



上海實業控股有限公司

SHANGHAI INDUSTRIAL HOLDINGS LIMITED

(Stock Code : 363)



INTERIM REPORT 2014



MIX  
Paper from  
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FSC™ C006398

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## CORPORATE INFORMATION

### 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. Ni Jian Da (*Deputy CEO*)  
Mr. Xu Bo (*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

### REGISTERED OFFICE

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### COMPANY STOCK CODE

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

### COMPANY WEBSITE

[www.sihl.com.hk](http://www.sihl.com.hk)

### AUDITOR

Deloitte Touche Tohmatsu

### SHARE REGISTRAR

Tricor Secretaries Limited  
22nd Floor, Hopewell Centre,  
183 Queen's Road East,  
Hong Kong  
Telephone : (852) 2980 1333  
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### ADR DEPOSITORY BANK

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## INFORMATION FOR SHAREHOLDERS

### DIVIDEND NOTICE

#### Interim Dividend

The Board of Directors has resolved to pay an interim dividend of HK45 cents (2013: HK42 cents) per share for the six months ended 30 June 2014, which will be payable on or about Friday, 3 October 2014, to shareholders whose names appear on the register of members of the Company on Wednesday, 17 September 2014.

#### 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 Wednesday, 17 September 2014. 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 22nd Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Tuesday, 16 September 2014.

### FINANCIAL CALENDAR

|   |                               |
|---|-------------------------------|
| <b>2014 interim results announced</b>             | 28 August 2014                |
| <b>Despatch of 2014 interim report</b>            | on or about 16 September 2014 |
| <b>Ex-dividend date for 2014 interim dividend</b> | 15 September 2014             |
| <b>Record date for 2014 interim dividend</b>      | 17 September 2014             |
| <b>Notice of 2014 interim dividend</b>            | on or about 3 October 2014    |

## CHAIRMAN'S STATEMENT

I am pleased to report to our shareholders our interim results for the period ending 30 June 2014.

In view of the slow pace of the global economic recovery in the first half of 2014 and the gradual withdrawal of the US Government's quantitative easing policy, the Group has continued to drive the development of its core businesses under the leadership of the Board and the management. And despite such complicated and changeable factors such as the decline in China's economic growth and the continued tightening of the Government's austerity measures, the Group has achieved better results for the period through further enhancing operational efficiency and coordination of resources as well as continued integration of its asset and business and revitalization of its assets.

For the six months ended 30 June 2014, the Group realized a net profit of HK\$1,949 million, representing a year-on-year increase of 16.3%, mainly due to a considerable disposal gain from lot E of the Qingpu District in Shanghai recorded in the first half of the year. Total revenue amounted to HK\$7,635 million, a decrease of 13.1%.

The Board of Directors has resolved to pay an interim dividend of HK45 cents (2013: HK42 cents) per share for 2014 to shareholders whose names appear on the register of members of the Company on Wednesday, 17 September 2014. The above interim dividend will be paid to shareholders on or about Friday, 3 October 2014.

During the period, the Group's infrastructure facilities business recorded earnings of HK\$560 million, representing an increase of 5.3%. The toll roads segment maintained steady growth overall in toll revenue and traffic flow through enhancement of service quality and efficiency in toll collection in spite of the State toll policies being implemented during the first half of 2014. For the water services business, SI Environment achieved a revenue and net profit of RMB680 million and RMB130 million during the period, rising significantly by 41.3% and 60.9% year-on-year respectively. The increases were primarily attributable to the consolidation of several projects which were acquired during the period. These included a 100% interest of Qingpu Sewage Plant No. 2 and Dazhou Jiajin and a 50% interest of Pucheng Thermal Power. During the same period, the revenue of General Water of China has maintained the same level as last year at HK\$800 million; net profits were HK\$41.73 million, rising by 13.1% year-on-year.

The real estate business realized earnings for the period of HK\$1,073 million, representing a substantial increase of 64.4%. The increase was mainly due to completion of the disposal of equity interest of lot E of the Qingpu District in Shanghai by the Company and our subsidiary SI Development which brought in a disposal gain of HK\$1,191 million for the Group. During the first half of the year, losses attributable to shareholders of SI Urban Development were HK\$148 million. Revenue from SI Development fell 73.5% to RMB579 million, while profits attributable to shareholders reached RMB684 million, representing a significant increase of 134.8% over the same period last year, arising from disposal gains for the disposal of a 51% interest of Lot E of the Qingpu District in Shanghai during the period.

The consumer products business grew steadily with net profits reaching HK\$483 million, making continued contributions to the Group's steady earnings and cash flow.

## CHAIRMAN'S STATEMENT

### Balancing sources of funds and optimizing capital structure

To balance the source of fund and to optimize its capital structure for the future development of the Group, a syndicated loan of HK\$4,000 million was completed during the period in addition to a re-financing arrangement for a shareholder's loan of RMB1,000 million for Shanghai Shen-Yu.

Apart from this, SI Urban Development completed a club loan of approximately USD300 million, and SI Environment raised SGD158 million through the placement of 1 billion new shares. In May 2014, SI Development announced the proposed issue of corporate bonds of not more than RMB3,000 million for a term of up to seven years. In conjunction with financial institutions, an investment fund was set up by SI Development and SIIC for future development through raising funds from the public.

### Steady development of toll roads business and pleasing growth for water services

Under the State policy to waive tolls for small passenger cars on major holidays, the Group has been able to enhance the service quality and toll collection efficiency of its three expressways in the first half of 2014. This resulted in better road safety and smooth traffic, in addition to an overall growth in traffic flows and revenues for the expressways. Net profit fell slightly, mainly due to a reduction of concessionary taxes for Hu-Ning Expressway. Looking forward, the Group will continue to seek opportunities to acquire favourable projects to further enhance profitability for its toll roads business.

For water services, the merger and acquisition projects for SI Environment, a company listed in Singapore, proceeded smoothly during the period, including the completion of the acquisition projects for the Qingpu Sewage Plant No. 2, Pucheng Thermal Power and Dazhou Jiajin. In June this year, SI Environment announced its acquisition of a 25.3125% interest of Longjiang Environmental for RMB405 million, in addition to an existing interest of 16.8% held by the Group bringing an aggregate 42.1125% of controlling interest in the company, which is one of the largest integrated operator of water supply and water discharge. The acquisition has reflected SI Environment's determination and ability to further expand its operation in order to enhance its quality of assets and overall profitability. Through mergers and acquisitions, the company has been able to expand its business and achieve a daily operating capacity of 4,145,000 tonnes, consolidating SI Environment position as a first-tier water service company in the country. Today, taking into account contributions from General Water of China, the Group's daily operating capacity has reached 9,654,000 tonnes.

To strengthen its financial position, SI Environment has made considerable efforts to explore new financing channels. Subsequent to the reporting period, the company successfully placed 1 billion new shares to various independent investors through top-up placements, raising SGD158 million in aggregate.

## CHAIRMAN'S STATEMENT

### Real estate resources effectively deployed and operational efficiency continues to enhance

For the first half of the year, SI Urban Development's main sales contribution was Urban Cradle in Shanghai, which accounted for a total gross floor area of 31,000 square meters. During the period, a plot of land with a site area of 43,000 square meters in Meilong Town, Minhang District, Shanghai, was acquired from the Shanghai municipal government for a consideration of RMB767 million for the development of small and medium residential properties. Occupying a site of 118,000 square meters, the Xinzhuang metro superstructure project officially started in June. Upon completion, the project will become a subway, railway and bus terminal exchange with a large commercial, office and hotel complex.

A club loan of approximately USD300 million was completed by SI Urban Development in July 2014 upon active negotiations with banks. Together with a shareholders' loan provided by the Company, SI Urban Development has arranged financing for repaying the high yield bond of USD400 million and also for future working capital, thus effectively reducing its financial costs.

In view of regulatory controls for the industry, SI Urban Development has continued to enhance operating and development efficiency, exercise strict cost controls, and revitalize its resources effectively to unfold the actual value of its projects.

During the first half of 2014, SI Development and the Company completed the disposal of their respective interest in lot E of the Qingpu District in Shanghai and realized a substantial gain for the Group. SI Development also purchased two land lots in Jiading Xincheng, Shanghai, with an aggregate area of 91,940.3 square meters, for a total consideration of approximately RMB1,066 million, and another land lot in Yuhang District, Hangzhou with an area of 75,000 square meters for RMB1,069 million. Both sites were acquired by means of tenders. Cooperative partners were introduced for the joint development of the respective projects. In addition, a platform company investing in the retirement sector was set up with joint capital from SI Development and SIIC Dongtan, a company under SIIC (our parent company), and SI Development holds 38% of its interest. Subsequent to the reporting period, the platform company entered into a contract with the government and obtained a land lot with a total area of 68,070.6 square meters located in the Demonstration Zone of Dongtan, Chongming Island.

During the period, SI Development announced a proposal for the issuance of corporate bonds of not more than RMB3,000 million for a term of up to seven years. An investment company with capital from SI Development, which holds a 51% interest, and a subsidiary of SIIC was set up to collaborate with financial institutions for the setting up of a "SIIC Shiyin Urban Development & Investment Fund Phase I" to raise funds from the public. The proceeds will be used to adjust the company's debt structure and will be used as general working capital to support the business development of the company.



