project company | Changes | Toll revenue | Changes | Traffic flow (vehicle journeys) | Changes |
|---------------------------------------|---------------------------------|---------|-----------------|---------|---------------------------------|---------|
| Jing-Hu Expressway (Shanghai Section) | HK\$166 million | -2.4% | HK\$303 million | +3.3% | 19.09 million | +10.4% |
| Hu-Kun Expressway (Shanghai Section) | HK\$190 million | +6.4% | HK\$440 million | +2.3% | 20.80 million | +10.9% |
| Hu-Yu Expressway (Shanghai Section) | HK\$85.65 million | +6.6% | HK\$236 million | +4.8% | 16.63 million | +12.1% |

Toll revenue and traffic flow of the Jing-Hu Expressway (Shanghai Section) grew respectively. During the period, toll collector contests were held to motivate them to deliver better quality and more efficient services. Phase III of the standardized alteration of the Electronic Toll Collection (ETC) system was also completed during the period. In the second half of the year, congestion prevention works will be carried out in the Jiasong toll station. In May this year, the two shareholders of Shanghai Galaxy, of which Hu-Ning Expressway owns 50%, each made a capital injection of RMB100 million respectively into the company. Shanghai Galaxy has been actively developing environmental energy projects in recent years. The development of these projects is favourable for the enhancement of the Group's business structure and for identifying new areas for profit growth.

Toll revenue and traffic flow for the Hu-Kun Expressway (Shanghai Section) increased steadily during the period with revenue reaching record high. During the period, the project company also made initiative steps to enhance its toll road operation, strengthen road contingency drills, introduce on-site traffic announcements and take measures to prevent traffic congestions.

During the period, satisfactory growth were maintained for the toll revenue and traffic flow from the Hu-Yu Expressway (Shanghai Section). Phase III of the standardized alteration of the ETC system was completed during the period, facilitating the use of ETC vehicles on expressways in the future. The focus for large and medium scale improvement work for the year will be on pre-maintenance and road surface repairing of the west section, which will effectively improve traffic conditions. The alteration project for the Jiasong toll station of the Hu-Yu Expressway (Shanghai section) will commence in the second half of the year.



Water Services

SI Environment recorded a revenue of RMB498 million, rising year-on-year by 48.1%; net profits amounted to RMB80.51 million, representing a year-on-year increase of 80.1%. Subsequent to the consolidation of the accounts of Nanfang Water, SI Environment further issued consideration shares to the vendor in relation to the acquisition of 69.378% interests in Nanfang Water, representing approximately 8.9% of SI Environment's enlarged capital. As such, the Group's equity interest in SI Environment was adjusted to 50.33% accordingly. During the period, SI Environment won a bid for an engineering-procurement-construction (EPC) project for desalination with an aggregate contract value of approximately RMB80 million. The project is expected to be completed in mid-2014. In the first half of the year, SI Environment also entered into two bidding agreements for sewage treatment plants and won a bid for an entrustment management project for contingency treatment for pollution of the Guannan River in Shenzhen. Looking ahead, SI Environment will continue to expand its scale of operation and enhance its performance. The company will also seize opportunities to acquire quality assets in relation to environmental protection in order to strengthen its position as a first-tier water service company in China. Initiatives will be made to introduce suitable strategic partners to the company. Capitalizing on its favorable position as a listed company and its shareholders' background, the company will deploy capital operation along with the pace of its development.

For the first half of 2013, General Water of China recorded a net profit of HK\$36.90 million, an increase of 35.1% over the same period last year; revenue increased year-on-year by 1.6% to HK\$808 million. Emphasizing on scale and efficiency, General Water of China has been identifying potential quality projects and acquired a sewage treatment plant in Bengbu, Anhui (daily operating capacity of 300,000 tonnes). The asset possession right and a 30-year franchise of sewage treatment plants number 2, 3 and 4 in Bengbu were also acquired during the period. In June 2013, the 240t/d central sludge drying and incineration project taken over by a subsidiary of General Water of China was under pilot operation. The acquisitions indicated that sludge drying and incineration, a sludge treatment with sound development prospects, came in use in the industry. During the period, construction work for water plant number 3 in Suifenhe city and the Wuhua Mountain reservoir project (the big dam section and Yihongdao section) progressed smoothly. In addition, General Water of China has been recognized as the most influential enterprise in the water service industry in China for ten consecutive years.



Details of the water development projects of the Group as at 30 June 2013 are as follows:

| | Province | Projects of SI Environment | Project type | Daily production capacity (tonnes) | Interests attributable to SI Environment | Project progress |
|----|-----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|------------------------------------|------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Fujian | Sewage treatment plant BOT project in Longmen Town, Anxi, Quanzhou | Sewage treatment | 50,000 | 69.378% | <ul style="list-style-type: none"> Construction of Phase I project is under construction and is expected to commence operation in 2013. Stage 2 of Phase I project and Phase II project are under construction. |
| 2 | Guangdong | Sewage treatment plant BOT project in Dalang, Dongguan | Sewage treatment | 100,000 | 75.5% | The project is in operation. |
| 3 | Guangdong | Water purification center phase I, phase II TOT and BOT franchise projects, water purification center phase I, phase II deep processing projects in Meihu, Huizhou | Sewage treatment | 200,000 | 69.378% | The project is in operation. |
| 4 | Guangdong | Fuyong sewage treatment plants BOT franchise projects in Longgang District, Shenzhen | Sewage treatment | 280,000 | 69.378% | <ul style="list-style-type: none"> Four plants are in operation. Phase II project of another plant was completed and is in trial operation. |
| 5 | Guangdong | Water recycling plant project in Henggang, Shenzhen | Reclaimed water treatment | 50,000 | 69.378% | <ul style="list-style-type: none"> Phase I project is in operation. Phase II project has yet to commence operation. |
| 6 | Guangdong | Sewage treatment plant project in Banxuegang, Shenzhen | Sewage treatment | 40,000 | 69.378% | The project is in operation. |
| 7 | Guangdong | Sewage treatment plant project in Guanlan, Shenzhen | Sewage treatment | 260,000 | 45.096% | The project is in operation. |
| 8 | Guangdong | Sewage treatment plant TOT project in Wuchuan, Zhanjiang | Sewage treatment | 40,000 | 69.378% | The project is in operation. |
| 9 | Guangxi | Sewage treatment plant BOT project in Beiliu | Sewage treatment | 40,000 | 75.5% | The project is in operation. |
| 10 | Hubei | Sewage treatment project in Huangshi | Sewage treatment | 125,000 | 100% | The project is in operation. |
| 11 | Hubei | Water supply project in Tianmen | Water supply | 150,000 | 100% | The project is in operation. |
| 12 | Hubei | Water supply project in Xinnong, Tianmen | Water supply | Not applicable | 70% | The project is in operation. |
| 13 | Hubei | Sewage treatment project in Hanxi, Wuhan | Sewage treatment | 400,000 | 80% | The project is in operation. |
| 14 | Hubei | Water supply project in Huangpi, Wuhan | Water supply | 250,000 | 100% | The new Wuhu water plant is under construction, while other water plants are in operation. |
| 15 | Hubei | Sewage treatment project in Qianchuan, Wuhan | Sewage treatment | 30,000 | 100% | The project is in operation. |



| Province | Projects of SI Environment (continued) | Project type | Daily production capacity (tonnes) | Interests attributable to SI Environment | Project progress | |
|----------|----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|------------------------------------------|------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 16 | Hubei | Sewage treatment project in Panlong, Wuhan | Sewage treatment | 22,500 | 100% | The project is in operation. |
| 17 | Hubei | Sewage treatment project in the Wuhan City Economic Zone | Sewage treatment | 60,000 | 100% | The project is in operation. |
| 18 | Henan | Sewage treatment plant BOT project in Dongcheng District, Luohe | Sewage treatment | 20,000 | 75.5% | The project is in operation. |
| 19 | Hunan | Sewage treatment BOT project in Linwu, Chenzhou | Sewage treatment | 10,000 | 13.876% | The project is in operation. |
| 20 | Hunan | Sewage treatment project in Chenzhou | Sewage treatment | 120,000 | 69.378% | The project is in operation. |
| 21 | Hunan | Sewage treatment plant BOT project in Taohuajiang, Taojiang | Sewage treatment | 20,000 | 75.5% | The project is in operation. |
| 22 | Hunan | Sewage treatment plant BOT project in the new zone of eastern Gaoxin District, Yiyang | Sewage treatment | 30,000 | 75.5% | The project is in operation. |
| 23 | Hunan | Sewage treatment plant BOT project in northern Yiyang | Sewage treatment | 40,000 | 75.5% | The project is in operation. |
| 24 | Jiangsu | Sewage treatment franchise and sewage treatment plant BOT project at Newport Park, Jingjiang | Sewage treatment | 80,000 | 48.565% | The project is in operation. |
| 25 | Jiangsu | Sewage treatment plant project in southern Shuyang | Sewage treatment | 60,000 | 69.378% | <ul style="list-style-type: none"> Phase I project is in operation. Construction of Phase II project has yet to commence. |
| 26 | Jiangsu | Sewage treatment plant franchise project in Huangqiao, Taixing | Sewage treatment | 50,000 | 48.565% | <ul style="list-style-type: none"> Phase I project is in operation. Construction of Phase II project has yet to commence. |
| 27 | Jiangsu | Sewage treatment plant BOT project at Environment Protection Industry Park, Yancheng | Sewage treatment | 30,000 | 48.565% | <ul style="list-style-type: none"> Phase I and Phase II projects have yet to commence. Construction of Phase I project is expected to commence in the second half of 2013. |
| 28 | Liaoning | Sewage treatment plant BOT project in Sanshili Town, sewage treatment plant BOT project in Houhai, and sewage treatment plant BOT project in Liujia, Puwan New Area, Dalian | Sewage treatment | 50,000 | 70% | The project is under construction. |
| 29 | Shandong | Sewage treatment plant TOT project in Dezhou | Sewage treatment | 100,000 | 75.5% | The project is in operation. |
| 30 | Shandong | Sewage treatment plant BOT project in western Weifang | Sewage treatment | 40,000 | 75.5% | The project is in operation. |



| Province | Projects of SI Environment (continued) | Project type | Daily production capacity (tonnes) | Interests attributable to SI Environment | Project progress |
|-----------------------------------------------|---------------------------------------------------------------------------------------------------------------------|---------------------------------------------|------------------------------------|------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 31 Shandong | Sewage treatment plant BOT project in Weifang City High Technology Industrial Development District | Sewage treatment | 50,000 | 75.5% | The project is in operation. |
| 32 Shandong | Water supply project in Hanting District, Weifang | Water supply | 60,000 | 26.183% | The project is in operation. |
| 33 Shandong | Sewage treatment plant reclaimed water treatment project in Weifang | Reclaimed water treatment | 35,000 | 75.5% | The project is in operation. |
| 34 Shandong | Sewage treatment plant TOT project in Weifang | Sewage treatment | 100,000 | 75.5% | The project is in operation. |
| 35 Shandong | Water supply project in Weifang | Water supply | 320,000 | 51.34% | The project is in operation. |
| 36 Shandong | Sewage treatment plant franchise project in Shanting District, Zaozhuang | Sewage treatment | 20,000 | 75.5% | <ul style="list-style-type: none"> Phase I project is in operation. Construction of stage two is expected to commence in the second half of 2013. |
| 37 Shandong | Sewage treatment plant TOT+BOT project in Yicheng District, Zaozhuang | Sewage treatment | 40,000 | 75.5% | The project is in operation. |
| 38 Shanxi | Water supply project in Lvliang | Water supply | 55,000 | 100% | The project is in operation. |
| 39 Yunnan | Sewage treatment recycling plant project in Nijiyang Community, Kunming Economic and Technological Development Zone | Sewage treatment, reclaimed water treatment | 70,000 | 36.077% | <ul style="list-style-type: none"> Sewage treatment project is in operation. Construction of reclaimed water treatment project has yet to commence. |
| 40 Zhejiang | Sewage treatment project in Taizhou | Sewage treatment | 12,500 | 100% | The project is in operation. |
| Sub-total (projects of water services) | | | 3,510,000 | | |
| 41 Zhejiang | Waste incineration power generation BOT project in Wenling | Solid waste power generation | 1,100 | 50% | <ul style="list-style-type: none"> Phase I project is in operation. Construction of Phase II project is expected to commence in 2013. |
| Sub-total (project of energy) | | | 1,100 | | |



| | Province | Projects of General Water of China | Project type | Daily production capacity (tonnes) | Interests attributable to General Water of China | Project progress |
|----------------------------------------|--------------|-----------------------------------------------------------------------|------------------|------------------------------------|--------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Anhui | Water supply project in Bengbu | Water supply | 430,000 | 60% | The project is in operation. |
| 2 | Anhui | Phases II, III and IV of Sewage treatment plant project in Bengbu | Sewage treatment | 300,000 | 100% | The project company was established on 28 May 2013. The project is in operation from 27 June 2013. |
| 3 | Fujian | Sewage treatment project in Xiamen | Sewage treatment | 834,000 | 55% | The project is in operation. |
| 4 | Fujian | Water generation project in Xiamen | Water generating | 1,155,000 | 45% | The project is in operation. |
| 5 | Guangdong | Sewage treatment plant project in Longhua, Shenzhen | Sewage treatment | 150,000 | 90% | The project is in operation. |
| 6 | Heilongjiang | City sewage treatment project in Suifenhe | Sewage treatment | 20,000 | 100% | The project is in operation. |
| 7 | Heilongjiang | Wuhua Mountain reservoir project and water supply project in Suifenhe | Water supply | 195,000 | 100% | <ul style="list-style-type: none"> Phase I of the water supply project is in operation. The Wuhua Mountain reservoir started construction in 2010. The water supply project of water treatment plant number 3 started construction in 2011. |
| 8 | Hubei | Water supply project in Xiangyang | Water supply | 1,000,000 | 50% | The project is in operation. |
| 9 | Hunan | Water supply project in Xiangtan | Water supply | 425,000 | 70% | The project is in operation. |
| 10 | Hunan | Sewage treatment project in river east of Xiangtan | Sewage treatment | 100,000 | 100% | The project is in operation. |
| 11 | Shaanxi | Water generation project in Xianyang | Water generating | 300,000 | 100% | The project is expected to commence operation in 2013. |
| 12 | Zhejiang | Project on reservoir and water induction works in Tiger Lake, Huzhou | Water supply | 200,000 | 100% | The project is in operation. |
| 13 | Zhejiang | Sewage treatment project in the new district of eastern Huzhou | Sewage treatment | 50,000 | 100% | The project is in operation. |
| 14 | Zhejiang | Sewage treatment project in eastern Wenzhou | Sewage treatment | 100,000 | 100% | The project is in operation. |
| 15 | Zhejiang | Sewage treatment project in central Wenzhou | Sewage treatment | 200,000 | 70% | The project is in operation. |
| Sub-total (projects of water services) | | | | 5,459,000 | | |



REAL ESTATE

For the six months ended 30 June 2013, the real estate business of the Group recorded a profit of HK\$653 million, dropping 58.6% over last year and accounting for approximately 37.7% of the Net Business Profit of the Group. The decline was mainly due to a relatively large gain recorded from the disposal of lot G of the Qingpu District in Shanghai during the same period last year. Apart from speeding up sales and delivery of properties, the Group has also continued to establish its brand, streamline resources allocation and efficiently revitalize its assets during the period.

SI Urban Development

SI Urban Development increased its revenue by 172% to HK\$2,966 million. Profits attributable to shareholders amounted to HK\$482 million, turning around from a loss of HK\$309 million during the same period last year. The significant increase was mainly due to increases in the number of deliveries since last year and higher revenues recorded from properties. In addition, the disposal of a 21,600 square meter land development right in the U Center project in Minhang District, Shanghai to an independent third party was completed with a total consideration of approximately RMB1,175 million, resulting in an after-tax disposal gain of approximately HK\$737 million. Liquidating a portion of the asset value of the U Center project, the transaction has made a significant profit contribution to the company and further enhanced its financial resources. It has also accelerated the development of existing projects and created a favourable environment for obtaining potential new projects.

Deliveries in the period mainly included CBE International Peninsula in Xi'an and Urban Cradle in Shanghai, which accounted for a total gross floor area of 236,000 square meters. Contract sales amounted to RMB3,340 million, accounting for a total gross floor area of 174,000 square meters, comprising mainly Urban Cradle in Shanghai and Shanghai Jing City. A rental income of approximately HK\$118 million was recorded for the period. In May this year, SI Urban Development reached an agreement with the government of Xuhui District to swap its existing site originally designated for the development of Xujiahui Centre (approximately 35,343 square meters) for four other pieces of land in Binjiang, Xuhui District, Shanghai (approximately 83,220 square meters). No land premium or any other costs were required for the swap arrangement. The four pieces of land acquired are located at the Binjiang District, a key development area in Shanghai, with considerable appreciation potential. With the completion of the transaction, SI Urban Development will have full control over the development of the new project instead of having interest in one of the six pieces of land in the Xujiahui Centre project. The transaction will also enable the company to allocate resources more effectively and ensure a comprehensive and smooth development of the project.

SI Development

SI Development recorded a turnover of RMB2,184 million for the first half of 2013, representing an increase of 16.9% over the same period last year. Net profits attributable to shareholders amounted to RMB291 million. During the period, SI Development continued to streamline its businesses and resources and refine its assets and funding structure. The company has also continued to strengthen its profit base and make necessary adjustments on the way of its operation in order to enhance its competitiveness in the market, create better value for the company and maintain a steady development for its future.



During the period, the company has adopted a “fast, accurate and pragmatic” marketing strategy for its project sales. In order to respond rapidly to changes in the market, the company has embarked on bold and creative marketing strategies to speed up sales for its projects, including the Rhine Town in Tianjin, Sea Melody in Dali, Hi-Shanghai in Chengdu, Flos Granati in Shanghai and Longines Bay in Harbin, accounting for a total gross floor area of approximately 86,635 square meters. Investment properties were operated under the principle of “innovative development, refined management, quality service and comprehensive improvement”. By fully developing the potential of investment properties, the company has been able to build up a quality customer base and recorded a rental income of approximately RMB94.41 million through a stable occupancy rate and steadily increasing income.

The company has continued to strengthen its core businesses. While building up its profit base, the company has made considerable efforts to upgrade its management model to further improve development efficiency. During the period, the company has put its focus on improving product quality and strengthened its management and supervisory role in the course of its development. In addition, through carefully monitoring the progress of its projects and rectifying possible errors, the company strictly controlled the quality of its development, identified the focus of the projects and ensured that they are completed according to schedule, including the Flos Granati in Shanghai, International Beer City in Qingdao, SIIC Hujin Garden in Huzhou and Hi-Shanghai in Chengdu.

Set out below is a summary of the main property developments of the Group as at 30 June 2013:

Major Development Properties

| City | Projects of SI Urban Development | Type of property | Interest attributable to SI Urban Development | Approximate site area (square meters) | Planned total GFA (square meters) | Pre-sold GFA during the period (square meters) | Total GFA sold (square meters) | Date of completion | |
|------|----------------------------------|-----------------------------|-----------------------------------------------|---------------------------------------|---------------------------------------------|------------------------------------------------|--------------------------------|--------------------|-------------------------|
| 1 | Minhang District, Shanghai | Urban Cradle (萬源城) | Residential and commercial | 53.1% | 943,000 (908,950 square meters obtained) | 1,124,245 | 51,335 | 594,937 | 2007 to 2015, in phases |
| 2 | Songjiang District, Shanghai | Shanghai Youth City (上海青年城) | Residential, commercial and office | 100% | 57,944 | 212,130 | 4,485 | 134,312 | Completed |
| 3 | Minhang District, Shanghai | Shanghai Jing City (上海晶城) | Residential and commercial | 59% | 259,182 | 602,400 | 42,503 | 323,050 | 2012 to 2016, in phases |
| 4 | Minhang District, Shanghai | Jingjie Yuan (晶杰苑) | Residential and commercial | 59% | 49,764 | 125,143 | - | - | Completed |
| 5 | Chaoyang District, Beijing | American Rock (後現代城) | Residential and commercial | 100% | 121,499 | 523,833 | 1,161 | 448,251 | Completed |
| 6 | Chaoyang District, Beijing | Youngman Point (青年匯) | Residential and commercial | 100% | 112,700 | 348,664 | 163 | 240,478 | 2007 to 2014, in phases |
| 7 | Haidian District, Beijing | West Diaoyutai (西釣魚台嘉園) | Residential | 90% | 42,541 | 250,930 | 1,106 | 169,659 | 2007 to 2014, in phases |



| City | Projects of SI Urban Development (continued) | Type of property | Interest attributable to SI Urban Development | Approximate site area (square meters) | Planned total GFA (square meters) | Pre-sold GFA during the period (square meters) | Total GFA sold (square meters) | Date of completion | |
|-----------|----------------------------------------------|---------------------------------------------------|--------------------------------------------------|---------------------------------------|-----------------------------------|------------------------------------------------|--------------------------------|--------------------|-------------------------|
| 8 | Nankai District, Tianjin | Laochengxiang (老城廂) | Residential, commercial and office | 100% | 244,252 | 752,883 | 3,234 | 533,231 | 2006 to 2014, in phases |
| 9 | Jiucun Village, Yixingfu, Tianjin | Beichen (北辰) | Residential, commercial and hotel | 40% | 1,115,477 | 2,042,750 | - | - | 2012 to 2014, in phases |
| 10 | Huaqiao Town, Kunshan | Yooouu.net (游站) | Commercial, hotel and office | 30.7% | 34,223 | 129,498 | 10,247 | 24,979 | 2012 to 2013, in phases |
| 11 | Zhoushi Town, Kunshan | Royal Villa (瓊城帝景園) | Residential | 53.1% | 205,017 | 267,350 | 4,997 | 109,609 | 2007 to 2014, in phases |
| 12 | Binghu District, Wuxi | Urban Development International Centre (上海中心城開國際) | Commercial, hotel, office and serviced apartment | 59% | 24,041 | 193,368 | 1,323 | 10,531 | 2011 to 2013, in phases |
| 13 | Chan-Ba Ecological District, Xi'an | CBE International Peninsula (滄灘半島) | Residential, commercial and hotel | 71.5% | 2,071,487 | 3,820,400 | 35,593 | 1,684,426 | 2008 to 2017, in phases |
| 14 | Jiulongpo District, Chongqing | Top City (城上城) | Residential, commercial, hotel and office | 100% | 120,014 | 785,225 | 2,754 | 315,839 | 2008 to 2015, in phases |
| 15 | Jiulongpo District, Chongqing | Ivy Aroma Town (常春藤•緞香小鎮) | Residential and commercial | 32.5% | 289,812 | 194,697 | 4,515 | 48,839 | 2009 to 2014, in phases |
| 16 | Heping District, Shenyang | Shenyang U Centre (瀋陽城開中心) | Commercial, office and serviced apartment | 80% | 22,651 | 239,651 | - | - | 2012 to 2014, in phases |
| 17 | Yuhua District, Changsha | Toscana (托斯卡納) | Residential and commercial | 32.5% | 180,541 | 210,980 | 7,326 | 185,669 | Completed |
| 18 | Yuhua District, Changsha | Forest Sea (森林海) | Residential and commercial | 67% | 667,749 | 907,194 | 3,957 | 229,114 | 2007 to 2017, in phases |
| 19 | Futian District, Shenzhen | China Phoenix Tower (中國鳳凰大廈) | Residential, commercial and office | 91% | 11,038 | 106,190 | - | 78,343 | Completed |
| Sub-total | | | | | 6,572,932 | 12,837,531 | | | |



| City | Projects of SI Development | Type of property | Interest attributable to SI Development | Approximate site area (square meters) | Planned total GFA (square meters) | Pre-sold GFA during the period (square meters) | Total GFA sold (square meters) | Date of completion | |
|-----------|--------------------------------------------|----------------------------------------------|-----------------------------------------|---------------------------------------|-----------------------------------|------------------------------------------------|--------------------------------|--------------------|-------------------------|
| 1 | Daoli District, Harbin | Longines Bay (盛世江南) | Residential | 100% | 42,110 | 234,069 | 14,649 | 197,545 | Completed |
| 2 | Daoli District, Harbin | Shanghai Zhiying (上海智穎) | Commercial and residential | 100% | Not applicable | 90,201 | 285 | 74,854 | Completed |
| 3 | Xiqing District, Tianjin | Rhine Town (萊茵小鎮) | Commercial and residential | 100% | 375,796 | 529,971 (basement included) | 38,713 | 380,581 | Completed |
| 4 | Laoshan District, Qingdao | Sea Palace (青島上實•海上上海) | Residential and hotel | 55% | 43,164 | 143,008 | - | 66,190 | 2015 |
| 5 | Shilaoren National Tourist Resort, Qingdao | International Beer City (國際啤酒城) | Composite | 72% | 227,675 | 760,000 | - | - | 2012 to 2018, in phases |
| 6 | Qingpu District, Shanghai | Belle Rive (海源別墅) | Villa | 51% | 315,073 | 51,911 | - | 11,963 | 2014 to 2016, In phases |
| 7 | Qingpu District, Shanghai | Shanghai Bay (上實•海上灣) | Residential | 51% | 820,196 | 454,880 | 5,625 | 42,625 | 2011 to 2017, in phases |
| 8 | Qingpu District, Shanghai | Shanghai Lot D1 | Residential | 51% | 162,708 | 63,859 | - | - | 2017 |
| 9 | Qingpu District, Shanghai | Shanghai Lot D2 | Residential and commercial | 51% | 194,380 | 207,612 | - | - | 2017 |
| 10 | Jinshan District, Shanghai | Flos Granati (海上納提) | Residential | 52% | 135,144 | 214,143 | 14,565 | - | 2013 to 2014, in phases |
| 11 | Wuxing District, Huzhou | SIIC Huijin Garden (上實湖峽花園) | Residential | 100% | 85,562 | 97,881 | - | - | 2012 to 2014, in phases |
| 12 | Hudong Sub-District, Huzhou | Hurun Commercial Plaza, Phase I (湖潤商務廣場(一期)) | Commercial | 100% | 13,661 | 27,322 | - | - | 2015 |
| 13 | Xiaguan Town, Dali | Sea Melody (洱海莊園) | Residential and commercial | 75% | 292,123 | 348,870 | 6,709 | 266,405 | 2013 |
| 14 | Chenghua District, Chengdu | Hi-Shanghai (成都上實•海上上海) | Residential | 50.4% | 61,506 | 254,989 | 6,089 | - | 2012 to 2015, in phases |
| Sub-total | | | | | 2,769,098 | 3,478,716 | | | |



| City | Projects of the Group | Type of property | Interest attributable to the Group | Approximate site area (square meters) | Planned total GFA (square meters) | Pre-sold GFA during the period (square meters) | Total GFA sold (square meters) | Date of completion | |
|-----------|---------------------------|------------------|------------------------------------|---------------------------------------|-----------------------------------|------------------------------------------------|--------------------------------|--------------------|------|
| 1 | Qingpu District, Shanghai | Shanghai Lot D1 | Residential | 49% | 162,708 | 75,691 | - | - | 2017 |
| 2 | Qingpu District, Shanghai | Shanghai Lot D2 | Residential and commercial | 49% | 194,380 | 204,186 | - | - | 2017 |
| Sub-total | | | | | 357,088 | 279,877 | | | |
| Total | | | | | 9,699,118 | 16,596,124 | | | |