## CHAIRMAN'S STATEMENT

### Optimizing market structure of consumer products and striving for technological enhancement

In the first half of 2014, Nanyang Tobacco has actively developed new projects and launched respective new products on the market, resulting in significant growth in sales volume for all major markets. Benefits arising from such growth were gradually seen. Alterations in tobacco production technology were carried out in an orderly manner to further enhance efficiency.

Wing Fat Printing remained affected by consumption restrictions in the high end wine market of China and exchange loss was recorded during the period, leading to a drop in profit. In June this year, Wing Fat Printing acquired a 100% equity interest of Shengli Medical from SIIC and an independent shareholder at RMB11.34 million, and entered into the pulp mould industry, creating a new source of earning growth.

### PROSPECTS

In the second half of 2014, it is expected that the global economic recovery will remain slow. Many uncertain factors in the mainland markets and government policies will continue to present challenges to the Group's business development. To overcome this, we will focus on our strategic goals, enhance our operations management, optimize corporate internal controls and allocate resources from a broader perspective. At the same time, leveraging on opportunities that arise from the reforms of the State-owned assets, we will further adjust and improve our business and asset structures at the right time to create the best value for our shareholders.

As for the infrastructure facilities business, the consolidation and mergers and acquisitions of the water services segment will continue to be implemented smoothly. The scale of investment will be expanded, and the rapid development of our business will be pursued by means of diversified financing channels. For the toll roads business, while maintaining operational efficiency, it will continue to maintain steady earnings growth. Looking ahead, through investments in new business areas, the Group will increase the scale of its assets in the clean energy segment such as photovoltaic power generation to create new sources of earnings growth.

The real estate business of the Company will further accelerate project development, improve gross profit margin and increase cash inflow; and it will continue to consolidate land resources effectively, revitalize the interests of existing projects whenever a good timing can be seized, and seek strategic partners and unfold the actual value of projects.

Nanyang Tobacco will persevere in optimization of its market structure, promote technological progress, increase the efficiency of procurement and utilization of raw materials and speed up the development of new products to strengthen its earning base and operational strengths. Wing Fat Printing will continue to meet business goals by strengthening marketing promotions, and upon the acquisition of a 100% equity interest in Shengli Medical, it will actively engage in the pulp mould business and seek a breakthrough from current business constraints.

## CHAIRMAN'S STATEMENT

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 contribution in the development of our business.

A square red seal impression containing a handwritten signature in black ink, likely the signature of Wang Wei.

**Wang Wei**  
*Chairman*

Hong Kong, 28 August 2014

## GROUP BUSINESS STRUCTURE

As at 28 August 2014

## 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 | 41.85%                      | SIIC Environment Holdings Ltd. (5GB SGX)                 |
|                | 45%                         | 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                     |
|             | 10%                         | Shanghai Feng Tao Property Company Limited                     |
|             | 10%                         | Shanghai Feng Shun Property Company Limited                    |

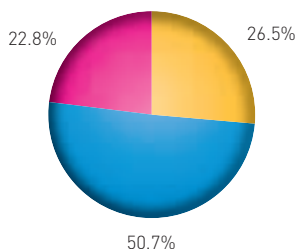
## Consumer Products

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

## BUSINESS REVIEW, DISCUSSION AND ANALYSIS

For the six months ended 30 June 2014, the Group recorded an unaudited profit attributable to shareholders of HK\$1,949 million, representing a 16.3% increase over the same period last year. Profits included considerable gains that arose from the disposal of lot E of the Qingpu District in Shanghai recorded during the period. Revenue amounted to HK\$7,635 million, representing a year-on-year decline of 13.1%. The Group's core business maintained stable growth and all of which have achieved their pre-determined goals.

### Profit contributions from the Group's core business



Infrastructure Facilities

Real Estate

Consumer Products

### INFRASTRUCTURE FACILITIES

In the first half of 2014, the infrastructure facilities business recorded net profits of HK\$560 million, representing an increase of 5.3% over the same period last year and accounting for 26.5% of the Group's Net Business Profit. During the period, the Group has continued to increase its investments in the water services and environmental business and rapidly expanded the scale of their operation, resulting in satisfactory increase in profits. The toll roads also continued to provide a stable contribution to the overall profitability of the Group.

## BUSINESS REVIEW, DISCUSSION AND ANALYSIS

### Toll roads

With the waiver of tolls for small passenger cars on major holidays, special arrangements have been made by the Group's three toll roads to ensure smooth road operation and to enhance the efficiency of toll collection. During the period, due to natural growth on the number of passenger cars, toll revenue and traffic flow maintained stable growth on the whole and key operating figures are as follows:

| Toll roads                            | Net profit from project company | Changes | Toll revenue    | Change | Traffic flow (vehicle journeys) | Change |
|---------------------------------------|---------------------------------|---------|-----------------|--------|---------------------------------|--------|
| Jing-Hu Expressway (Shanghai Section) | HK\$164 million                 | -0.8%   | HK\$311 million | +2.4%  | 20.30 million                   | +6.4%  |
| Hu-Kun Expressway (Shanghai Section)  | HK\$193 million                 | +1.6%   | HK\$468 million | +6.3%  | 22.71 million                   | +9.2%  |
| Hu-Yu Expressway (Shanghai Section)   | HK\$87.56 million               | +2.2%   | HK\$255 million | +8.2%  | 18.08 million                   | +8.8%  |

Jing-Hu Expressway (Shanghai Section) has enhanced its service quality and the efficiency of toll collectors by means of contests. During the first half of the year, a number of measures were taken to prevent traffic congestions, which effectively safeguarded the smooth operation of the toll collection areas during festivals, holidays and daily peak hours. Due to changes in the distribution of traffic flow of the expressway network after the Hu-Chang Expressway was in service as well as a smaller proportion of trucks using the expressway, a drop in the unit toll and a slowdown in the growth of toll revenue were recorded. For the second half of the year, preparation for the connection with Jiamin Elevated Expressway will be duly carried out. Net profit declined from the same period last year as the 50% tax reduction offer was removed from the company since the beginning of the year.

Toll revenue and traffic flow of the Hu-Kun Expressway (Shanghai Section) increased during the period. For Luqiao Development, special focus was made on the construction of key projects and arrangements for major festivals and holidays and grand conference periods during the first half of the year. Preventive and contingent measures were implemented to cope with smog and weather with cold current, resulting in an overall reduction of road congestions. The construction of the Dazheng port bridge jacking up project was progressing smoothly, and traffic was in good order during the construction period.

With the number of passenger cars rising every year and traffic congestion eliminated after the completion of the alteration work for the Jiasong toll station, steady growth of traffic flow and toll revenue were recorded for the Hu-Yu Expressway (Shanghai Section) for the first half of 2014. The aggregate traffic flow of Jiasong station alone during the period increased 37.54% on a year-on-year basis. With the help of holding contests, the overall quality of toll collectors was further improved. As at the end of June, the average traffic capacity for the Xujing main lane station at peak periods rose 4.02% over the same period last year.

## BUSINESS REVIEW, DISCUSSION AND ANALYSIS

### Water services

The Group has actively invested in environmental water services and new energy businesses to strengthen its infrastructure facilities business. Taking into account SI Environment and General Water of China, the average daily water supply and sewage capacity of the Group currently is close to 10 million tonnes.

#### SI Environment

SI Environment recorded a revenue of RMB680 million for the first half of 2014, representing a year-on-year growth of 41.3%; profit after tax was RMB130 million, which was a substantial increase of 60.9%, and the growth was mainly due to consolidation of the business results of several project companies, the acquisition of which had been completed in the first quarter of the year. These companies included Qingpu Sewage Plant No. 2 and also Dazhou Jiajin and Pucheng Thermal Power, which are mainly engaged in household waste treatment and waste incineration power generation. The growth in profit was also due to higher construction revenue and foreign exchange surplus recorded in the period.

In June this year, SI Environment announced its acquisition of a 25.3125% interest of Longjiang Environmental at a total consideration of RMB405 million. Prior to the acquisition, the Company held 16.8% of Longjiang Environmental through an entity under the Group. Longjiang Environmental is the largest integrated water supply and water discharge operator in Heilongjiang province, with a total planned daily water supply capacity of 830,000 tonnes, a planned daily sewage treatment capacity of 1.415 million tonnes and a daily sludge treatment capacity of 1,000 tonnes. This acquisition will represent a major progress in the investment layout plans of SI Environment's water assets in the northeast region, and the entire transaction will be completed during the year. Upon completion of the acquisition, the total daily sewage and waste treatment capacity of SI Environment will exceed 6 million tonnes and 3,100 tonnes respectively.

SI Environment continued to explore financing channels following the completion of the placement of 3.1 billion new shares last year, and subsequent to the date of this report, an aggregate of 1 billion new shares was successfully placed to various independent investors through top-up placements. The proceeds of the placement totaling approximately SGD158 million would be used for business expansion, repayment of loans and general working capital. Upon completion of the placement, the Group's interest in SI Environment will be diluted to 41.85%, while SI Environment will still be deemed as a subsidiary of the Company with its results consolidated in the accounts of the Company. In the future, SI Environment will continue to expand its business scale through internal growth and external mergers and acquisitions, strive to enhance its profitability and go with mergers and acquisitions for projects with good quality and/or with strategic significance, and continue to enhance the brand and brand awareness of the company.