Major Future Development Properties

| City | Projects of SI Urban Development | Type of Property | Interest attributable to SI Urban Development | Approximate site area (square meters) | Planned total GFA (square meters) | Anticipated project commencement and completion date | |
|-----------|-----------------------------------------------------|--------------------------------------------------|-----------------------------------------------|------------------------------------------------------------------------------|---------------------------------------------|------------------------------------------------------|-------------------------|
| 1 | Xuhui District, Shanghai Xujiahui Centre (徐家匯中心) | Commercial, hotel and office | 35.4% | 132,000 dividing into six parcels of land (35,343 square meters obtained) | 629,000 (212,058 square meters obtained) | Under planning ¹ | |
| 2 | Minhang District, Shanghai | U Center (城開中心) | Commercial, hotel and office | 59% | 65,727 | 388,125 | 2014 to 2016, in phases |
| 3 | Minhang District, Shanghai | Xinzhuan metro Superstructure project (華莊地鐵上蓋項目) | Residential, commercial, hotel and office | 20.7% | 117,825 | 405,000 | Under planning |
| 4 | Yanjiao Economic Technology Development Zone, Sanhe | Yanjiao (燕郊) | Residential, commercial, hotel and office | 100% | 333,333 | 666,600 | 2014 to 2016, in phases |
| 5 | Tang Jia Gaoxin District, Zhuhai | Qi Ao Island (淇澳島) | Residential, commercial and hotel | 100% | 2,215,516 | 1,090,000 | Under planning |
| Sub-total | | | | | 2,864,401 | 3,178,725 | |

| City | Projects of SI Development | Type of property | Interest attributable to SI Development | Approximate site area (square meters) | Planned total GFA (square meters) | Anticipated project commencement and completion date | |
|-----------|----------------------------|------------------------------------------------------------------------------------------------|-----------------------------------------|---------------------------------------|-----------------------------------|------------------------------------------------------|--------------------------------|
| 1 | Wuxing District, Huzhou | SIIC Holiday Hotel (上實假日酒店) | Commercial and hotel | 100% | 116,458 | 45,000 | Under planning |
| 2 | Fengze District, Quanzhou | Lots C-7, C-8-1, C-8-2, C-5, C-6-1, C-6-2, B-5 Tantou Construction Project, East Sea, Quanzhou | Commercial and residential | 49% | 381,795 | 1,762,076 | Expected up to 2018, in phases |
| 3 | Qingpu District, Shanghai | Shanghai Lot E | Residential | 51% | 434,855 | 217,428 | Under planning |
| Sub-total | | | | | 933,108 | 2,024,504 | |



| City | Projects of the Group | Type of property | Interest attributable to the Group | Approximate site area (square meters) | Planned total GFA (square meters) | Anticipated project commencement and completion date | |
|-----------|---------------------------|------------------|------------------------------------|---------------------------------------|-----------------------------------|------------------------------------------------------|----------------|
| 1 | Qingpu District, Shanghai | Shanghai Lot E | Residential | 49% | 434,855 | 217,428 | Under planning |
| 2 | Qingpu District, Shanghai | Shanghai Lot F | Villa | 10% | 350,533 | 175,267 | Under planning |
| 3 | Qingpu District, Shanghai | Shanghai Lot G | Villa | 10% | 401,274 | 200,637 | Under planning |
| Sub-total | | | | | 1,186,662 | 593,332 | |
| Total | | | | | 4,984,171 | 5,796,561 | |

Major Investment Properties

| City | Projects of SI Urban Development | Type of properties | Interest attributable to SI Urban Development | GFA (square meters) |
|-----------|----------------------------------|------------------------------------------------|-----------------------------------------------|----------------------|
| 1 | Nankai District, Tianjin | Laochengxiang (老城廂) | Residential, commercial and office | 20,793 ² |
| 2 | Songjiang District, Shanghai | Shanghai Youth City (上海青年城) | Commercial | 16,349 ² |
| 3 | Jiulongpo District, Chongqing | Top City (城上城) | Commercial and car park spaces | 251,847 ² |
| 4 | Futian District, Shenzhen | China Phoenix Tower (中國鳳凰大廈) | Office | 1,048 ² |
| 5 | Xuhui District, Shanghai | Urban Development International Tower (城開國際大廈) | Office | 45,239 |
| 6 | Xuhui District, Shanghai | Huimin Commercial Tower (匯民商廈) | Commercial | 14,235 |
| 7 | Shanghai | Others | Commercial and office | 9,249 |
| Sub-total | | | | 358,760 |



| City | Projects of SI Development | Type of properties | Interest attributable to SI Development | GFA (square meters) |
|---------------------------------|------------------------------------------------------------|-----------------------|-----------------------------------------|---------------------------|
| 1 Xuhui District, Shanghai | Shanghai Industrial Investment Building (上海實業大廈) | Commercial and office | 100% | 10,089 |
| | | | 32% | 50,591 (carpark included) |
| 2 Huangpu District, Shanghai | Golden Bell Plaza (金鐘廣場) | Commercial and office | 100% | 12,270 |
| | | | 90% | 47,211 (carpark included) |
| 3 Yangpu District, Shanghai | Hi-Shanghai Commercial and Cultural Complex (海上海商業用房及文化設施) | Composite | 100% | 44,027 (carpark included) |
| 4 Pudong New District, Shanghai | No. 1111, Shangchuan Road (上川路111號) | Industrial building | 100% | 40,208 |
| 5 Hongkou District, Shanghai | Gao Yang Commercial Centre (高陽商務中心) | Commercial and office | 100% | 26,668 |
| 6 Huangpu District, Shanghai | Commercial Units of Huangpu Estate (黃浦新苑商舖) | Commercial | 100% | 20,918 (carpark included) |
| 7 Hongkou District, Shanghai | Gao Yang Hotel (高陽賓館) | Hotel | 100% | 3,847 |
| Sub-total | | | | 255,829 |
| Total | | | | 614,589 |

- Notes: 1. There are duplicate figures in the GFA of Shanghai Lot D1, Shanghai Lot D2 and Shanghai Lot E.
2. The project of Xujiahui Centre was returned to PRC Government on 2 July 2013.
3. Such total GFAs are duplicate figures, which have been included in the Major Investments Properties table.



CONSUMER PRODUCTS

During the period, profit contributions from the consumer products business dropped 14.3% over the same period last year to HK\$544 million, accounting for approximately 31.5% of the Group's Net Business Profit. The business segment continued to provide steady earnings and cash flow for the Group.

Tobacco

Revenue for Nanyang Tobacco for the first half of 2013 stood at HK\$1,406 million and net profit amounted to HK\$421 million, representing an increase of 5.8% and 6.7% respectively over last year. During the period, the cumulative sales volume was approximately 909,776 cases, with Double Happiness contributing to over 90% of the sales volume. Three new products were developed this year, namely "Classic Infinity", "Southern Brotherhood" and "Peony Deluxe". They are advanced versions to the existing products and will be launched on stages beginning with the mid-autumn festival through to the national day vacation and the Lunar New Year next year. The company has also been expanding its overseas sales market and successfully entered the duty-free market in the Dominican Republic and Venezuela as well as markets in Peru in Central and South America. During the period, smooth progress was seen on alteration projects on production lines.

Printing

During the period, Wing Fat Printing recorded a revenue and net profit of HK\$457 million and HK\$135 million, representing a decline of 9.1% and 44.5% over the same period last year respectively. The decline was mainly due to considerable gains recorded from the disposal of 70% equity interests in Chengdu Wingfat Printing during the same period last year, as well as a significant drop in sales of packaging printing influenced by the promulgation of the consumption restriction regulations for high-end tobacco and white wine in mainland China. Wing Fat Printing has entered into an agreement in December last year to dispose of its entire 30% interests in Zhejiang Tianwai to an independent third party for a consideration of approximately RMB124 million. The transaction was completed in the first half of the year, contributing to an after-tax gain of HK\$87.95 million.



KEY FIGURES

| | 2013 Unaudited Six months ended 30 June | 2012 | Change % |
|---------------------------------------------------------|-----------------------------------------------|------------------------|-------------|
| Results | | | |
| Revenue (HK\$'000) | 8,788,784 | 6,235,796 | 40.9 |
| Profit attributable to owners of the Company (HK\$'000) | 1,675,399 | 2,543,179 | -34.1 |
| Earnings per share – basic (HK\$) | 1.550 | 2.355 | -34.2 |
| Dividend per share – interim (HK cents) | 42 | 50 | -16.0 |
| Dividend payout ratio | 27.1% | 21.2% | |
| Interest cover (note (a)) | 7.7 times | 10.6 times | |
| | Unaudited 30 June | Audited 31 December | % |
| Financial Position | | | |
| Total assets (HK\$'000) | 115,957,327 | 115,313,011 | 0.6 |
| Equity attributable to owners of the Company (HK\$'000) | 33,701,746 | 32,409,489 | 4.0 |
| Net assets per share (HK\$) | 31.18 | 30.00 | 3.9 |
| Net debt ratio (note (b)) | 56.64% | 52.01% | |
| Gearing ratio (note (c)) | 42.07% | 43.25% | |
| Number of shares in issue (shares) | 1,080,889,000 | 1,080,249,000 | |

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

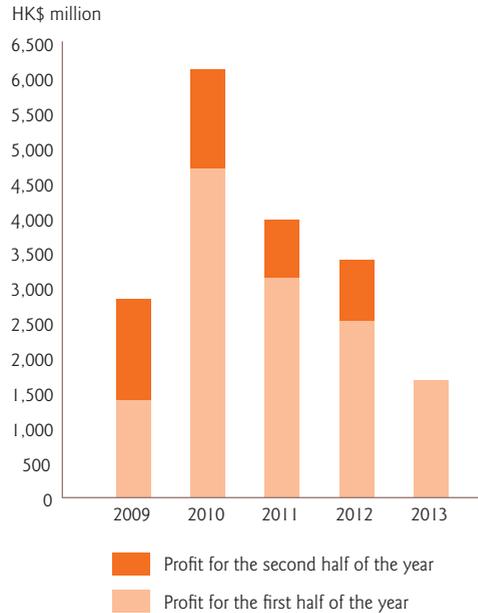
Note (c): interest-bearing loans/(equity attributable to owners of the Company + non-controlling interests + interest-bearing loans)



I ANALYSIS OF FINANCIAL RESULTS

I Profit attributable to owners of the Company

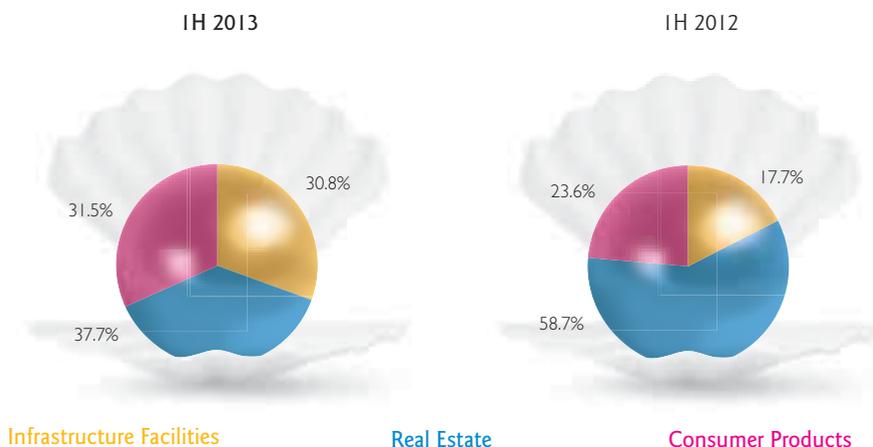
For the six months ended 30 June 2013, the Group recorded a profit attributable to owners of the Company of HK\$1,675.40 million, a decrease of HK\$867.78 million or approximately 34.1%, which is mainly due to a gain of HK\$1,131.78 million from the disposal of Lot G of Qingpu District, Shanghai during 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 2013 and the comparative figures of the corresponding period last year was summarized as follows:

| | 2013 | 2012 | Change % |
|---------------------------|---------------------------------------------------|------------------|--------------|
| | Unaudited Six months ended 30 June HK\$'000 | HK\$'000 | |
| Infrastructure Facilities | 532,331 | 474,350 | 12.2 |
| Real Estate | 652,732 | 1,577,122 | -58.6 |
| Consumer Products | 544,080 | 635,204 | -14.3 |
| | 1,729,143 | 2,686,676 | -35.6 |



Net profit from the infrastructure facilities business for the period was approximately HK\$532.33 million, accounting for 30.8% of Net Business Profit, representing a year-on-year increase of 12.2%. Although the traffic flow of three expressways recorded natural growth ranging from 10.4%-12.1%, revenue from toll roads segment for the period was affected to a certain extent due to the policy of expressway toll exemptions for small passenger vehicles in key festivals introduced by the government during the second half of last year. However, benefiting from our cost control measures, there was still a stable growth in profits. As for water services business, SI Environment completed the acquisition of controlling stake in Nanfang Water last year, the result of which was consolidated for the period, representing a new contribution to our profit, and in addition to the growing results recorded by General Water of China, water services segment achieved a significant growth in profit.

Real estate business recorded a profit of approximately HK\$652.73 million, accounting for 37.7% of Net Business Profit, representing a year-on-year decrease of HK\$924.39 million. The decrease was mainly due to the absence of net profit of HK\$1,131.78 million from the disposal of 90% interest in Lot G in Qingpu and of sharing SI Development's reversal of investment impairment loss for the sale of the Beijing Workers' Gynasium project of HK\$373.68 million for the same period last year, while during the period, the Group only shared the profit of HK\$515.68 million from the disposal of interest in a land parcel, representing 25% equity interest of U Center project, which partly offset the decrease in profit of real estate business. Excluding the impact by the disposal and reversal, operating profit of real estate business improved mainly due to the increase in property sales booked during the period, most of which were higher gross margin real estate projects.

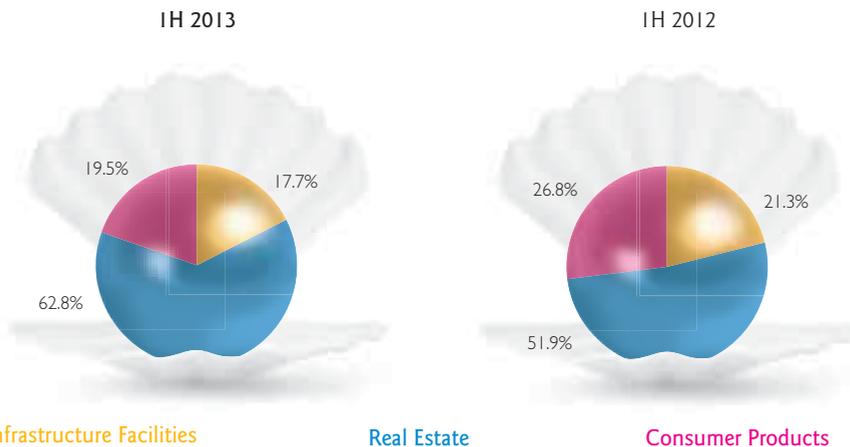
The consumer products business recorded a net profit of approximately HK\$544.08 million for the period, accounting for 31.5% of Net Business Profit. Net profit decreased year-on-year by HK\$91.12 million or 14.3%, mainly due to sharing in the profit of approximately HK\$82.21 million from the disposal of 30% interest in Zhejiang Tianwai project by Wing Fat Printing for the period while we shared a profit of approximately HK\$161.11 million from the disposal of the entire 70% interest in Chengdu Wingfat in the same period last year. During the period, Wing Fat Printing recorded a year-on-year decline in operating profit mainly due to an obvious decrease in income from packaging and printing service for wine products as a result of lower sales in white wine after the government advocated a frugal consumption pattern. Nanyang Tobacco kept adjusting product structure to boost the sale in products with high added-value and to record a continuous growth in earnings.



3 Revenue

The Group's revenue by principal activities for the first half of 2013 and the comparatives of the same period last year was summarized as follows:

| | 2013 Unaudited Six months ended 30 June HK\$'000 | 2012 Unaudited Six months ended 30 June HK\$'000 | Change % |
|---------------------------|-----------------------------------------------------------|-----------------------------------------------------------|-------------|
| Infrastructure Facilities | 1,561,069 | 1,326,259 | 17.7 |
| Real Estate | 5,516,468 | 3,239,617 | 70.3 |
| Consumer Products | 1,711,247 | 1,669,920 | 2.5 |
| | 8,788,784 | 6,235,796 | 40.9 |



In the first half of 2013, the turnover amounted to approximately HK\$8,788.78 million, representing a year-on-year increase of 40.9%, mainly due to the increase in property sales booked by SI Urban Development as compared to the same period last year, resulting in an increase in turnover of HK\$1,873.82 million. Furthermore, SI Environment recorded a year-on-year increase in turnover of HK\$205.65 million, driven by consolidating Nanfang Water's sales after it was acquired by SI Environment.

The year-on-year increase in turnover of infrastructure facilities business was mainly attributable to the natural growth in the toll income from three expressways, together with the consolidation of Nanfang Water's six-month turnover after SI Environment completed the acquisition of controlling stake in Nanfang Water during the second half of last year.



SI Urban Development recorded an increase of turnover of approximately 171.6% due to the higher amount of property delivered during the first half of the year and SI Development also recorded a year-on-year increase in the sales, resulting in an increase of 70.3% in real estate business turnover.

As for the turnover from consumer products business, Nanyang Tobacco maintained a stable growth but Wing Fat Printing's income from packaging and printing service recorded an obvious decline since the sale of high-end cigarette and white wine industry were adversely impacted by the domestic consumption restriction. As a result, turnover from consumer products business only recorded a slight year-on-year increase.

4 Profit before Taxation

(1) Gross profit margin

Gross profit margin for the period was 38.4%, a marginal increase of 0.7 percentage points as compared to 37.7% for the same period last year. The increase in gross profit margin was mainly due to part of the property sales booked in respect of the real estate business for the period was higher gross margin commodity housing.

(2) Other income

Other income for the period significantly decreased as compared to the same period last year, mainly due to the absence of one-off reversal of impairment loss for real estate project of HK\$587.08 million recorded in the same period last year.

(3) Gain on disposal of assets through disposal of subsidiaries

The Group completed the disposal of interest in a land parcel, representing 25% equity interest in U Center project during the period and recorded a pre-tax gain of HK\$819.13 million.

(4) Gain on disposal of interests in other subsidiaries, a joint venture and an associate

The Group recorded a net profit before taxation of HK\$103.34 million from the disposal of 30% interest in Zhejiang Tianwai project by Wing Fat Printing. During the same period last year, the Group completed the disposals of the Tangdao Bay project and the 70% equity interest in Chengdu Wingfat Printing and recorded pre-tax disposal gains totaling HK\$311.29 million.



5 Dividend

The Board of Directors of the Group has resolved to declare an interim dividend of HK42 cents (2012 interim: HK50 cents) per share, interim dividend payout ratio is 27.1% (2012 interim: 21.2%).

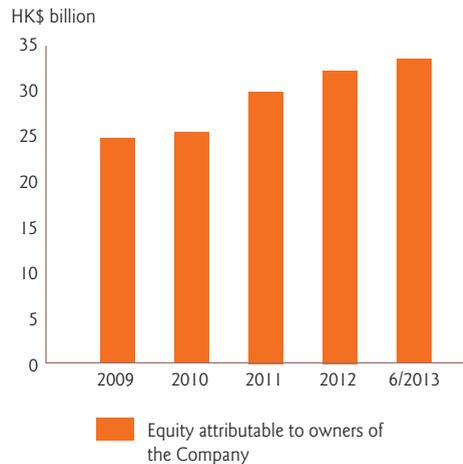


II FINANCIAL POSITION OF THE GROUP

I Capital and Equity attributable to owners of the Company

The Group had a total of 1,080,889,000 shares in issue as at 30 June 2013, which was increased by 640,000 shares as compared with 1,080,249,000 shares in issue as at the end of 2012. 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\$33,701.75 million as at 30 June 2013, which was attributable to the net profits after deducting the dividend actually paid during the period.





2 Indebtedness

(1) Borrowings

During the period, the Company issued HK\$3,900 million zero coupon five-year convertible bonds successfully through a wholly-owned subsidiary, Tong Jie Limited, which strongly improved the Group's funds base for business development while opening up a new financing channel in addition to bank borrowing.

As at 30 June 2013, the total borrowings of the Group including bank borrowings, other borrowings, senior notes and convertible bond amounted to approximately HK\$36,515.94 million (31 December 2012: HK\$36,763.90 million), of which 73.7% (31 December 2012: 64.6%) was unsecured credit facilities.

(2) Pledge of assets

As at 30 June 2013, 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\$8,061,040,000 (31 December 2012: HK\$8,212,311,000);
- (b) leasehold land and buildings with an aggregate carrying value of HK\$11,194,000 (31 December 2012: HK\$11,516,000);
- (c) a toll road operating right of HK\$3,309,990,000 (31 December 2012: HK\$3,359,512,000);
- (d) receivables under service concession arrangements with an aggregate carrying value of HK\$1,817,825,000 (31 December 2012: HK\$1,900,411,000);
- (e) properties under development held for sale with an aggregate carrying value of HK\$9,726,776,000 (31 December 2012: HK\$10,767,128,000);
- (f) trade receivables with an aggregate carrying value of HK\$331,653,000 (31 December 2012: HK\$174,926,000); and
- (g) bank deposits with an aggregate carrying value of HK\$445,232,000 (31 December 2012: HK\$447,838,000).



(3) *Contingent liabilities*

As at 30 June 2013, 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, property buyers and an associate of a joint venture amounted to approximately HK\$270.00 million, HK\$3,170.56 million and HK\$207.19 million (31 December 2012: HK\$393.04 million, HK\$3,205.16 million and nil), respectively.

3 Capital Commitments

As at 30 June 2013, the Group had capital commitments mainly contracted for business development and investments in fixed assets of HK\$6,923.16 million (31 December 2012: HK\$7,319.36 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 2013, bank balances and short-term investments held by the Group amounted to HK\$17,428.89 million (31 December 2012: HK\$19,909.21 million) and HK\$630.84 million (31 December 2012: HK\$408.37 million) respectively. The proportions of US dollars and other currencies, Renminbi and HK dollars were 2%, 87% and 11% (31 December 2012: 5%, 85% and 10%) 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. 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.



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 condensed consolidated statement of financial position 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.



Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF SHANGHAI INDUSTRIAL HOLDINGS LIMITED

(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Shanghai Industrial Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 33 to 64, which comprise the condensed consolidated statement of financial position as of 30 June 2013 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other 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
29 August 2013



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2013

| | Notes | Six months ended 30 June | |
|------------------------------------------------------------------------------------------|---------|---------------------------------|---------------------------------|
| | | 2013 HK\$'000 (unaudited) | 2012 HK\$'000 (unaudited) |
| Revenue | 3 | 8,788,784 | 6,235,796 |
| Cost of sales | | (5,411,597) | (3,887,817) |
| Gross profit | | 3,377,187 | 2,347,979 |
| Net investment income | | 230,724 | 244,964 |
| Other income | | 318,060 | 898,852 |
| Selling and distribution costs | | (406,019) | (304,279) |
| Administrative and other expenses | | (744,809) | (659,197) |
| Finance costs | | (553,640) | (432,458) |
| Share of results of joint ventures | | 42,995 | 21,877 |
| Share of results of associates | | 10,259 | 4,475 |
| Gain on disposal of assets through disposal of subsidiaries | 20 | 819,125 | – |
| Gain on disposal of Feng Shun | 21(iii) | – | 1,276,515 |
| Gain on disposal of interests in other subsidiaries, a joint venture and an associate | 4 | 105,163 | 311,288 |
| Profit before taxation | | 3,199,045 | 3,710,016 |
| Income tax expense | 5 | (944,647) | (688,360) |
| Profit for the period | 6 | 2,254,398 | 3,021,656 |
| Profit for the period attributable to | | | |
| – Owners of the Company | | 1,675,399 | 2,543,179 |
| – Non-controlling interests | | 578,999 | 478,477 |
| | | 2,254,398 | 3,021,656 |
| | | HK\$ | HK\$ |
| Earnings per share | 8 | | |
| – Basic | | 1.550 | 2.355 |
| – Diluted | | 1.496 | 2.354 |



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

| | Six months ended 30 June | |
|--------------------------------------------------------------------------------------------------------------|---------------------------------|---------------------------------|
| | 2013 HK\$'000 (unaudited) | 2012 HK\$'000 (unaudited) |
| Profit for the period | 2,254,398 | 3,021,656 |
| Other comprehensive income (expense) | | |
| <i>Items that may be subsequently reclassified to profit or loss</i> | | |
| Exchange differences arising on translation of foreign operations | | |
| – subsidiaries | 266,279 | (444,002) |
| – joint ventures | 7,032 | (11,028) |
| – associates | 16,395 | (19,040) |
| Fair value adjustments on available-for-sale investments | | |
| – subsidiaries | (2,219) | 1,194 |
| – a joint venture | – | (11,060) |
| Reclassification of translation reserve upon disposal of interest in an associate/a subsidiary held for sale | (24,503) | (8,963) |
| Other comprehensive income (expense) for the period | 262,984 | (492,899) |
| Total comprehensive income for the period | 2,517,382 | 2,528,757 |
| Total comprehensive income for the period attributable to | | |
| – Owners of the Company | 1,795,093 | 2,256,694 |
| – Non-controlling interests | 722,289 | 272,063 |
| | 2,517,382 | 2,528,757 |



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2013

| | | 30 June 2013 HK\$'000 (unaudited) | 31 December 2012 HK\$'000 (audited) |
|----------------------------------------------------------------------------|-------|--------------------------------------------|----------------------------------------------|
| | Notes | | |
| Non-Current Assets | | | |
| Investment properties | 9 | 9,405,361 | 9,471,090 |
| Property, plant and equipment | 9 | 3,376,342 | 3,462,047 |
| Prepaid lease payments – non-current portion | | 136,056 | 136,368 |
| Toll road operating rights | | 13,638,654 | 13,899,749 |
| Other intangible assets | | 1,280,084 | 1,197,928 |
| Interests in joint ventures | | 1,937,384 | 1,781,046 |
| Interests in associates | | 1,978,558 | 1,966,769 |
| Investments | | 1,061,860 | 960,137 |
| Receivables under service concession arrangements – non-current portion | | 3,569,465 | 3,399,244 |
| Deposits paid on acquisition of property, plant and equipment | | 185,209 | 41,569 |
| Restricted bank deposits | | 82,962 | 82,270 |
| Deferred tax assets | | 297,954 | 270,922 |
| | | 36,949,889 | 36,669,139 |
| Current Assets | | | |
| Inventories | 10 | 49,766,976 | 51,021,592 |
| Trade and other receivables | 11 | 10,353,034 | 6,330,644 |
| Prepaid lease payments – current portion | | 3,412 | 3,355 |
| Investments | | 630,843 | 408,372 |
| Receivables under service concession arrangements – current portion | | 101,604 | 92,964 |
| Amounts due from customers for contract work | | 113,550 | 102,093 |
| Prepaid taxation | | 337,570 | 399,127 |
| Pledged bank deposits | | 445,232 | 447,838 |
| Short-term bank deposits | | 2,690,463 | 212,888 |
| Bank balances and cash | | 14,293,191 | 19,248,483 |
| | | 78,735,875 | 78,267,356 |
| Assets classified as held for sale | 12 | 271,563 | 376,516 |
| | | 79,007,438 | 78,643,872 |