## BUSINESS REVIEW, DISCUSSION AND ANALYSIS

### General Water of China

Business revenue of General Water of China for the period has maintained the same level as last year at HK\$800 million; net profit was HK\$41.73 million, a year-on-year increase of 13.1%. The overall strategies of the company for 2014 are to enlarge scale of expansion, improve the quality of assets, optimize its profit mode and raise profitability, and actively extend financing channels to enhance overall core competitiveness. During the period, General Water of China was named as the "Top Ten Most Influential Enterprises in China's Water Industry" for the eleventh year, ranking the third place.

In April 2014, General Water of China signed a supplemental agreement on quality enhancement and transformation for the franchise operation contract of the sewage treatment plant phase I project on the east of the river in Xiangtan. The daily capacity of the project is 100,000 cubic metres. The implementation of the project will raise the discharged water quality of the sewage treatment plant from State first class grade B standard to grade A standard, and the total investment of the project amounted to RMB57.68 million. During the period, the first "Build-Transfer" project of General Water of China – the main lane of the Zhubu port connection lane extension and alteration work of the Hu-Kun Expressway at Xiangtan Hetang Logistics Park was completed, and the road pavement work was carried out smoothly. In the first half of the year, the city third water purification plant and Wuhua Mountain reservoir projects in Suifenhe continued to progress.

Details of the water development projects of the Group as at 30 June 2014 are as follows:

| Province  | Projects of SI Environment | Project type  | Daily production capacity (tonnes) | Interests attributable to SI Environment | Project progress   |
|---|----------------------------|---|------------------------------------|--|--|
| <b>Sewage treatment projects/Reclaimed water treatment projects</b> |                            |   |                                    |  |  |
| 1   | Fujian                     | Sewage treatment plant BOT project in Longmen Town, Anxi, Quanzhou                | 25,000                             | 76.419%                                  | <ul style="list-style-type: none"> <li>Stage 1 of phase I project is in operation.</li> <li>Stage 2 of phase I project is yet to commence construction.</li> </ul> |
| 2   | Guangdong                  | Sewage treatment plant BOT project in Dalang, Dongguan                            | 100,000                            | 75.5%                                    | The project is in operation.   |
| 3   | Guangdong                  | Phase I and phase II of water treatment project in Meihu, Huizhou                 | 200,000                            | 76.419%                                  | The project is in operation.   |
| 4   | Guangdong                  | Sewage treatment projects in Longgang District, Shenzhen                          | 280,000                            | 76.419%                                  | The project is in operation.   |
| 5   | Guangdong                  | Water recycling plant project in Henggang, Shenzhen                               | 50,000                             | 76.419%                                  | <ul style="list-style-type: none"> <li>Phase I project is in operation.</li> <li>Phase II project is yet to commence operation.</li> </ul>                         |
| 6   | Guangdong                  | Sewage treatment plant project in Banxuegang, Shenzhen                            | 40,000                             | 76.419%                                  | The project is in operation.   |
| 7   | Guangdong                  | Sewage treatment plant project in Guanlan, Shenzhen                               | 260,000                            | 45.851%                                  | The project is in operation.   |
| 8   | Guangdong                  | Sewage treatment contingency works entrustment project in Guanlan River, Shenzhen | 400,000                            | 45.851%                                  | The project is in operation.   |

## BUSINESS REVIEW, DISCUSSION AND ANALYSIS

| Province | Projects of SI Environment (continued) | Project type   | Daily production capacity (tonnes) | Interests attributable to SI Environment | Project progress |  |
|----------|--|--|------------------------------------|--|------------------|--|
| 9        | Guangdong                              | Sewage treatment plant TOT project in Wuchuan, Zhanjiang   | Sewage treatment                   | 40,000                                   | 76.419%          | The project is in operation.   |
| 10       | Guangxi                                | City sewage treatment plant BOT project in Beiliu  | Sewage treatment                   | 40,000                                   | 75.5%            | The project is in operation.   |
| 11       | Henan                                  | Sewage treatment plant BOT project in Dongcheng District, Luohe                                    | Sewage treatment                   | 20,000                                   | 75.5%            | The project is in operation.   |
| 12       | Hubei                                  | Sewage treatment project in Cihu, Huangshi   | Sewage treatment                   | 125,000                                  | 100%             | 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                                  | Sewage treatment project in Qianchuan, Wuhan   | Sewage treatment                   | 30,000                                   | 100%             | The project is in operation.   |
| 15       | Hubei                                  | Sewage treatment project in Panlong, Wuhan   | Sewage treatment                   | 22,500                                   | 100%             | The project is in operation.   |
| 16       | Hubei                                  | Sewage treatment project in the Wuhan City Economic Zone   | Sewage treatment                   | 60,000                                   | 100%             | The project is in operation.   |
| 17       | Hunan                                  | Sewage treatment BOT project in Linwu, Chenzhou  | Sewage treatment                   | 10,000                                   | 15.284%          | The project is in operation.   |
| 18       | Hunan                                  | Sewage treatment project in Chenzhou   | Sewage treatment                   | 120,000                                  | 76.419%          | The project is in operation.   |
| 19       | Hunan                                  | Sewage treatment plant BOT project in Taohuajiang, Taojiang  | Sewage treatment                   | 20,000                                   | 75.5%            | The project is in operation.   |
| 20       | 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.   |
| 21       | Hunan                                  | Sewage treatment plant BOT project in northern Yiyang  | Sewage treatment                   | 40,000                                   | 75.5%            | The project is in operation.   |
| 22       | Jiangsu                                | Sewage treatment franchise and sewage treatment plant BOT project at Newport Park, Jingjiang       | Sewage treatment                   | 80,000                                   | 76.419%          | <ul style="list-style-type: none"> <li>Phase I project is in operation.</li> <li>Construction of phase II project is yet to commence.</li> </ul> |
| 23       | Jiangsu                                | Sewage treatment plant project in southern Shuyang   | Sewage treatment                   | 60,000                                   | 76.419%          | <ul style="list-style-type: none"> <li>Phase I project is in operation.</li> <li>Construction of phase II project is yet to commence.</li> </ul> |
| 24       | Jiangsu                                | Sewage treatment plant franchise project in Huangqiao, Taixing                                     | Sewage treatment                   | 50,000                                   | 76.419%          | <ul style="list-style-type: none"> <li>Phase I project is in operation.</li> <li>Construction of phase II project is yet to commence.</li> </ul> |
| 25       | Jiangsu                                | Sewage treatment plant BOT project at Environment Protection Industry Park, Yancheng               | Sewage treatment                   | 30,000                                   | 53.493%          | The project is yet to commence.  |
| 26       | Liaoning                               | Sewage treatment plant in Puwan New Area, Dalian   | Sewage treatment                   | 50,000                                   | 92.65%           | Stage 1 of phase I project is under construction.  |
| 27       | Shandong                               | Sewage treatment plant TOT project in Dezhou   | Sewage treatment                   | 100,000                                  | 75.5%            | The project is in operation.   |
| 28       | Shandong                               | Sewage treatment plant BOT project in western Weifang  | Sewage treatment                   | 40,000                                   | 75.5%            | The project is in operation.   |
| 29       | 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.   |



## BUSINESS REVIEW, DISCUSSION AND ANALYSIS

|                                    | Province | Projects of SI Environment (continued)                                   | Project type              | Daily production capacity (tonnes) | Interests attributable to SI Environment | Project progress  |
|------------------------------------|----------|--|---------------------------|------------------------------------|--|---|
| 30                                 | Shandong | Sewage treatment plant reclaimed water treatment project in Weifang      | Reclaimed water treatment | 35,000                             | 75.5%                                    | The project is in operation.  |
| 31                                 | Shandong | Sewage treatment plant TOT project in Weifang                            | Sewage treatment          | 300,000                            | 75.5%                                    | The planned daily treatment capacity of the sewage treatment plant currently in operation is 100,000 tonnes, while that of the sewage treatment plant being constructed is 200,000 tonnes. After completion of construction of the new plant, the existing plant will cease to operate. |
| 32                                 | Shandong | Sewage treatment plant franchise project in Shantung District, Zaozhuang | Sewage treatment          | 20,000                             | 75.5%                                    | The project is in operation.  |
| 33                                 | Shandong | Sewage treatment plant TOT+ BOT project in Yicheng District, Zaozhuang   | Sewage treatment          | 40,000                             | 75.5%                                    | The project is in operation.  |
| 34                                 | Shanghai | Sewage treatment plant No. 2 project in Qingpu                           | Sewage treatment          | 120,000                            | 100%                                     | The project is in operation.  |
| 35                                 | Zhejiang | Sewage treatment plant project in Tazhou                                 | Sewage treatment          | 12,500                             | 100%                                     | The project is in operation.  |
| <b>Total</b>                       |          |  |                           | <b>3,300,000</b>                   |  |   |
| <b>Water supply projects</b>       |          |  |                           |                                    |  |   |
| 1                                  | Hubei    | Water supply project in Tianmen  | Water supply              | 150,000                            | 100%                                     | The project is in operation.  |
| 2                                  | Hubei    | Water supply project in Xinnong, Tianmen                                 | Water supply              | N/A                                | 70%                                      | The project is in operation.  |
| 3                                  | Hubei    | Water supply project in Huangpi, Wuhan                                   | Water supply              | 260,000                            | 100%                                     | The project is in operation.  |
| 4                                  | Shandong | Water supply project in Hanting District, Weifang                        | Water supply              | 60,000                             | 26.183%                                  | The project is in operation.  |
| 5                                  | Shandong | Water supply project in Weifang  | Water supply              | 320,000                            | 51.34%                                   | The project is in operation.  |
| 6                                  | Shanxi   | Water supply project in Lvliang  | Water supply              | 55,000                             | 100%                                     | The project is in operation.  |
| <b>Total</b>                       |          |  |                           | <b>845,000</b>                     |  |   |
| <b>Waste incineration projects</b> |          |  |                           |                                    |  |   |
| 1                                  | Shanghai | Waste incineration thermal power generation BOT project in Pucheng       | Waste incineration        | 1,050                              | 50%                                      | The project is in operation.  |
| 2                                  | Siuchuen | Waste incineration power generation BOT project in Dazhou                | Waste incineration        | 1,050                              | 100%                                     | <ul style="list-style-type: none"> <li>Phase I project is in operation.</li> <li>Construction of phase II project is yet to commence.</li> </ul>  |
| 3                                  | Zhejiang | Waste incineration power generation BOT project in Wenling               | Waste incineration        | 1,100                              | 50%                                      | <ul style="list-style-type: none"> <li>Phase I project is in operation.</li> <li>Phase II project is in trial operation.</li> </ul>   |
| <b>Total</b>                       |          |  |                           | <b>3,200</b>                       |  |   |