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2013

| | Notes | 30 June 2013 HK\$'000 (unaudited) | 31 December 2012 HK\$'000 (audited) |
|-----------------------------------------------------|-------|--------------------------------------------|----------------------------------------------|
| Current Liabilities | | | |
| Trade and other payables | 13 | 11,505,366 | 11,759,240 |
| Customer deposits from sales of properties | 14 | 9,851,654 | 10,150,596 |
| Amounts due to customers for contract work | | 7,878 | 72,129 |
| Taxation payable | | 3,385,124 | 3,737,308 |
| Bank and other borrowings | 15 | 11,417,895 | 10,718,828 |
| | | 36,167,917 | 36,438,101 |
| Net Current Assets | | | |
| | | 42,839,521 | 42,205,771 |
| Total Assets less Current Liabilities | | | |
| | | 79,789,410 | 78,874,910 |
| Capital and Reserves | | | |
| Share capital | | 108,089 | 108,025 |
| Share premium and reserves | | 33,593,657 | 32,301,464 |
| Equity attributable to owners of the Company | | | |
| | | 33,701,746 | 32,409,489 |
| Non-controlling interests | | 16,587,866 | 15,829,544 |
| Total Equity | | | |
| | | 50,289,612 | 48,239,033 |
| Non-Current Liabilities | | | |
| Provision for major overhauls | | 77,939 | 79,516 |
| Bank and other borrowings | 15 | 18,084,854 | 22,112,850 |
| Convertible bonds | 16 | 3,700,947 | – |
| Senior notes | | 2,126,912 | 2,746,903 |
| Deferred tax liabilities | | 5,509,146 | 5,696,608 |
| | | 29,499,798 | 30,635,877 |
| Total Equity and Non-Current Liabilities | | | |
| | | 79,789,410 | 78,874,910 |



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

| | Attributable to owners of the Company | | | | | | | | | | Attributable to non-controlling interests | | | | | | | |
|----------------------------------------------------------------------------------------|---------------------------------------|---------------|-----------------------|----------------------------------|----------------------------|---------------------------|---------------|----------------|--------------------------------|---------------------|-------------------------------------------|------------------|------------|------------------------------------------------------|----------------------------------------------|-------------------------------------|------------|------------|
| | Share capital | Share premium | Share options reserve | Convertible bonds equity reserve | Capital redemption reserve | Other revaluation reserve | Other reserve | Merger reserve | Investment revaluation reserve | Translation reserve | PRC statutory reserves | Retained profits | Sub-total | Deferred consideration shares 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 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 January 2012 (audited) | 107,979 | 13,345,715 | 123,388 | - | 1,071 | 64,583 | 1,638,047 | (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) | |
| - joint ventures | - | - | - | - | - | - | - | - | (11,028) | - | - | (11,028) | - | - | - | - | (11,028) | |
| - associates | - | - | - | - | - | - | - | - | (19,040) | - | - | (19,040) | - | - | - | - | (19,040) | |
| Fair value adjustments on available-for-sale investments | - | - | - | - | - | - | - | - | 1,194 | - | - | 1,194 | - | - | - | - | 1,194 | |
| - subsidiaries | - | - | - | - | - | - | - | - | (11,060) | - | - | (11,060) | - | - | - | - | (11,060) | |
| Reclassified on disposal of interest in a subsidiary held for sale | - | - | - | - | - | - | - | - | (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 | 2,538,757 | |
| 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 vi) | - | - | - | - | - | - | (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 12) | - | - | - | - | - | (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 7) | - | - | - | - | - | - | - | - | - | - | (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 2013

| | Attributable to owners of the Company | | | | | | | | | | | | | Attributable to non-controlling interests | | | | |
|------------------------------------------------------------------------------------------------|---------------------------------------|---------------|-----------------------|----------------------------------|----------------------------|---------------------------|---------------|----------------|--------------------------------|---------------------|------------------------|------------------|------------|------------------------------------------------------|----------------------------------------------|-------------------------------------|------------|------------|
| | Share capital | Share premium | Share options reserve | Convertible bonds equity reserve | Capital redemption reserve | Other revaluation reserve | Other reserve | Merger reserve | Investment revaluation reserve | Translation reserve | PRC statutory reserves | Retained profits | Sub-total | Deferred consideration shares 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 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 January 2013 (audited) | 108,025 | 13,357,052 | 162,361 | - | 1,071 | 54,855 | 1,487,164 | (5,871,681) | 47,921 | 3,118,387 | 849,683 | 19,094,651 | 32,409,489 | 157,694 | 70,337 | 15,601,513 | 15,829,544 | 48,239,033 |
| Profit for the period | - | - | - | - | - | - | - | - | - | - | - | 1,675,399 | 1,675,399 | - | - | 578,999 | 578,999 | 2,254,398 |
| Exchange differences arising on translation of foreign operations | - | - | - | - | - | - | - | - | - | 122,989 | - | - | 122,989 | - | - | 143,290 | 143,290 | 266,279 |
| - subsidiaries | - | - | - | - | - | - | - | - | - | 122,989 | - | - | 122,989 | - | - | 143,290 | 143,290 | 266,279 |
| - joint ventures | - | - | - | - | - | - | - | - | - | 7,032 | - | - | 7,032 | - | - | - | - | 7,032 |
| - associates | - | - | - | - | - | - | - | - | - | 16,395 | - | - | 16,395 | - | - | - | - | 16,395 |
| Fair value adjustments on available-for-sale investments | - | - | - | - | - | - | - | - | (2,219) | - | - | - | (2,219) | - | - | - | - | (2,219) |
| - subsidiaries | - | - | - | - | - | - | - | - | (2,219) | - | - | - | (2,219) | - | - | - | - | (2,219) |
| Reclassified on disposal of interest in an associate held for sale (note 12) | - | - | - | - | - | - | - | - | (24,500) | - | - | - | (24,500) | - | - | - | - | (24,500) |
| Total comprehensive (expense) income for the period | - | - | - | - | - | - | - | - | (2,219) | 121,913 | - | 1,675,399 | 1,795,093 | - | - | 722,289 | 722,289 | 2,517,382 |
| Issue of shares upon exercise of share options | 64 | 15,644 | (1,185) | - | - | - | - | - | - | - | - | 14,523 | - | - | - | - | - | 14,523 |
| Recognition of equity-settled share-based payments | - | - | 3,972 | - | - | - | - | - | - | - | - | 3,972 | - | - | - | - | - | 3,972 |
| Transfers | - | - | - | - | - | - | - | - | - | 140,849 | (140,849) | - | - | - | - | - | - | - |
| Capital contribution by non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 40,579 | 40,579 | 40,579 |
| Dividends paid to non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (13,403) | (13,403) | (13,403) |
| Deemed disposal of interest in a listed subsidiary upon issue of deferred consideration shares | - | - | - | - | - | - | (9,668) | - | - | - | - | (9,668) | (127,112) | - | 136,780 | 9,668 | - | - |
| Recognition of equity component of convertible bonds (note 16) | - | - | - | 185,214 | - | - | - | - | - | - | - | 185,214 | - | - | - | - | - | 185,214 |
| Deferred tax liability on recognition of equity component of convertible bonds (note 16) | - | - | - | (70,772) | - | - | - | - | - | - | - | (70,772) | - | - | - | - | - | (70,772) |
| Transfer to retained profits upon cancellation of share options of a listed subsidiary | - | - | - | - | - | - | - | - | - | - | 811 | 811 | - | (1,160) | 349 | (811) | - | - |
| Dividends paid (note 7) | - | - | - | - | - | - | - | - | - | - | (626,916) | (626,916) | - | - | - | - | - | (626,916) |
| At 30 June 2013 (unaudited) | 108,089 | 13,372,696 | 165,148 | 114,442 | 1,071 | 54,855 | 1,477,496 | (5,871,681) | 45,702 | 3,240,300 | 990,532 | 20,003,096 | 33,701,746 | 30,582 | 69,177 | 16,488,107 | 16,587,866 | 50,289,612 |



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

notes:

- (i) Other revaluation reserve comprises 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/joint ventures 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, joint ventures 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, joint ventures and associates.
- (v) In July 2012, SIIC Environment Holdings Ltd. ("SI Environment"), a listed subsidiary of the Group, completed the acquisition of an indirect 69.378% equity interest in Nanfang Water Co., Ltd. ("Nanfang Water") which, together with its subsidiaries and an associate, are principally engaged in the business of environment protection in the PRC, including waste water and tap water treatments. The consideration for the acquisition is HK\$423,719,000 which includes (a) cash of RMB218.3 million (equivalent to approximately HK\$266.0 million), (b) 433,626,615 ordinary shares in SI Environment, the fair value of which at the date of acquisition amounted to HK\$127,829,000, and (c) HK\$29,865,000, representing the fair value of the earn-out amounts for each of the three years ended 31 December 2014 if Nanfang Water achieves the agreed financial targets for the corresponding year. The maximum earn-out amount to be paid amounts to RMB45 million (equivalent to approximately HK\$55 million) and will be settled by way of issuance of new ordinary shares in SI Environment.

The Group recognised the fair value of the share consideration and the earn-out amount in equity attributable to non-controlling interests as at 31 December 2012. In February 2013, the share consideration was settled and the Group accounted for the issue of deferred consideration shares as an equity transaction and as a deemed disposal of SI Environment.
- (vi) 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 carrying 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 2013

| | Notes | Six months ended 30 June | |
|-------------------------------------------------------------------------------------------------------|---------|---------------------------------|---------------------------------|
| | | 2013 HK\$'000 (unaudited) | 2012 HK\$'000 (unaudited) |
| Net cash used in operating activities | | (753,082) | (1,456,274) |
| Net cash (used in) from investing activities: | | | |
| (Increase) decrease in bank deposits | | (2,471,947) | 91,580 |
| Entrusted fund placed with a joint venture | 11 | (500,000) | (488,281) |
| Deposits paid on acquisition of properties, plant and equipment | | (185,209) | (27,347) |
| Purchase of available-for-sale investments | | (171,125) | (154,002) |
| Capital injection to a joint venture | | (125,000) | – |
| Purchase of property, plant and equipment | | (57,878) | (149,920) |
| Disposal of assets through disposal of subsidiaries (net of cash and cash equivalents disposed of) | 20 | 244,249 | – |
| Disposal of assets classified as held for sale (net of cash and cash equivalents disposed of) | 12 | 237,294 | 774,710 |
| Interest received | | 167,093 | 171,930 |
| Proceeds from disposal of investment properties | | 26,108 | 80,407 |
| Disposal of Feng Shun | 21(iii) | – | 653,620 |
| Deposits paid on acquisition of subsidiaries | | – | (85,303) |
| Other investing cash flows | | (155,750) | 739,789 |
| | | (2,992,165) | 1,607,183 |



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2013

| | Notes | Six months ended 30 June | |
|--------------------------------------------------------------------------------------|-------|---------------------------------|---------------------------------|
| | | 2013 HK\$'000 (unaudited) | 2012 HK\$'000 (unaudited) |
| Net cash used in financing activities: | | | |
| Repayment of bank and other borrowings | | (9,422,520) | (4,714,165) |
| Dividends paid | | (626,916) | (626,381) |
| Interest paid | | (517,335) | (436,788) |
| Transaction costs of issuing convertible bonds | 16 | (44,420) | – |
| Dividends paid to non-controlling interests | | (13,403) | (87,702) |
| Bank and other borrowings raised | | 5,970,931 | 6,401,004 |
| Proceeds from issue of convertible bonds | 16 | 3,900,000 | – |
| Capital contributions by non-controlling interests | | 40,579 | 1,105 |
| Proceeds from issue of shares upon exercise of share options | | 14,523 | 4,144 |
| Acquisition of additional interests in subsidiaries | | – | (991,120) |
| Proceeds from deemed disposal of interests in subsidiaries without losing control | | – | 38,549 |
| Other financing cash flows | | (620,769) | (10,694) |
| | | (1,319,330) | (422,048) |
| Net decrease in cash and cash equivalents | | | |
| Cash and cash equivalents at 1 January | | 19,248,483 | 16,529,835 |
| Effect of foreign exchange rate changes | | 109,991 | (326,431) |
| Cash and cash equivalents at 30 June | | | |
| | | 14,293,897 | 15,932,265 |
| Represented by: | | | |
| Bank balances and cash | | 14,293,191 | 15,932,265 |
| Bank balances and cash classified as assets held for sale | | 706 | – |
| | | 14,293,897 | 15,932,265 |



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“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 “Stock Exchange”) (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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2012, except for the accounting policy for convertible bonds and the new or revised Hong Kong Financial Reporting Standards (“HKFRSs”) newly adopted by the Group in the current interim period which are disclosed below.