## BUSINESS REVIEW, DISCUSSION AND ANALYSIS

| Province   | Projects of General Water of China | Project type  | Daily production capacity (tonnes) | Interests attributable to General Water of China | Project progress |   |
|--|------------------------------------|---|------------------------------------|--|------------------|---|
| <b>Sewage treatment projects</b>                       |                                    |   |                                    |  |                  |   |
| 1  | Anhui                              | Sewage treatment plant project No. 2, 3 and 4 in Bengbu               | Sewage treatment                   | 350,000  | 100%             | The project is in operation.  |
| 2  | Fujian                             | Sewage treatment project in Xiamen                                    | Sewage treatment                   | 834,000  | 55%              | The project is in operation.  |
| 3  | Guangdong                          | Sewage treatment plant project in Longhua, Shenzhen                   | Sewage treatment                   | 150,000  | 90%              | The project is in operation.  |
| 4  | Heilongjiang                       | City sewage treatment project in Suifenhe                             | Sewage treatment                   | 20,000   | 100%             | The project is in operation.  |
| 5  | Hunan                              | Sewage treatment project in river east of Xiangtan                    | Sewage treatment                   | 100,000  | 100%             | The project is in operation.  |
| 6  | Zhejiang                           | Sewage treatment project in the new district of eastern Huzhou        | Sewage treatment                   | 50,000   | 100%             | The project is in operation.  |
| 7  | Zhejiang                           | Sewage treatment project in eastern Wenzhou                           | Sewage treatment                   | 150,000  | 100%             | The project is in operation.  |
| 8  | Zhejiang                           | Sewage treatment project in central Wenzhou                           | Sewage treatment                   | 200,000  | 70%              | The project is in operation.  |
| <b>Total</b>   |                                    |   | <b>1,854,000</b>                   |  |                  |   |
| <b>Water supply projects/Water generating projects</b> |                                    |   |                                    |  |                  |   |
| 1  | Anhui                              | Water supply project in Bengbu  | Water supply                       | 430,000  | 60%              | The project is in operation.  |
| 2  | Fujian                             | Water generation project in Xiamen                                    | Water generating                   | 1,155,000  | 45%              | The project is in operation.  |
| 3  | Heilongjiang                       | Wuhua mountain reservoir project and water supply project in Suifenhe | Water supply                       | 195,000  | 100%             | <ul style="list-style-type: none"> <li>Phase I of the water supply project is in operation.</li> <li>The Wuhua mountain reservoir project commenced construction in 2010. The completion ceremony was held in December 2013</li> <li>The water supply project of the third water treatment plant started construction in 2011.</li> </ul> |
| 4  | Hubei                              | Water supply project in Xiangyang                                     | Water supply                       | 950,000  | 50%              | The project is in operation.  |
| 5  | Hunan                              | Water supply project in Xiangtan                                      | Water supply                       | 425,000  | 70%              | The project is in operation.  |
| 6  | Shaanxi                            | Water generation project in Xianyang                                  | Water generating                   | 300,000  | 100%             | The project is in trial operation.  |
| 7  | Zhejiang                           | Project on reservoir and water induction works in Tiger Lake, Huzhou  | Water supply                       | 200,000  | 100%             | The project is in operation.  |
| <b>Total</b>   |                                    |   | <b>3,655,000</b>                   |  |                  |   |

## BUSINESS REVIEW, DISCUSSION AND ANALYSIS

### NEW BUSINESS ARENA

The Company continued to expand its scale of investment in the environment industry. Since the acquisition of the 50MW photovoltaic power station project in Gaotai, Gansu and 100MW project in Jiayuguan by Galaxy Energy, a 85% subsidiary of our affiliate, Shanghai Galaxy last year, Galaxy Energy further acquired a 20MW photovoltaic project in the Gangcha County, Qinghai Province and a 30MW photovoltaic project in the Zhongwei City of Ningxia Hui Autonomous Region during the period. Total consideration for the equity interest transfers was RMB139.6 million plus liabilities totaling RMB400.8 million. The transactions were completed in May this year. The above acquisitions are in line with the Group's strategic directive of entering into the clean energy segment, and the projects have good development prospects and are able to bring more stable long term revenue for the Group.

### REAL ESTATE

As at the end of June 2014, the real estate business made a profit contribution of HK\$1,073 million to the Group, representing a year-on-year increase of 64.4% and accounting for 50.7% of the Group's Net Business Profit. The increase in profit was mainly due to the disposal by phases of an aggregate of 100% interest of the lot E of Qingpu District in Shanghai in November last year and January this year, following respective agreements entered into between the Group and its A-share listed subsidiary, SI Development and Shanghai City Land Group and its subsidiary. The total consideration of the transactions was RMB1,676 million. The respective transactions were completed in the first quarter of the year, resulting in a profit after tax of HK\$1,191 million for the Group. The transactions have been able to unfold the profit and cash flow of the project, speed up the realization of returns and obtain extra working capital to be used for acquisitions for the core business of the Group.

#### SI Urban Development

SI Urban Development recorded a revenue of HK\$3,167 million for the period, representing an increase of 6.8% over the same period last year. Profit after tax for the period was HK\$16.81 million; losses attributable to shareholders for the period were HK\$148 million compared to profits attributable to shareholders of HK\$482 million recorded in the same period last year. It was mainly due to a one-time gain from the disposal of interest in the U Center project recorded in the same period last year. During the period, properties delivered mainly included Urban Cradle in Shanghai, which accounted for a total gross floor area of 31,000 square metres. In the first half of 2014, rental income was approximately HK\$134 million. The amount of contracted sales reached RMB2,520 million, accounting for a total gross floor area of 165,000 square metres, arising from such projects as Urban Cradle and Jing City in Shanghai, Top City in Chongqing and Laochengxiang in Tianjin, etc.

In April 2014, SI Urban Development reached an agreement with the Shanghai municipal government for the purchase of a plot of land in Meilong Town, Minhang District, Shanghai. With a site area of 43,000 square metres at RMB767 million, the site will be developed into a small and medium residential project with a total gross floor area (including underground site area) of 153,000 square metres. In addition, construction commenced in the Xinzhuang metro superstructure project in which SI Urban Development has participated. The project has been planned for years and occupies a site area of 118,000 square metres. On completion, the site will be built into a subway, railway and bus terminal exchange with a large commercial, office and hotel complex.

## BUSINESS REVIEW, DISCUSSION AND ANALYSIS

At the end of last year, SI Urban Development sold a 55% interest in the Aroma Town project in Chongqing at RMB134.75 million and recorded a cash inflow of approximately RMB154 million for the period under review. Subsequent to the date of this report, SI Urban Development successfully repaid the US dollar senior notes by a club loan and shareholder's loans, which will largely reduce subsequent finance costs for the company. In the future, SI Urban Development will continue to consolidate its land resources, unfold the potential value of its projects at the right time, and focus its resources on projects with high returns in the Yangtze River Delta region and coastal major cities.

### SI Development

Benefitting from disposal gains recorded from the disposal of its 51% interest in lot E of the Qingpu District, Shanghai, in the first half of 2014, SI Development achieved a total profit of RMB684 million, representing a year-on-year increase of 134.8%. The transaction has yielded considerable investment return for the company and effectively strengthened its cash flow, and this will be beneficial for its sustainable development. Revenue for the period was RMB579 million, representing a decrease of 73.5%. The contracted amount of real estate projects for the first half year was RMB820 million, which included Hi-Shanghai in Chengdu, Shanghai Bay in Qingpu District, Shanghai, Flos Granati in Jinshan, Shanghai and Rhine Town in Tianjin, etc., accounting for a gross floor area of 61,000 square metres. Rental income for the period was HK\$110 million.

In January 2014, SI Development successfully bid Lot G05-6 of a land plot located at Jiading Xincheng in Shanghai at a consideration of RMB264 million. With a total site area of 32,990.9 square metres and a plot ratio of 1.6, the site is earmarked for commercial-residential-office purposes. In May, the company brought in cooperative partners for additional capital for the joint development of the project. With the increased capital, SI Development now holds a 37.5% interest in the project. Introduction of additional investors will facilitate the subsequent development of the project and further optimize cash flow for the company. In the same month, SI Development and another cooperative partner obtained a plot of land in Yuhang District, Hangzhou at a minimum tender price of RMB1,069 million. Occupying a site area of 74,864 square metres and with a plot ratio of 1.6 to 2.3, the site is earmarked for commercial-residential use. SI Development holds a 51% interest of the project. Subsequent to the date of this report, SI Development further bid Lot F04-2 of a land plot at Jiading Xincheng in Shanghai at a price of RMB802 million for commercial-residential-office purposes. The total site area is 58,949.4 square metres, with a plot ratio of 2.0.

In May this year, SI Development announced the proposed issue of corporate bonds of not more than RMB3,000 million with a term of up to seven years. This will enhance its debt structure and general working capital for the future business development of the company. During the period, in order to achieve expansion of the real estate business to the financial sector chain, the company and a subsidiary of our parent company, SIIC, jointly contributed capital and set up an investment company, in which SI Development holds 51% interest. The new company will contribute capital and collaborate with financial institutions to set up the "SIIC Shiyin Urban Development & Investment Fund Phase 1". Leveraged with the resource advantages of these financial institutions, the Fund aims to raise funds from the public, where the size of the first tranche of funds to be raised will be RMB2,500 million.

## BUSINESS REVIEW, DISCUSSION AND ANALYSIS

In May this year, SI Development and SIIC Dongtan, a company under SIIC, jointly contributed capital and set up a platform company investing in the retirement sector in the Shanghai Free Trade Zone, in which SI Development holds a 38% interest, in order to enter the retirement sector to invest in new real estate development arena, creating new sources of earnings growth and laying a good foundation for the future development of the company. Subsequent to the date of this report, the platform company entered into a land grant contract with the government, and obtained a land lot with a total area of 68,070.6 square metres located in the Demonstration Zone in Dongtan of the Chongming Island. At the end of June this year, SI Development contributed a capital of RMB100 million to set up a joint venture company in the Hongkou District in Shanghai as a strategic investment platform in the district, which will bring in cooperation partners and carry out financing and investment. This marked the official commencement of the substantive participation of the company in the old city district alteration and complex development in the Hongkou District.

Set out below is a summary of the main property developments of the Group as at 30 June 2014:

### 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%   | 908,950                               | 1,136,468                         | 24,491   | 651,788                        | 2007 to 2015, in phases |
| 2 | Songjiang District, Shanghai | Shanghai Youth City (上海青年城)      | Commercial and office      | 100%  | 57,944                                | 212,130                           | 304  | 137,454                        | Completed               |
| 3 | Minhang District, Shanghai   | Shanghai Jing City (上海晶城)        | Residential and commercial | 59%   | 301,908                               | 772,885                           | 82,459   | 405,694                        | 2012 to 2017, in phases |
| 4 | Minhang District, Shanghai   | Jingjie Yuan (晶杰苑)               | Residential and commercial | 59%   | 49,764                                | 125,143                           | -  | 95,594                         | Completed               |
| 5 | Chaoyang District, Beijing   | American Rock (後現代城)             | Residential and commercial | 100%  | 121,499                               | 523,833                           | 495  | 449,851                        | Completed               |
| 6 | Chaoyang District, Beijing   | Youngman Point (青年匯)             | Residential and commercial | 100%  | 112,700                               | 348,664                           | 5,781  | 246,662                        | 2007 to 2016, in phases |
| 7 | Haidian District, Beijing    | West Diaoyutai (西釣魚台嘉園)          | Residential                | 90%   | 42,541                                | 250,930                           | 174  | 170,434                        | 2007 to 2015, in phases |

## BUSINESS REVIEW, DISCUSSION AND ANALYSIS

| 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<br>Laochengxiang (老城廂)                            | Residential, commercial and office               | 100%  | 244,252                               | 752,883                           | 5,378  | 543,894                        | 2006 to 2017, in phases |
| 9                | Jiucun Village, Yixingfu, Tianjin<br>Beichen (北辰)                          | Residential, commercial and hotel                | 40%   | 1,115,477                             | 2,042,750                         | -  | 88,748                         | 2015 to 2018, in phases |
| 10               | Huaqiao Town, Kunshan<br>Yooouu.net (游站)                                   | Commercial and office                            | 30.7%   | 34,223                                | 129,498                           | 1,125  | 55,214                         | Completed               |
| 11               | Zhoushi Town, Kunshan<br>Royal Villa (瓊城帝景園)                               | Residential                                      | 53.1%   | 205,017                               | 267,701                           | 6,598  | 132,089                        | 2007 to 2017, in phases |
| 12               | Binghu District, Wuxi<br>Urban Development International Center (上海中心城開國際) | Commercial, hotel, office and serviced apartment | 59%   | 24,041                                | 193,368                           | -  | 10,530                         | Completed               |
| 13               | Xi'an Chanba Ecotope<br>CBE International Peninsula (澄灘半島)                 | Residential, commercial and hotel                | 71.5%   | 2,101,967                             | 3,899,867                         | 14,478   | 1,724,521                      | 2008 to 2017, in phases |
| 14               | Jiulongpo District, Chongqing<br>Top City (城上城)                            | Residential, commercial, and office              | 100%  | 120,014                               | 785,225                           | 22,197   | 340,861                        | 2008 to 2015, in phases |
| 15               | Heping District, Shenyang<br>Shenyang U Centre (瀋陽城開中心)                    | Commercial, office and serviced apartment        | 80%   | 22,651                                | 228,768                           | -  | -                              | 2015 to 2017, in phases |
| 16               | Yuhua District, Changsha<br>Toscana (托斯卡納)                                 | Residential and commercial                       | 32.5%   | 180,541                               | 210,980                           | -  | 186,492                        | Completed               |
| 17               | Wangcheng District, Changsha<br>Forest Sea (森林海)                           | Residential and commercial                       | 67%   | 679,620                               | 907,194                           | 1,022  | 234,137                        | 2007 to 2017, in phases |
| 18               | Futian District, Shenzhen<br>China Phoenix Tower (中國鳳凰大廈)                  | Residential, commercial and office               | 91%   | 11,038                                | 106,190                           | -  | 78,343                         | Completed               |
| <b>Sub-total</b> |  |  |   | <b>6,334,147</b>                      | <b>12,894,477</b>                 |  |                                |                         |

## BUSINESS REVIEW, DISCUSSION AND ANALYSIS

| 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                | Xiqing District, Tianjin<br>Rhine Town (萊茵小鎮)   | Residential and commercial | 100%                                    | 375,961                               | 529,971                           | 5,269  | 426,104                        | Completed               |
| 2                | Shilaoren National Tourist Resort, Qingdao<br>Qingdao International Beer City (青島國際啤酒城) | Composite                  | 60.46%                                  | 227,675                               | 760,000                           | -  | -                              | 2014 to 2018, in phases |
| 3                | Qingpu District, Shanghai<br>Belle Rive (海源別墅)  | Villa                      | 51%                                     | 315,073                               | 51,911                            | -  | 11,963                         | 2014 to 2016, in phases |
| 4                | Qingpu District, Shanghai<br>Shanghai Bay (上海上實•海上灣)                                    | Residential                | 51%                                     | 808,572                               | 454,880                           | 8,157  | 58,243                         | 2011 to 2017, in phases |
| 5                | Qingpu District, Shanghai<br>Shanghai Lot D1  | Residential                | 51%                                     | 162,708                               | 63,859                            | 393  | -                              | 2017                    |
| 6                | Qingpu District, Shanghai<br>Shanghai Lot D2  | Residential and commercial | 51%                                     | 349,168                               | 207,612                           | -  | -                              | 2017                    |
| 7                | Jinshan District, Shanghai<br>Flos Granati (海上納蝶)                                       | Residential                | 100%                                    | 135,144                               | 214,143                           | 9,312  | 29,791                         | 2013 to 2014, in phases |
| 8                | Wuxing District, Huzhou<br>Shanghai Bay (海上灣)<br>(FKA: SIIC Hujin Garden 上實湖峻花園)        | Residential                | 100%                                    | 85,555                                | 96,086                            | -  | -                              | 2014                    |
| 9                | Wuxing District, Huzhou<br>SIIC Garden Hotel (上實花園酒店)                                   | Hotel and commercial       | 100%                                    | 116,458                               | 48,000                            | -  | -                              | 2016                    |
| 10               | Wuxing District, Huzhou<br>Hunun Commercial Plaza, Phase 1 (湖濱商務廣場(一期))                 | Commercial                 | 100%                                    | 13,661                                | 27,322                            | -  | -                              | 2015                    |
| 11               | Xiaguan Town, Dali<br>Sea Melody (洱海莊園)   | Residential and commercial | 75%                                     | 292,123                               | 348,870                           | 4,062  | 273,897                        | Completed               |
| 12               | Chenghua District, Chengdu<br>Hi-Shanghai (上實•海上海)                                      | Residential                | 50.4%                                   | 61,506                                | 254,886                           | 18,735   | -                              | 2014 to 2015, in phases |
| 13               | Fengze District, Quanzhou<br>SIIC Haishanghai (上實•海上海)                                  | Commercial and residential | 49%                                     | 381,795                               | 1,615,395                         | -  | -                              | 2017 to 2021, in phases |
| <b>Sub-total</b> |   |                            |   | <b>3,325,399<sup>1</sup></b>          | <b>4,672,935<sup>1</sup></b>      |  |                                |                         |