Convertible bonds containing liability and equity components

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

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity, is included in equity (convertible bonds equity reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds equity reserve until the embedded option is exercised (in which case the balance stated in convertible bonds equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bonds equity reserve will be released to retained profits. Neither gain nor loss is recognised in profit or loss upon conversion or expiration of the option.

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

2. PRINCIPAL ACCOUNTING POLICIES (continued)

New or revised HKFRSs

Moreover, in the current interim period, the Group has applied, for the first time, the following new or revised HKFRSs issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

| | |
|--------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|
| HKFRS 10 | Consolidated Financial Statements |
| HKFRS 11 | Joint Arrangements |
| HKFRS 12 | Disclosure of Interests in Other Entities |
| Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 | Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance |
| HKFRS 13 | Fair Value Measurement |
| HKAS 19 (as revised in 2011) | Employee Benefits |
| HKAS 28 (as revised in 2011) | Investments in Associates and Joint Ventures |
| Amendments to HKFRS 7 | Disclosures-Offsetting Financial Assets and Financial Liabilities |
| Amendments to HKAS 1 | Presentation of Items of Other Comprehensive Income |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2009-2011 Cycle, except for the amendments HKAS 1 |
| HK(IFRIC)-Int 20 | Stripping Costs in the Production Phase of a Surface Mine |

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

HKFRS 10 Consolidated Financial Statements and HKAS 27 Separate Financial Statements

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities. HKFRS 10 replaces the parts of previously existing HKAS 27 "Consolidated and Separate Financial Statements" that dealt with consolidated financial statements and HK(SIC)-Int 12 "Consolidation – Special Purpose Entities". HKFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in HKFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. HKFRS 10 had no impact on the consolidation of investments held by the Group.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

2. PRINCIPAL ACCOUNTING POLICIES (continued)

New or revised HKFRSs (continued)

HKFRS 11 Joint Arrangements and HKAS 28 Investment in Associates and Joint Ventures

HKFRS 11 replaces HKAS 31 “Interests in Joint Ventures” and HK(SIC) – Int 13 “Jointly-controlled Entities – Non-monetary Contributions by Venturers”.

Under HKFRS 11 investments in joint arrangements are classified either as joint operations or joint ventures, depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. Unlike HKAS 31, the use of “proportionate consolidation” to account for joint ventures is not permitted. The application of this new standard had no impact on the Group’s results of operations or financial position.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for ‘fair value’ and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in note 19.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

2. PRINCIPAL ACCOUNTING POLICIES (continued)

New or revised HKFRSs (continued)

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

3. 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 |

The above operating segments also represent the Group's reportable segments.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

3. SEGMENT INFORMATION (continued)

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

Six months ended 30 June 2013

| | Infrastructure facilities HK\$'000 | Real estate HK\$'000 | Consumer products HK\$'000 | Unallocated HK\$'000 | Consolidated HK\$'000 |
|-------------------------------------------------------------------------|------------------------------------------|----------------------------|----------------------------------|-------------------------|--------------------------|
| SEGMENT REVENUE | | | | | |
| External sales | 1,561,069 | 5,516,468 | 1,711,247 | - | 8,788,784 |
| Segment profit (loss) | 829,461 | 1,439,102 | 541,609 | (35,029) | 2,775,143 |
| Finance costs | (97,586) | (445,051) | (1,323) | (9,680) | (553,640) |
| Share of results of joint ventures | 42,995 | - | - | - | 42,995 |
| Share of results of associates | 310 | (4,149) | 14,098 | - | 10,259 |
| Gain on disposal of assets through disposal of subsidiaries | - | 819,125 | - | - | 819,125 |
| Gain on disposal of interests in other subsidiaries and an associate | - | - | 103,340 | 1,823 | 105,163 |
| Profit (loss) before taxation | 775,180 | 1,809,027 | 657,724 | (42,886) | 3,199,045 |
| Income tax expense | (153,538) | (678,407) | (101,844) | (10,858) | (944,647) |
| Profit (loss) after taxation | 621,642 | 1,130,620 | 555,880 | (53,744) | 2,254,398 |
| Less: profit attributable to non-controlling interests | (89,311) | (477,888) | (11,800) | - | (578,999) |
| Profit (loss) for the period attributable to owners of the Company | 532,331 | 652,732 | 544,080 | (53,744) | 1,675,399 |



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

3. SEGMENT INFORMATION (continued)

Six months ended 30 June 2012

| | Infrastructure facilities HK\$'000 | Real estate HK\$'000 | Consumer products HK\$'000 | Unallocated HK\$'000 | Consolidated HK\$'000 |
|-------------------------------------------------------------------------|---------------------------------------|-------------------------|-------------------------------|-------------------------|--------------------------|
| SEGMENT REVENUE | | | | | |
| External sales | 1,326,259 | 3,239,617 | 1,669,920 | - | 6,235,796 |
| Segment profit (loss) | 704,890 | 1,246,498 | 577,897 | (966) | 2,528,319 |
| Finance costs | (78,028) | (322,943) | (4,824) | (26,663) | (432,458) |
| Share of results of joint ventures | 21,877 | - | - | - | 21,877 |
| Share of results of associates | - | (5,116) | 9,591 | - | 4,475 |
| Gain on disposal of Feng Shun | - | 1,276,515 | - | - | 1,276,515 |
| Gain on disposal of interests in other subsidiaries and a joint venture | - | 114,365 | 196,923 | - | 311,288 |
| Profit (loss) before taxation | 648,739 | 2,309,319 | 779,587 | (27,629) | 3,710,016 |
| Income tax expense | (127,192) | (321,966) | (123,334) | (115,868) | (688,360) |
| Profit (loss) after taxation | 521,547 | 1,987,353 | 656,253 | (143,497) | 3,021,656 |
| Less: profit attributable to non-controlling interests | (47,197) | (410,231) | (21,049) | - | (478,477) |
| Profit (loss) for the period attributable to owners of the Company | 474,350 | 1,577,122 | 635,204 | (143,497) | 2,543,179 |

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

| | 30 June 2013 HK\$'000 | 31 December 2012 HK\$'000 |
|----------------------------------|--------------------------|------------------------------|
| Infrastructure facilities | 21,671,605 | 21,872,505 |
| Real estate | 76,676,547 | 78,375,403 |
| Consumer products | 4,814,660 | 4,782,832 |
| Unallocated assets | 12,794,515 | 10,282,271 |
| Total consolidated assets | 115,957,327 | 115,313,011 |



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

4. GAIN ON DISPOSAL OF INTERESTS IN OTHER SUBSIDIARIES, A JOINT VENTURE AND AN ASSOCIATE

The amount for the six months ended 30 June 2013 represents the aggregate of (i) gain on disposal of interest in an associate classified as held for sale as at 31 December 2012 of approximately HK\$103 million (see note 12) and (ii) gain on deregistration of a subsidiary of approximately HK\$2 million.

The amount for the six months ended 30 June 2012 comprises (i) gain on disposal of interest in a subsidiary classified as held for sale as at 31 December 2011 of approximately HK\$197 million and (ii) gain on disposal of interest in a joint venture classified as held for sale as at 31 December 2011 of approximately HK\$114 million.

5. INCOME TAX EXPENSE

| | Six months ended 30 June | |
|----------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 |
| Current tax | | |
| – Hong Kong | 96,930 | 112,521 |
| – PRC Land Appreciation Tax (“LAT”) | 412,045 | 210,338 |
| – PRC Enterprise income tax (“EIT”) (including PRC withholding tax of HK\$70,782,000 (six months ended 30 June 2012: HK\$120,986,000)) | 668,393 | 549,851 |
| | 1,177,368 | 872,710 |
| Overprovision in prior periods | | |
| – Hong Kong | (51) | (1,798) |
| – PRC EIT (note) | (4,878) | (149,066) |
| | (4,929) | (150,864) |
| Deferred taxation for the current period | (227,792) | (33,486) |
| | 944,647 | 688,360 |

note: The Group recognised an overprovision of PRC EIT during the six months ended 30 June 2012 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%. A PRC subsidiary is taxed at a lower rate of 12.5% for both periods 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 2013

6. PROFIT FOR THE PERIOD

| | Six months ended 30 June | |
|-------------------------------------------------------------------------------------------------------------------|--------------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 |
| 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) | 329,524 | 292,135 |
| Amortisation of other intangible assets (included in cost of sales) | 26,952 | 20,169 |
| Depreciation of property, plant and equipment | 127,944 | 136,749 |
| Release of prepaid lease payments | 1,901 | 2,220 |
| Decrease in fair value of investment properties | 67,849 | 8,271 |
| Dividend income from investments (included in net investment income) | (2,188) | (4,852) |
| Gain on disposal of property, plant and equipment | (782) | (4,330) |
| Interest income (included in net investment income) | (216,890) | (162,787) |
| Interest income in relation to service concession arrangements (included in other income) | (115,393) | (34,396) |
| Change in fair value of financial assets at fair value through profit or loss (included in net investment income) | 9,266 | (43,003) |
| Net foreign exchange loss | 15,123 | 45,326 |
| Reversal of impairment loss on other receivables (note) | – | (587,079) |
| Compensation income (included in other income) (note) | – | (178,703) |
| Compensation to customers as a result of late delivery of properties | 37,083 | 5,463 |
| Share of PRC EIT of joint ventures (included in share of results of joint ventures) | 18,489 | 7,108 |
| Share of PRC EIT of associates (included in share of results of associates) | 2,930 | 3,844 |

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 six months ended 30 June 2012, 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 a compensation of approximately RMB145.5 million (equivalent to approximately HK\$179 million). Accordingly, the Group recognised a reversal of impairment loss of approximately 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 2013

7. DIVIDENDS

| | Six months ended 30 June | |
|--------------------------------------------------------------------------------------------------------------------------------|--------------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 |
| 2012 final dividend paid of HK58 cents (six months ended 30 June 2012: 2011 final dividend paid of HK58 cents) per share | 626,916 | 626,381 |

Subsequent to the end of the reporting period, the directors have determined that an interim dividend of HK42 cents (2012: HK50 cents) per share will be paid to the shareholders of the Company whose names appear on the Company's register of members on 12 September 2013.

8. 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 | |
|--------------------------------------------------------------------------------------------------------------------------|--------------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 |
| Earnings: | | |
| Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company) | 1,675,399 | 2,543,179 |
| Effect of dilutive potential ordinary shares – interest on convertible bonds, net of tax | 25,535 | – |
| | 1,700,934 | 2,543,179 |
| Number of shares: | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 1,080,816,101 | 1,079,913,014 |
| Effect of dilutive potential ordinary shares – share options of the Company | 1,864,458 | 475,677 |
| – convertible bonds | 53,956,342 | – |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | 1,136,636,901 | 1,080,388,691 |



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

8. 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 market 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 Group, because they are anti-dilutive. The warrants lapsed on 23 July 2012; and
- (iii) the exercise of options issued by SI Environment which expired on 13 August 2012, because they are anti-dilutive.

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

The Group's investment properties as at the end of the reporting period were fair valued by DTZ Debenham Tie Leung Limited ("DTZ"), an independent firm of qualified professional valuers not connected with the Group. DTZ 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, or on the basis of net rental income capitalisation. During the current interim period, the Group (i) recognised a decrease in fair value of investment properties of approximately HK\$68 million in profit or loss (six months ended 30 June 2012: HK\$8 million) and (ii) disposed of certain investment properties for cash proceeds of HK\$26,108,000 (six months ended 30 June 2012: HK\$80,407,000).

During the current interim period, the Group incurred costs for construction in progress of approximately HK\$2 million (six months ended 30 June 2012: HK\$61 million) and acquired other property, plant and equipment at an aggregate cost of approximately HK\$97 million (six months ended 30 June 2012: HK\$89 million) for the purpose of expanding the Group's operations and businesses.

10. INVENTORIES

Inventories mainly represent properties under development held for sale. Included in the amount is approximately HK\$33,457 million (31 December 2012: HK\$28,644 million) which is not expected to be realised within one year.