## BUSINESS REVIEW, DISCUSSION AND ANALYSIS

| 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 | Belle Rive (海源別墅)       | 49%                                | 315,073                               | 51,911                            | -  | 11,963                         | 2014 to 2016, in phases |
| 2                | Qingpu District, Shanghai | Shanghai Bay (上海上實·海上灣) | 49%                                | 808,572                               | 454,880                           | 8,157  | 58,243                         | 2011 to 2017, in phases |
| 3                | Qingpu District, Shanghai | Shanghai Lot D1         | 49%                                | 162,708                               | 63,859                            | 393  | -                              | 2017                    |
| 4                | Qingpu District, Shanghai | Shanghai Lot D2         | 49%                                | 349,168                               | 207,612                           | -  | -                              | 2017                    |
| <b>Sub-total</b> |                           |                         |                                    | <b>1,635,521<sup>1</sup></b>          | <b>778,262<sup>1</sup></b>        |  |                                |                         |
| <b>Total</b>     |                           |                         |                                    | <b>11,295,067<sup>1</sup></b>         | <b>18,345,674<sup>1</sup></b>     |  |                                |                         |

## 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 completion date |                         |
|------------------|---|--|---|---------------------------------------|-----------------------------------|-------------------------------------|-------------------------|
| 1                | Xuhui Binjiang District, Shanghai                   | Binjiang (濱江)                                    | Mixed use   | 35.4%                                 | 77,371                            | 404,600                             | Under planning          |
| 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 (莘莊地鐵上蓋項目) | Residential, commercial, hotel, office and apartment (office) | 20.7%                                 | 117,825                           | 605,000                             | 2018 to 2022, in phases |
| 4                | Yanjiao Economic and Technological Development Zone | Yanjiao (燕郊)                                     | Commercial, residential, hotel and office                     | 100%                                  | 333,333                           | 666,600                             | 2015 to 2018, in phases |
| 5                | Tangjia High-tech Zone, Zhuhai                      | Qi'ao Island (淇澳島)                               | Residential, commercial and hotel                             | 100%                                  | 2,215,516                         | 1,090,000                           | Under planning          |
| <b>Sub-total</b> |   |  |   |                                       | <b>2,809,772</b>                  | <b>3,154,325</b>                    |                         |



## BUSINESS REVIEW, DISCUSSION AND ANALYSIS

|                  | 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 completion date |
|------------------|----------------------------|----------------------------|----------------------------|---|---------------------------------------|-----------------------------------|-------------------------------------|
| 1                | Jiading District, Shanghai | Jiading Xincheng Lot G05-6 | Residential and commercial | 37.5%                                   | 32,991                                | 79,502                            | 2016                                |
| 2                | Yuhang District, Hangzhou  | Gudun Road project         | Residential and commercial | 51%                                     | 74,864                                | 162,437                           | 2018                                |
| <b>Sub-total</b> |                            |                            |                            |   | <b>107,855</b>                        | <b>241,939</b>                    |                                     |

|                  | City                      | Projects of the Company | Type of property | Interest attributable to the Group | Approximate site area (square meters) | Planned total GFA (square meters) | Anticipated project completion date |
|------------------|---------------------------|-------------------------|------------------|------------------------------------|---------------------------------------|-----------------------------------|-------------------------------------|
| 1                | Qingpu District, Shanghai | Shanghai Lot F          | Villa            | 10%                                | 350,533                               | 175,267                           | Under planning                      |
| 2                | Qingpu District, Shanghai | Shanghai Lot G          | Villa            | 10%                                | 401,274                               | 200,637                           | Under planning                      |
| <b>Sub-total</b> |                           |                         |                  |                                    | <b>751,807</b>                        | <b>375,904</b>                    |                                     |
| <b>Total</b>     |                           |                         |                  |                                    | <b>3,669,434</b>                      | <b>3,772,168</b>                  |                                     |

## Major Investment Properties

|                  | City                          | Projects of SI Urban Development               | Type of property                   | Interest attributable to SI Urban Development | Total GFA for investment properties (square meters) |
|------------------|-------------------------------|--|------------------------------------|---|---|
| 1                | Nankai District, Tianjin      | Laochengxiang (老城廂)                            | Residential, commercial and office | 100%  | 4,092 <sup>2</sup>                                  |
| 2                | Songjiang District, Shanghai  | Shanghai Youth City (上海青年城)                    | Commercial                         | 100%  | 16,349 <sup>2</sup>                                 |
| 3                | Jiulongpo District, Chongqing | Top City (城上城)                                 | Commercial and car park spaces     | 100%  | 251,847 <sup>2</sup>                                |
| 4                | Futian District, Shenzhen     | China Phoenix Tower (中國鳳凰大廈)                   | Office                             | 91%   | 1,048 <sup>2</sup>                                  |
| 5                | Xuhui District, Shanghai      | Urban Development International Tower (城開國際大廈) | Office                             | 59%   | 45,239  |
| 6                | Xuhui District, Shanghai      | Huimin Commercial Tower (匯民商廈)                 | Commercial                         | 59%   | 13,839  |
| 7                | Shanghai                      | Others   | Commercial and office              | 59%   | 9,249   |
| <b>Sub-total</b> |                               |  |                                    |   | <b>341,663</b>                                      |

## BUSINESS REVIEW, DISCUSSION AND ANALYSIS

|                  | City                                   | Projects of SI Development                                    | Type of property      | Interest attributable to SI Development | Total GFA for investment properties (square meters) |
|------------------|--|---|-----------------------|---|---|
| 1                | Xuhui District, Shanghai               | Shanghai Industrial Investment Building<br>(上海實業大廈)           | Commercial and office | 100%<br><br>32%                         | 10,089<br><br>50,591<br>(carpark included)          |
| 2                | Huangpu District, Shanghai             | Golden Bell Plaza<br>(金鐘廣場)                                   | Commercial and office | 100%<br><br>90%                         | 12,270<br><br>49,006<br>(carpark included)          |
| 3                | Yangpu District, Shanghai              | Hi-Shanghai Commercial and Cultural Complex<br>(海上海商業用房及文化設施) | Composite             | 100%                                    | 44,027<br>(carpark included)                        |
| 4                | Pudong New District, Shanghai          | No. 1111, Shangchuan Road<br>(上川路1111號)                       | Industrial building   | 100%                                    | 40,208  |
| 5                | Hongkou District, Shanghai             | Gao Yang Commercial Centre<br>(高陽商務中心)                        | Commercial and office | 100%                                    | 26,668  |
| 6                | Hongkou District, Shanghai             | Gao Yang Hotel<br>(高陽賓館)                                      | Hotel                 | 100%                                    | 3,847   |
| 7                | Huangpu District, Shanghai             | Commercial Units of Huangpu Estate<br>(黃浦新苑商鋪)                | Commercial            | 100%                                    | 20,918<br>(carpark included)                        |
| 8                | Changning District, Shanghai           | Super Ocean Finance Center<br>(仲盛金融中心)                        | Commercial and office | 100%                                    | 2,321   |
| 9                | Economic and Development Zone, Qingdao | Dali Plaza<br>(達利廣場)  | Commercial            | 76%                                     | 21,495  |
| <b>Sub-total</b> |  |   |                       |   | <b>281,440</b>                                      |
| <b>Total</b>     |  |   |                       |   | <b>633,307</b>                                      |

## Notes:

1. There are duplicate figures in the GPA of Belle Rive, Shanghai Bay, Shanghai Lot D1 and Shanghai Lot 2.
2. Such total GFAs are duplicate figures, which have been included in the Major Investments Properties table.

## BUSINESS REVIEW, DISCUSSION AND ANALYSIS

### CONSUMER PRODUCTS

The consumer products business of the Group recorded a profit of HK\$483 million for the first half of 2014, representing a decrease of 11.3% over the same period last year and accounting for 22.8% of the Group's Net Business Profit. The business segment continued to provide steady earnings and cash flow for the Group.

#### Tobacco

Nanyang Tobacco persisted its strategies of "optimizing market structure, promoting technological progress, enhancing team quality, achieving sustainable and stable development" for 2014 through active implementation of different projects. During the period, various business indicators continued to maintain satisfactory growth, meeting sales targets for the entire year. As at the end of June, Nanyang Tobacco realized a revenue of HK\$1,554 million, representing an increase of 10.5% over the same period last year; profit after tax was HK\$449 million, a year-on-year increase of 6.6%.

Sales of tobacco for the period rose 5.8%. The increases in sales in all major markets were satisfactory with the successive launching of new products. The tobacco production line technological alteration projects were carried out step by step, and put into operation successively. Along with continuous rises in raw material prices, the price for tobacco has recorded the largest increases for many years. The company is working hard to optimize tobacco leaf sourcing plans and strictly follow the quality management of redrying process, which aims at selecting good quality while enhancing the usable value of tobacco leaf, thus effectively enhances cost effectiveness.

#### Printing

Wing Fat Printing recorded a revenue of HK\$511 million for the first half of 2014, representing an increase of 11.6% over the same period last year, of which revenue from printing and packaging business increased 19% and paper trading business decreased 48%. Business structure was adjusted and optimized, resulting in an increase in gross profit and gross profit margins. Net profit for the period was HK\$37.66 million, a decrease of 72.1% year-on-year. The decrease in profit was mainly due to large exceptional gains on the disposal of an affiliate in the same period last year as well as losses recorded in foreign exchange for the period.

In June this year, Wing Fat Printing acquired a total of 100% interest of Shengli Medical from a subsidiary of SIIC and an independent third party for a consideration of RMB11.34 million. Shengli Medical has been engaged in pulp mould production business since 2008 and has good pulp mould skills and techniques with good machinery and equipment and the capability of producing high end pulp mould products. The acquisition will facilitate Wing Fat Printing's entry into the pulp mould industry, achieving breakthroughs from existing business constraints and creating new sources of business.

## FINANCIAL REVIEW

## KEY FIGURES

|  | 2014<br>Unaudited<br>Six months ended 30 June | 2013 | Change<br>% |
|--|---|------|-------------|
|--|---|------|-------------|

## Results

|   |                  |           |       |
|---|------------------|-----------|-------|
| Revenue (HK\$'000)                                      | <b>7,635,461</b> | 8,788,784 | -13.1 |
| Profit attributable to owners of the Company (HK\$'000) | <b>1,948,516</b> | 1,675,399 | 16.3  |
| Earnings per share – basic (HK\$)                       | <b>1.800</b>     | 1.550     | 16.1  |
| Dividend per share – interim (HK cents)                 | <b>45</b>        | 42        | 7.1   |
| Dividend payout ratio                                   | <b>25.0%</b>     | 27.1%     |       |
| Interest cover (note(a))                                | <b>7.6 times</b> | 7.7 times |       |

|  | Unaudited<br>30 June | Audited<br>31 December | % |
|--|----------------------|------------------------|---|
|--|----------------------|------------------------|---|

## Financial Position

|   |                      |               |      |
|---|----------------------|---------------|------|
| Total assets (HK\$'000)                                 | <b>119,155,212</b>   | 122,410,025   | -2.7 |
| Equity attributable to owners of the Company (HK\$'000) | <b>35,557,037</b>    | 34,946,024    | 1.7  |
| Net assets per share (HK\$)                             | <b>32.84</b>         | 32.28         | 1.7  |
| Net debt ratio (note(b))                                | <b>35.59%</b>        | 30.82%        |      |
| Gearing ratio (note(c))                                 | <b>41.56%</b>        | 41.92%        |      |
| Number of shares in issue (shares)                      | <b>1,082,761,600</b> | 1,082,751,600 |      |

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

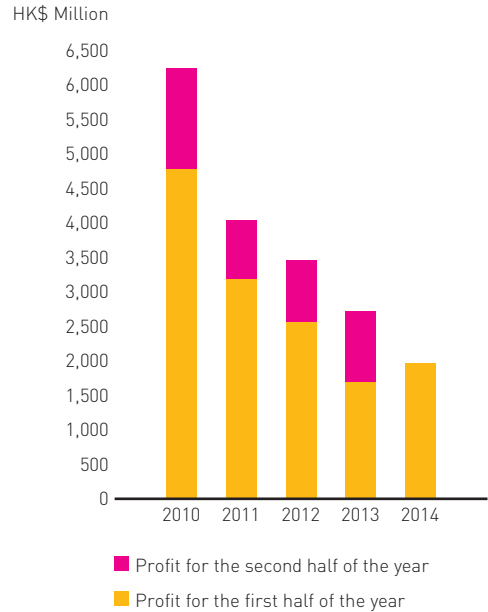
Note (c): interest-bearing loans / (equity attributable to owners of the Company + non-controlling interests + interest-bearing loans)

## FINANCIAL REVIEW

## I ANALYSIS OF FINANCIAL RESULTS

## 1 Profit attributable to owners of the Company

For the six months ended 30 June 2014, the Group recorded a profit attributable to owners of the Company of HK\$1,948.52 million, an increase of HK\$273.12 million or approximately 16.3%, which is mainly due to a gain of HK\$1,190.98 million from the disposal of Lot E of Qingpu District, Shanghai during the first half of this year.

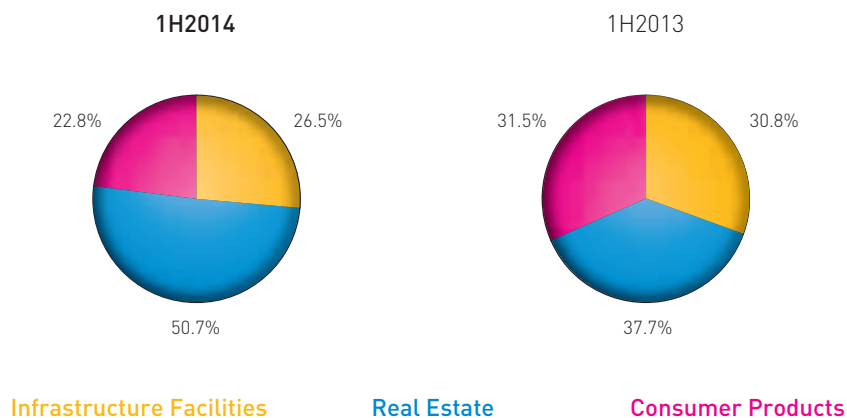


## 2 Profit Contribution from Each Business

The profit contributed by each business in the Group during the first half of 2014 and the comparative figures of the corresponding period last year was summarized as follows:

|                           | 2014<br>Unaudited<br>Six months ended 30 June<br>HK\$'000 | 2013<br>HK\$'000 | Change<br>% |
|---------------------------|---|------------------|-------------|
| Infrastructure Facilities | 560,404   | 532,331          | 5.3         |
| Real Estate               | 1,073,205   | 652,732          | 64.4        |
| Consumer Products         | 482,713   | 544,080          | -11.3       |
|                           | <b>2,116,322</b>  | 1,729,143        | 22.4        |

## FINANCIAL REVIEW



Net profit from the infrastructure facilities business for the period was approximately HK\$560.40 million, accounting for 26.5% of Net Business Profit, representing a year-on-year increase of 5.3%. Net profit from the three expressways was approximately HK\$445.16 million, representing a slight year-on-year increase of approximately HK\$3.79 million. Although the traffic flow of the three expressways recorded natural growth ranging from 6.4%-9.2%, the rise in net profit of expressway business was offset by the absence of Hu-Ning Expressway's 50% reduction tax relief starting from this year. As for water services business, SI Environment's results grow substantially due to the completion of the new project acquisition which provided profit contribution and benefited from foreign exchange gain in the period. In addition, the shareholding in General Water of China was diluted from 47.5% to 45%, a diluted gain of HK\$15.76 million was booked, driving the growth in the profit of the water services business.

Real estate business recorded a profit of approximately HK\$1,073.21 million, accounting for 50.7% of Net Business Profit, representing an increase of approximately HK\$420.47 million as compared to the same period of 2013. The increase was mainly due to the disposal of all interests in Lot E of Qingpu District, Shanghai and its attributable profit after tax was HK\$1,190.98 million. While for the same period last year, there was a disposal gain of HK\$515.68 million from the disposal of interest in land parcel, representing 25% equity interest in the U Center project.

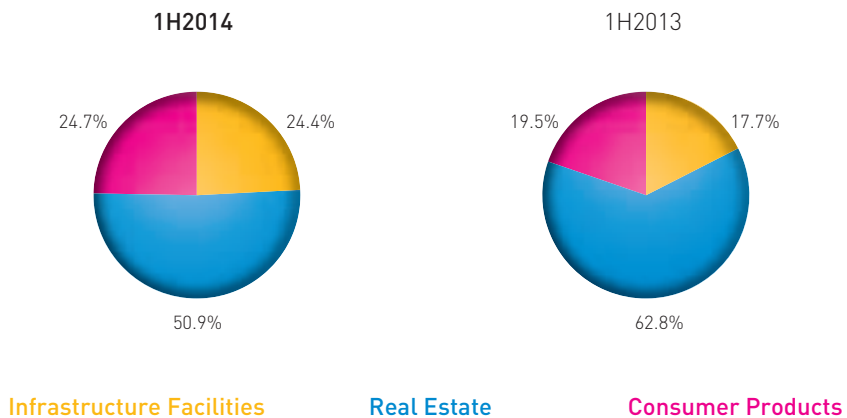
The consumer products business recorded a net profit of HK\$482.71 million, accounting for 22.8% of Net Business Profit. Net profit decreased year-on-year, mainly due to the attributable profit of approximately HK\$82.21 million from the disposal of 30% interest in Zhejiang Tianwai was booked by Wing Fat Printing in the first half of last year and also a foreign exchange loss recorded due to depreciation of Renminbi during the period. The business of Nanyang Tobacco remained stable, the net sales increased by 10.5% during the period.

## FINANCIAL REVIEW

## 3 Revenue

The Group's revenue by principal activities for the first half of 2014 and the comparatives of the same period last year was summarized as follows:

|                           | 2014<br>Unaudited<br>Six months ended 30 June<br>HK\$'000 | 2013<br>HK\$'000 | Change<br>%  |
|---------------------------|---|------------------|--------------|
| Infrastructure Facilities | 1,867,292   | 1,561,069        | 19.6         |
| Real Estate               | 3,884,176   | 5,516,468        | -29.6        |
| Consumer Products         | 1,883,993   | 1,711,247        | 10.1         |
|                           | <b>7,635,461</b>  | <b>8,788,784</b> | <b>-13.1</b> |



In the first half of 2014, the revenue amounted to approximately HK\$7,635.46 million, representing a year-on-year decrease of 13.1%, mainly due to a decrease of approximately HK\$1,833.65 million in the SI Development's property sales booked as compared to the same period last year. However, the decrease was partially offset by the increase in the revenue of infrastructure facilities and consumer products businesses.