As at 30 June 2013, included in properties under development held for sale is a piece of land (the "Existing Site") with a carrying amount of HK\$5,258,565,000 which is subject to land swap arrangement. Following the metro construction and statutory changes in the town planning in Shanghai, an agreement was signed between Shanghai Xuhui District Planning and Land Administration Bureau 上海市徐匯區規劃和土地管理局 ("Shanghai Xuhui") and a subsidiary of the Group on 18 May 2013, pursuant to which the Group agreed to swap the Existing Site for four pieces of land assigned by Shanghai Xuhui (the "New Sites"). No land premium or any other amounts are payable by the Group for the land swap. At the end of the reporting period, the land swap procedures have not been completed.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

11. TRADE AND OTHER RECEIVABLES

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

The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date, which approximated the revenue recognition date.

| | 30 June 2013 HK\$'000 | 31 December 2012 HK\$'000 |
|---------------------|--------------------------|------------------------------|
| Within 30 days | 247,888 | 282,414 |
| Within 31-60 days | 183,602 | 151,790 |
| Within 61-90 days | 129,660 | 150,817 |
| Within 91-180 days | 108,257 | 86,733 |
| Within 181-365 days | 219,612 | 102,537 |
| Over 365 days | 50,826 | 51,989 |
| | 939,845 | 826,280 |

Included in other receivables as at 30 June 2013 were (i) consideration receivables of HK\$2,883,492,000 (31 December 2012: HK\$1,349,044,000), (ii) amounts of HK\$1,672,562,000 (31 December 2012: HK\$1,695,116,000) due from certain associates, which are unsecured and have no fixed terms of repayment, (iii) a deposit paid for land tender of HK\$1,075,000,000 (31 December 2012: Nil), (iv) amounts of HK\$133,059,000 (31 December 2012: HK\$128,755,000) due from entities controlled by State-owned Assets Supervision and Administration Commission of Shanghai Xuhui District ("Xuhui SASAC"), which are unsecured, and except for HK\$112,126,000 (31 December 2012: HK\$111,568,000) carrying interest at a fixed rate of 7.02% (31 December 2012: 7.50%) per annum and repayable within one year, the balance is non-interest bearing and repayable on demand; (v) amounts of HK\$50,463,000 (31 December 2012: HK\$47,319,000) due from certain connected persons (non-controlling shareholders or directors of subsidiaries), which are unsecured, non-interest bearing and repayable on demand; and (vi) an amount of HK\$500,000,000 (31 December 2012: Nil) entrusted to a joint venture during the current period for the provision of asset management service to the Group.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

12. ASSETS CLASSIFIED AS HELD FOR SALE

Assets classified as held for sale as at 30 June 2013

In May 2013, the Group decided to dispose of its 100% interests in two subsidiaries, namely 湖州湖鴻投資發展有限公司 (“Huzhou Huhong”) and 湖州湖濱投資發展有限公司 (“Huzhou Hubin”), to an independent third party (the “Counterparty”) for considerations of RMB56,444,000 (equivalent to HK\$70,555,000) and RMB31,602,000 (equivalent to HK\$39,503,000), respectively, while the Counterparty has the obligation to procure Huzhou Huhong and Huzhou Hubin to repay the shareholders’ loans of RMB84,847,000 (equivalent to HK\$106,059,000) and RMB103,184,000 (equivalent to HK\$128,980,000), respectively. The assets attributed to Huzhou Huhong and Huzhou Hubin, which are expected to be sold within twelve months from the end of reporting period, have been classified as assets held for sale and are presented separately in the condensed consolidated statement of financial position at 30 June 2013. The net proceeds of the disposals exceed the carrying amounts of the assets and accordingly, no impairment loss will be recognised.

The above transactions have not been completed up to the date of issue of these condensed consolidated financial statements.

Further, the Group entered into sales and purchase agreements during the current interim period to dispose of certain investment properties to independent third parties for an aggregate consideration of RMB15,286,000 (equivalent to HK\$19,108,000). The properties will be delivered and the disposals are expected to be completed within the next twelve months upon fulfillment of certain conditions precedent. As at 30 June 2013, deposits of RMB7,643,000 (equivalent to HK\$9,554,000) were received and included in other payables (see note 13).

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

| | Huzhou Huhong HK\$'000 | Huzhou Hubin HK\$'000 | Investment properties HK\$'000 | Total HK\$'000 |
|-------------------------------------------------|------------------------------|-----------------------------|--------------------------------------|-------------------|
| Inventories | 115,930 | 135,816 | – | 251,746 |
| Other receivable | – | 3 | – | 3 |
| Bank balances and cash | 515 | 191 | – | 706 |
| Investment properties | – | – | 19,108 | 19,108 |
| Total assets classified as held for sale | 116,445 | 136,010 | 19,108 | 271,563 |



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

12. ASSETS CLASSIFIED AS HELD FOR SALE (continued)

Assets classified as held for sale as at 31 December 2012

In 2012, the Group entered into sales and purchase agreements to dispose of certain investment properties to independent third parties for an aggregate consideration of RMB242,481,000 (equivalent to HK\$301,593,000). The disposals were to be completed upon fulfillment of certain conditions precedent. The investment properties were classified as assets held for sale and presented separately in the condensed consolidated statement of financial position as at 31 December 2012. The disposals were completed during the six months ended 30 June 2013.

Further, in November 2012, the Group decided to dispose of its entire 30% equity interest in an associate, namely Zhejiang Tianwai Package Printing Co., Ltd. ("Zhejiang Tianwai"), to an independent third party for a consideration of RMB123,750,000 (equivalent to HK\$154,135,000). The interest in Zhejiang Tianwai was classified as assets held for sale and presented separately in the condensed consolidated statement of financial position as at 31 December 2012. The disposal was completed in June 2013.

The assets classified as held for sale as at 31 December 2012, which were presented separately in the consolidated statement of financial position at that date, are as follows:

| | HK\$'000 |
|------------------------------|----------|
| Investment properties | 301,593 |
| Interest in Zhejiang Tianwai | 74,923 |
| | 376,516 |



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

12. ASSETS CLASSIFIED AS HELD FOR SALE (continued)

Assets classified as held for sale as at 31 December 2012 (continued)

The value of investment properties and interest in Zhejiang Tianwai at the respective dates of disposals were as follows:

| | Investment properties HK\$'000 | Zhejiang Tianwai HK\$'000 | Total HK\$'000 |
|----------------------------------------------------------------------------|--------------------------------------|---------------------------------|-------------------|
| Assets/interest disposed of | 302,119 | 75,298 | 377,417 |
| Reclassification of translation reserve upon disposal to profit or loss | – | (24,503) | (24,503) |
| | 302,119 | 50,795 | 352,914 |
| Gain on disposal – interest in an associate | – | 103,340 | 103,340 |
| Total consideration | 302,119 | 154,135 | 456,254 |
| Satisfied by: | | | |
| Cash received | 120,169 | 117,125 | 237,294 |
| Consideration received in advance (note 13) | 181,950 | 37,010 | 218,960 |
| | 302,119 | 154,135 | 456,254 |
| Net cash inflow arising on disposal: | | | |
| Total cash consideration received | 120,169 | 117,125 | 237,294 |



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

13. TRADE AND OTHER PAYABLES

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

| | 30 June 2013 HK\$'000 | 31 December 2012 HK\$'000 |
|---------------------|--------------------------|------------------------------|
| Within 30 days | 528,619 | 1,155,794 |
| Within 31-60 days | 275,004 | 161,667 |
| Within 61-90 days | 133,212 | 81,527 |
| Within 91-180 days | 202,950 | 83,340 |
| Within 181-365 days | 309,927 | 817,710 |
| Over 365 days | 816,549 | 836,855 |
| | 2,266,261 | 3,136,893 |

Included in other payables as at 30 June 2013 were (i) amounts of HK\$308,874,000 (31 December 2012: HK\$304,868,000) due to Xuhui SASAC and entities controlled by Xuhui SASAC, which are unsecured, non-interest bearing and repayable on demand, (ii) amounts of HK\$1,278,775,000 (31 December 2012: HK\$1,509,080,000) due to certain fellow subsidiaries, which are unsecured and have no fixed terms of repayment, and except for HK\$30,000,000 (31 December 2012: HK\$29,851,000) carrying interest at a fixed rate of 4% (31 December 2012: 4%) per annum, the balance is non-interest bearing, (iii) deposits received for disposal of assets classified as held for sale (see note 12) of HK\$9,554,000 (31 December 2012: HK\$218,643,000) and (iv) accrued expenditure on properties under development of HK\$2,767,161,000 (31 December 2012: HK\$2,128,597,000).

14. 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\$2,826 million (31 December 2012: HK\$4,545 million) is expected to be recognised as revenue after more than one year.

15. BANK AND OTHER BORROWINGS

During the current period, the Group (i) obtained new borrowings in the amount of approximately HK\$5,971 million (six months ended 30 June 2012: HK\$6,401 million) and (ii) repaid borrowings of approximately HK\$9,423 million (six months ended 30 June 2012: HK\$4,714 million).

Included in the other borrowings are loans of approximately HK\$2,679 million (31 December 2012: HK\$2,787 million) from a fellow subsidiary.

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

16. CONVERTIBLE BONDS

On 18 February 2013 (the “Issue Date”), a wholly owned subsidiary of the Company, Tong Jie Limited (the “Issuer”), issued zero coupon convertible bonds with a principal amount of HK\$3,900,000,000 (“CB 2018”). Unless early redeemed, CB 2018 will be redeemed at 105.11% of the principal amount on 18 February 2018 (the “Maturity Date”). CB 2018 are guaranteed by the Company and listed on the Stock Exchange.

The principal terms of CB 2018 are as follows:

The holders of CB 2018 have the right to convert all or any portion of CB 2018 into shares of the Company at the conversion price of HK\$36.34 per share (subject to anti-dilutive adjustments). The conversion right can be exercised at any time on or after 40 days from the Issue Date up to, and including, the close of business on the business day seven days prior to the Maturity Date.

The holders of CB 2018 have the option to redeem all or some only of CB 2018 on 18 February 2016 at a pre-determined redemption amount (“Holders’ Redemption Option”). The Holders’ Redemption Option is separately accounted for at fair value at each reporting date as a derivative financial instrument.

At any time after 18 February 2016 to the day prior to the Maturity Date, the Issuer may redeem CB 2018 in whole but not in part at a pre-determined redemption amount if the closing price of the shares of the Company for any 20 trading days out of the 30 consecutive trading days prior to the date upon which notice of such redemption is given is at least 130 per cent of the applicable early redemption amount divided by the conversion ratio (“Issuer’s Redemption Option”). The Issuer’s Redemption Option is separately accounted for at fair value at each reporting date as a derivative financial instrument.

CB 2018 contain a liability component, an equity component, Holders’ Redemption Option and Issuer’s Redemption Option. The equity component is presented in the equity under the heading “Convertible bonds equity reserve”.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

16. CONVERTIBLE BONDS (continued)

The movements of the liability and equity components of CB 2018 for the current period are set out below:

| | Liability component HK\$'000 | Equity component HK\$'000 |
|---------------------------|---------------------------------|------------------------------|
| At 1 January 2013 | – | – |
| Issue on 18 February 2013 | 3,712,653 | 187,347 |
| Transaction costs | (42,287) | (2,133) |
| Interest charged | 30,581 | – |
| Deferred tax liability | – | (70,772) |
| At 30 June 2013 | 3,700,947 | 114,442 |

17. CAPITAL COMMITMENTS

| | 30 June 2013 HK\$'000 | 31 December 2012 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 | 6,160,779 | 7,089,313 |
| – acquisition of property, plant and equipment | 92,331 | 201,612 |
| – additions in construction in progress | 670,048 | 28,435 |
| | 6,923,158 | 7,319,360 |
| Capital expenditure authorised but not contracted for in respect of additions in construction in progress | – | 460,199 |

In addition to the above, the Group's share of capital commitments of a joint venture is as follows:

| | 30 June 2013 HK\$'000 | 31 December 2012 HK\$'000 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|------------------------------|
| Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of investment in a PRC joint venture | 106,519 | – |



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

18. CONTINGENT LIABILITIES

(a) Guarantees

| | 30 June 2013 HK\$'000 | 31 December 2012 HK\$'000 |
|------------------------------------------------------------------------|--------------------------|------------------------------|
| Guarantees given to banks in respect of banking facilities utilised by | | |
| – property buyers | 3,170,562 | 3,205,156 |
| – an entity controlled by Xuhui SASAC | 270,000 | 393,035 |
| – an associate of a joint venture | 207,188 | – |
| | 3,647,750 | 3,598,191 |

- (b) The Group is a defendant to a claim by a third party regarding non-payment of certain outstanding consideration which has been accrued but unpaid by the Group. The third party claim also includes liquidated damage which amounted to approximately HK\$273 million up to 25 July 2012 and which is to be accumulated at a daily rate of approximately HK\$160,000 thereafter until settlement. The Group, after taking legal advice, is of the opinion that it has good ground for withholding the payment of the outstanding consideration and that it is pre-mature to estimate the outcome of the third party claim. Accordingly, no provision for the liquidated damage has been made.

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table describes how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Other than the financial assets and financial liabilities carried at fair value as detailed in the following table and the available-for-sale investments carried at cost less impairment, the directors of the Company consider that the carrying amounts of restricted bank deposits, trade and other receivables, pledged bank deposits, short-term bank deposits, bank balances and cash, trade and other payables and bank and other borrowings that are recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

| Financial assets/ financial liabilities | Fair value as at 30 June 2013 HK\$'000 | Fair value hierarchy | Valuation techniques and key inputs | Significant unobservable inputs | Relationship of unobservable inputs to fair value |
|------------------------------------------------------------------------------------|----------------------------------------------|-------------------------|-------------------------------------------------------------------------------------------------|---------------------------------------|---------------------------------------------------------------------|
| Financial assets designated as at fair value through profit or loss | | | | | |
| Listed convertible notes | 31,039 | Level 1 | Quoted bid prices in active markets | N/A | N/A |
| Financial assets at fair value through profit or loss | | | | | |
| Listed equity securities | 221,929 | Level 1 | Quoted bid prices in active markets | N/A | N/A |
| Structured deposits | 277,875 | Level 2 | By comparing the exchange rate at period end date with target exchange rate | N/A | N/A |
| Available-for-sale investments | | | | | |
| Listed equity securities | 127,425 | Level 1 | Quoted bid prices in active markets | N/A | N/A |
| Unlisted trust funds | 100,000 | Level 3 | Discounted cash flow The key inputs are expected interest rate and time to maturity | Expected interest rate | The higher the expected interest rate, the lower valuation |

There was no transfer amongst Levels 1, 2 and 3 in the current period.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

20. DISPOSAL OF ASSETS THROUGH DISPOSAL OF SUBSIDIARIES

In June 2013, SI Urban Development disposed of an exclusive right for a specific piece of land held by a subsidiary, Shanghai Urban Development Group Longcheng Properties Co., Ltd. ("SUD Longcheng"), (the "Specific Land") through disposal of its wholly owned subsidiaries, Earn Harvest Limited and Power Tact Investment Limited, which holds 25% equity interest in SUD Longcheng to an independent third party, at a consideration of RMB1,174,500,000 (equivalent to HK\$1,463,369,000) (the "Purchase Consideration"). In addition to the Purchase Consideration, the purchaser agreed that it would (i) take up 25% of SUD Longcheng's net liabilities at the date of completion and (ii) not be entitled to exert influence or share of any appropriations of SUD Longcheng generated from operations or be obliged to bear any additional obligations of SUD Longcheng after the completion, other than its exclusive right for the Specific Land. The disposal was completed on 27 June 2013. At the date of completion, the net liabilities shared by the purchaser was RMB217,022,000 (equivalent to HK\$270,399,000) which in aggregate with the Purchase Consideration amounted to RMB1,391,522,000 (equivalent to HK\$1,733,768,000).

The net assets of subsidiaries and assets (including the Specific Land) at the date of disposal were as follows:

| | HK\$'000 |
|------------------------------------------------------------------------|------------------|
| Consideration: | |
| Cash received | 244,365 |
| Deferred cash consideration (note) | 1,489,403 |
| Total consideration | 1,733,768 |
| Analysis of assets and liabilities over which control was lost: | |
| Specific Land included in inventories of the Group | 914,715 |
| Bank balances and cash | 116 |
| Other payables | (188) |
| | 914,643 |
| Gain on disposal | 819,125 |
| Net cash inflow arising on disposal: | |
| Cash consideration received | 244,365 |
| Less: bank balances and cash disposed of | (116) |
| | 244,249 |

note: The deferred consideration will be fully settled in cash by the purchaser on or before 30 June 2014.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

21. RELATED PARTY TRANSACTIONS

- (i) During the period, save as disclosed else where in these condensed consolidated financial statements, the Group had the following significant transactions with related parties:

| Related party | Nature of transactions | Six months ended 30 June | |
|---------------------------------------------------------------------------|--------------------------------------------------------------------|--------------------------|------------------|
| | | 2013 HK\$'000 | 2012 HK\$'000 |
| Ultimate holding company | Rentals and management fee paid by the Group on land and buildings | 1,140 | 1,106 |
| Fellow subsidiaries | Interest paid by the Group | 40,062 | 50,466 |
| | Rentals and management fee paid by the Group on land and buildings | 28,932 | 31,001 |
| A joint venture | Investment income from entrusted fund received by the Group | 19,935 | 33,751 |
| | Capital injection by the Group | 125,000 | – |
| Associates | Property agency fee paid by the Group | 33,358 | 33,194 |
| | Rentals received by the Group on land and buildings | 1,286 | 1,296 |
| Non-controlling shareholders of subsidiaries | Interest received by the Group | 3,596 | 6,113 |
| | Interest paid by the Group | 5,460 | 3,621 |
| Entity controlled by an independent non-executive director of the Company | Rentals and management fee paid by the Group on land and buildings | 3,097 | 2,463 |

In addition, a fellow subsidiary pledged a bank deposit amounting to RMB496 million (equivalent to approximately HK\$620 million) to secure a bank loan granted to Shanghai Industrial Development Co., Ltd., a listed subsidiary of the Group.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

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 | |
|--------------------------------------------|--------------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 |
| Directors' fee and committee remuneration | 828 | 679 |
| Basic salaries and allowance | 9,692 | 8,427 |
| Bonuses | 4,724 | 3,324 |
| Equity-settled share-based payment expense | 1,243 | 8,597 |
| Retirement benefits scheme contributions | 242 | 232 |
| | 16,729 | 21,259 |

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 six month ended 30 June 2012, 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 approximately HK\$107 million was recorded as a deposit as at 31 December 2011 and 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 that 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 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 2013

21. RELATED PARTY TRANSACTIONS (continued)

- (v) The Group has entered into several banking facility agreements amounted to HK\$9,250 million (31 December 2012: HK\$10,444 million) and pursuant to the terms of the agreements, loans principal 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. As at 30 June 2013, the extent of utilisation of such bank facilities amounted to approximately HK\$9,250 million (31 December 2012: HK\$10,444 million)

22. EVENT AFTER THE END OF THE INTERIM PERIOD

On 2 July 2013, the land use right of the Existing Site was transferred to Shanghai Xuhui. The transfer of land use rights of the New Sites are still in progress and not completed at the date of issuance of these condensed consolidated financial statements.



DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2013, 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 |
|------------------|------------------|---------------------|---------------------------------------|--------------------------------------------------|-----------|----------------------------------------------------|
| Zhou Jie | Beneficial owner | Personal | 333,000 | 1,530,000 | 1,863,000 | 0.17% |
| Lu Shen | Beneficial owner | Personal | – | 1,350,000 | 1,350,000 | 0.12% |
| Zhou Jun | Beneficial owner | Personal | 195,000 | 1,350,000 | 1,545,000 | 0.14% |
| Xu Bo | Beneficial owner | Personal | – | 600,000 | 600,000 | 0.06% |
| Qian Yi | Beneficial owner | Personal | – | 1,350,000 | 1,350,000 | 0.12% |
| 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 represent long positions.
- Such long position represents 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 option (Note 2) | Approximate percentage of the issued share capital |
|------------------|----------|---------------------|-------------------------------------------------|----------------------------------------------------|
|------------------|----------|---------------------|-------------------------------------------------|----------------------------------------------------|

| | | | | |
|----------|------------------|----------|-----------|-------|
| Zhou Jun | Beneficial owner | Personal | 7,000,000 | 0.15% |
|----------|------------------|----------|-----------|-------|

Notes:

- All interests stated above represent long positions.
- Such long position represents 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 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 2013.



SHARE OPTIONS

(I) SIHL Scheme

The SIHL Scheme was valid and effective for a period of 10 years commencing the date of its adoption and was terminated on 25 May 2012 as approved by the shareholders of the Company. 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 granted | | | | |
|---------------------------------|---------------|-------------------------------|-----------------------------------------------------------|-----------------------------|--------------------------------|-----------------------------|--------------------------|
| | | | Outstanding at 1.1.2013 | Exercised during the period | Reclassified during the period | Cancelled during the period | Outstanding at 30.6.2013 |
| <i>Category 1: Director</i> | | | | | | | |
| Zhou Jie | 2.11.2010 | 36.60 | 850,000 | - | - | - | 850,000 |
| | 20.9.2011 | 22.71 | 680,000 | - | - | - | 680,000 |
| Lu Shen | 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 |
| Xu Bo | 16.5.2012 | 23.69 | 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 |
| Teng Yi Long ^(Note) | 2.11.2010 | 36.60 | 1,200,000 | - | (1,200,000) | - | - |
| | 20.9.2011 | 22.71 | 960,000 | - | (960,000) | - | - |
| Total | | | 8,988,000 | - | (2,160,000) | - | 6,828,000 |
| <i>Category 2: Employees</i> | | | | | | | |
| | 2.11.2010 | 36.60 | 10,390,000 | - | (420,000) | - | 9,970,000 |
| | 20.9.2011 | 22.71 | 10,519,000 | (118,800) | (336,000) | - | 10,064,200 |
| | 16.5.2012 | 23.69 | 544,000 | - | - | - | 544,000 |
| Total | | | 21,453,000 | (118,800) | (756,000) | - | 20,578,200 |
| <i>Category 3: Others</i> | | | | | | | |
| | 2.11.2010 | 36.60 | 10,220,000 | - | 1,620,000 | (820,000) | 11,020,000 |
| | 20.9.2011 | 22.71 | 5,796,200 | (521,200) | 1,296,000 | (196,800) | 6,374,200 |
| Total | | | 16,016,200 | (521,200) | 2,916,000 | (1,016,800) | 17,394,200 |
| Total for all categories | | | 46,457,200 | (640,000) | - | (1,016,800) | 44,800,400 |

Note: Mr. Teng Yi Long retired as Director of the Company on 25 June 2013.



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\$27.68.

(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.

**(III) SI Urban Development Scheme**

The SI Urban Development Scheme was valid and effective for a period of 10 years commencing the date of its adoption and was expired on 11 December 2012. During the period, the movements in the share options to subscribe for the 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 granted | | | |
|------------------------------------------------------------------------------------------------------|---------------|-------------------------------------|-----------------------------------------------------------|--------------------------------------|-----------------------------------|-----------------------------|
| | | | Outstanding at 1.1.2013 | Reclassified during the period | Cancelled during the period | Outstanding at 30.6.2013 |
| <i>Category 1: Director of SI Urban Development, who is also Director of the Company</i> | | | | | | |
| Zhou Jun | 24.9.2010 | 2.98 | 7,000,000 | - | - | 7,000,000 |
| <i>Category 2: Other directors of SI Urban Development</i> | | | | | | |
| | 24.9.2010 | 2.98 | 26,000,000 | 12,000,000 | - | 38,000,000 |
| <i>Category 3: Employees of SI Urban Development</i> | | | | | | |
| | 24.9.2010 | 2.98 | 27,750,000 | (12,000,000) | 1,000,000 | 14,750,000 |
| Total for all categories | | | 60,750,000 | - | 1,000,000 | 59,750,000 |

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)

(IV) SI Urban Development New Scheme

The SI Urban Development 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 SI Urban Development New Scheme.

(V) SI Environment Scheme

The SI Environment 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 SI Environment 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 or any of its holding companies, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2013, 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 | 619,917,748 (Note 1) | 57.35% |

Notes:

- SIIC through its subsidiaries, namely Shanghai Investment Holdings Limited, SIIC Capital (B.V.I.) Limited, Shanghai Industrial Financial (Holdings) Company, Limited, SIIC Trading Company Limited, Billion More Investments Limited, South Pacific International Trading Limited, SIIC Treasury (B.V.I.) Limited, South Pacific Hotel (Hong Kong) Limited, The Tien Chu Ve Tsin (Hong Kong) Company Limited and SIIC CM Development Limited held 519,409,748 shares, 80,000,000 shares, 13,685,000 shares, 3,782,000 shares, 1,219,000 shares, 650,000 shares, 550,000 shares, 312,000 shares, 300,000 shares and 10,000 shares of the Company respectively, and was accordingly deemed to be interested in the respective shares held by the aforementioned companies.
- 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 2013.

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

Change in Directors' information since the date of the annual report 2012 up to the date of this report are set out below:

Mr. Zhou Jie

- no longer as the chairman and an executive director of Shanghai Pharmaceutical on 5 June 2013.
- elected as a non-executive director of Shanghai Pharmaceutical on 5 June 2013.

Mr. Lu Shen

- no longer as a non-executive director of Shanghai Pharmaceutical on 5 June 2013.

Mr. Qian Yi

- no longer as the chairman and a director of Wing Fat Printing on 12 June 2013.



Dr. Lo Ka Shui

- appointed as the chairman and a non-executive director of LHIL Manager Limited (as Trustee-Manager of Langham Hospitality Investments) and Langham Hospitality Investments Limited on 30 May 2013.
- resigned as the chairman of The Chamber of Hong Kong Listed Companies on 27 June 2013.
- appointed as the vice chairman of The Chamber of Hong Kong Listed Companies on 27 June 2013.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2013, the Group had 10,637 employees (2012: 10,971), of whom 10,009 were stationed in mainland China and the remaining 628 were Hong Kong and overseas employees. The Group appraises staff remuneration with reference to the operating results of the Group, 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 Group.

REVIEW OF REPORT

The Audit Committee has reviewed the Company's interim report for the six months ended 30 June 2013.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Corporate Governance Code 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 Nomination Committee and the Remuneration Committee, was unable to attend the annual general meeting and extraordinary general meeting of the Company both held on 21 May 2013 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. Having made enquiries with all Directors and relevant employees of the Company, each of them has 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.



| Term used | Brief description |
|----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Chengdu Wingfat Printing Company | Chengdu Wingfat Printing Co., Ltd. |
| Director(s) | Shanghai Industrial Holdings Limited |
| General Water of China | director(s) of the Company |
| Group | General Water of China Co., Ltd. |
| Hu-Ning Expressway | the Company and its subsidiaries |
| Listing Rules | Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd. |
| Luqiao Development | Rules Governing the Listing of Securities on the Stock Exchange |
| Model Code | Shanghai Luqiao Development Co., Ltd. |
| Nanfang Water | Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules |
| Nanyang Tobacco | Nanfang Water Co., Ltd. |
| Net Business Profit | Nanyang Brothers Tobacco Company, Limited |
| PRC | Net profit excluding net corporate expenses |
| SFO | The People's Republic of China |
| SGX | Securities and Futures Ordinance (Chapter 571) of the laws of Hong Kong |
| Shanghai Galaxy | Singapore Stock Exchange |
| Shanghai Pharmaceuticals | Shanghai Galaxy Investment Co., Ltd. |
| Shanghai Shen-Yu | Shanghai Pharmaceuticals Holding Co., Ltd. (SSE stock code: 601607; HKSE stock code: 2607) |
| SI Development | Shanghai Shen-Yu Development Co., Ltd. |
| SI Environment | Shanghai Industrial Development Co., Ltd. (SSE stock code: 600748) |
| SI Environment Scheme | SIIC Environment Holdings Ltd. (SGX stock code: 5GB) |
| SI Urban Development | A share option scheme adopted by SI Environment as approved at the extraordinary general meeting held on 27 April 2012 |
| SI Urban Development Scheme | Shanghai Industrial Urban Development Group Limited (HKSE stock code: 563) |
| SI Urban Development New Scheme | A share option scheme adopted by SI Urban Development as approved at the extraordinary general meeting held on 12 December 2002. Such scheme was expired on 11 December 2012 |
| | A new share option scheme adopted by SI Urban Development as approved at the annual general meeting held on 16 May 2013 |



| | |
|------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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 |
| Wing Fat Printing | The Wing Fat Printing Company, Limited |
| Zhejiang Tianwai | Zhejiang Tianwai Packaging and Printing Co., Ltd. |