The year-on-year increase in revenue of infrastructure facilities business was mainly attributable to the natural growth in the toll income from three expressways, and also SI Environment started consolidating the sales of Qingpu Sewage Plant No. 2 upon completion of the acquisition and the increase in construction income.

## FINANCIAL REVIEW

The real estate business recorded a decrease of revenue due to a decrease of approximately HK\$1,833.65 million in the SI Development's property sales booked compared to the same period last year. However, the decrease was partially offset by an increase of approximately 6.8% in SI Urban Development's sales booked during the period.

As for the revenue from consumer products business, Nanyang Tobacco maintained a stable growth with an increase of approximately 10.5% in the net sales of cigarettes during the period, while Wing Fat Printing completed the acquisition of Shengli Medical which is engaged in paper molds production business and consolidated its sales, resulting in a 10.1% year-on-year increase of revenue from consumer products business.

### 4 Profit before Taxation

#### (1) Gross profit margin

Gross profit margin for the period was 38.4%, same as the gross profit margin for the same period last year. The gross profit margin of infrastructure facilities business dropped by approximately 5.1 percentage points as construction income with a lower gross profit margin had a higher proportion in revenue. While the gross profit margin for real estate business increased as a higher proportion of property sales booked are those with higher gross profit margin. The two impacts were offset, causing the gross profit margin for the first half of 2014 to remain the same as in the same period in 2013.

#### (2) Other income

Other income for the period decreased as compared to the same period last year mainly due to a foreign exchange loss recorded given the depreciation of Renminbi during the period.

#### (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 same period last year and recorded a pre-tax gain of HK\$819.13 million. There was no gain of similar nature during the period.

#### (4) Net gain on disposal / deemed partial disposal of interests in other subsidiaries, a joint venture and an associate

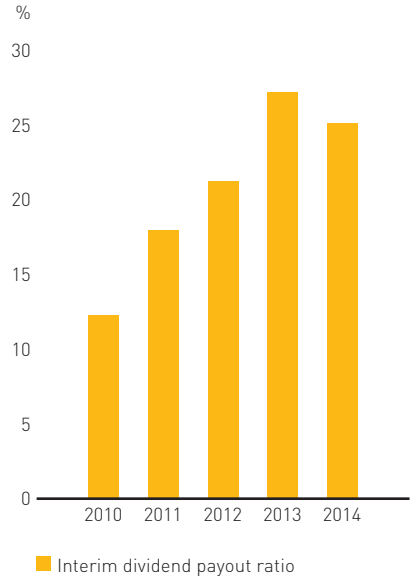
During the period, the net gain was mainly the profit derived from the dilution of shareholding in General Water of China from 47.5% to 45%, a profit of HK\$15.76 million was recorded, while the net gain for the same period last year, was mainly the pre-tax profit of HK\$103.34 million from the disposal of 30% interest in Zhejiang Tianwai.



## FINANCIAL REVIEW

## 5 Dividend

The Board of Directors of the Group has resolved to declare an interim dividend of HK45 cents, an increase of approximately 7.1% as compared with 2013 interim of HK42 cents per share, and interim dividend payout ratio is 25.0% (2013 interim: 27.1%).

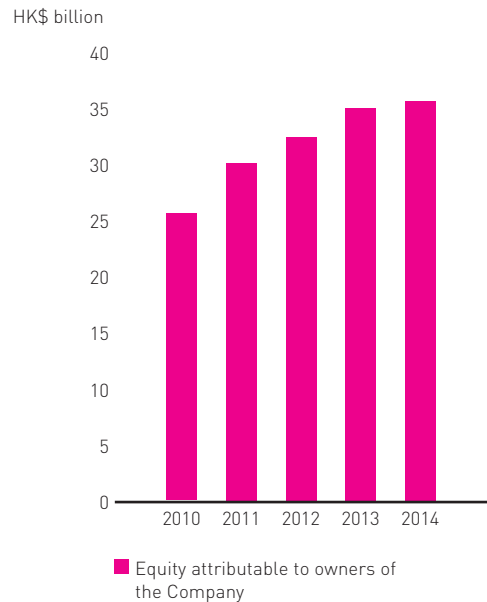


## II FINANCIAL POSITION OF THE GROUP

## 1 Capital and Equity attributable to owners of the Company

The Group had a total of 1,082,761,600 shares in issue as at 30 June 2014, which was increased by 10,000 shares as compared with 1,082,751,600 shares in issue as at the end of 2013. 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\$35,557.04 million as at 30 June 2014, which was attributable to the net profits after deducting the dividend actually paid during the period.



## FINANCIAL REVIEW

### 2 Indebtedness

#### (1) Borrowings

During the period, the Company, through a wholly-owned subsidiary, SIHL Finance Limited, signed a HK\$4 billion or US dollars equivalent dual-currency syndicated loan, of which HK\$2 billion or US dollars equivalent are of a 3-year term and the remaining HK\$2 billion or US dollars equivalent are of a 5-year term, for settling a HK\$2.6 billion syndicated loan due in May 2014 and for general working capital purpose. Besides, the Company signed a RMB1 billion loan in February 2014 for settling a Renminbi loan due in May 2014.

As at 30 June 2014, the total borrowings of the Group including bank borrowings, other borrowings, senior notes and convertible bonds amounted to approximately HK\$37,730.41 million (31 December 2013: HK\$37,806.53 million), of which 69.5% (31 December 2013: 72.6%) was unsecured credit facilities.

#### (2) Pledge of assets

As at 30 June 2014, 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\$5,302,191,000 (31 December 2013: HK\$5,298,903,000);
- (b) leasehold land and buildings with an aggregate carrying value of HK\$878,440,000 (31 December 2013: HK\$940,841,000);
- (c) plant and machineries with an aggregate carrying value of HK\$13,579,000 (31 December 2013: HK\$14,837,000);
- (d) one (31 December 2013: one) toll road operating right of HK\$3,168,712,000 (31 December 2013: HK\$3,335,773,000);
- (e) receivables under service concession arrangements with an aggregate carrying value of HK\$2,727,619,000 (31 December 2013: HK\$2,294,931,000);
- (f) properties under development held for sale with an aggregate carrying value of HK\$15,213,220,000 (31 December 2013: HK\$10,630,517,000);
- (g) properties held for sale with an aggregate carrying value of HK\$324,060,000 (31 December 2013: HK\$132,958,000);
- (h) trade receivables with an aggregate carrying value of HK\$268,110,000 (31 December 2013: HK\$240,273,000); and
- (i) bank deposits with an aggregate carrying value of HK\$590,368,000 (31 December 2013: HK\$512,231,000).

## FINANCIAL REVIEW

### (3) Contingent liabilities

As at 30 June 2014, 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 a joint venture amounted to approximately HK\$394.70 million, HK\$2,648.66 million and HK\$674.37 million (31 December 2013: HK\$340.59 million, HK\$3,137.45 million and HK\$212.23 million) respectively.

### 3 Capital Commitments

As at 30 June 2014, the Group had capital commitments mainly contracted for business development and investments in fixed assets of HK\$11,346.48 million (31 December 2013: HK\$8,894.87 million). The Group had sufficient internal resources and/or through loan market channel to finance its capital expenditures.

### 4 Bank Deposits and Short-term Investments

As at 30 June 2014, bank balances and short-term investments held by the Group amounted to HK\$25,074.61 million (31 December 2013: HK\$27,035.63 million) and HK\$654.38 million (31 December 2013: HK\$542.12 million) respectively. The proportions of US dollars and other currencies, Renminbi and HK dollars were 4%, 84% and 12% (31 December 2013: 4%, 85% and 11%) respectively. Short-term investments mainly consisted of investments such as Hong Kong and PRC listed shares.

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

## III MANAGEMENT POLICIES FOR FINANCIAL RISK

### 1 Currency Risk

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

### 2 Interest Rate Risk

The Group's fair value and cash flow interest rate risks mainly relate to fixed and variable rates borrowings respectively. In order to exercise prudent management against interest rate risk, the Group continues to review the market trend, as well as its business operations needs and its financial position, so as to arrange the most effective interest rate risk management tools.

## FINANCIAL REVIEW

### 3 Credit Risk

The Group's principal financial assets are bank balances and cash, equity and debt investments, trade and other receivables. The Group's trade and other receivables presented in the 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.

## REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**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 37 to 70, which comprise the condensed consolidated statement of financial position as of 30 June 2014, 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.

## REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 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  
28 August 2014

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014

|   | NOTES | Six months ended 30 June        |                                 |
|---|-------|---------------------------------|---------------------------------|
|   |       | 2014<br>HK\$'000<br>(unaudited) | 2013<br>HK\$'000<br>(unaudited) |
| Revenue   | 3     | 7,635,461                       | 8,788,784                       |
| Cost of sales   |       | (4,699,994)                     | (5,411,597)                     |
| Gross profit  |       | 2,935,467                       | 3,377,187                       |
| Net investment income   |       | 317,506                         | 230,724                         |
| Other income  |       | 254,480                         | 318,060                         |
| Selling and distribution costs  |       | (362,142)                       | (406,019)                       |
| Administrative and other expenses   |       | (872,675)                       | (744,809)                       |
| Finance costs   |       | (614,068)                       | (553,640)                       |
| Share of results of joint ventures  |       | 92,803                          | 42,995                          |
| Share of results of associates  |       | 2,506                           | 10,259                          |
| Gain on disposal of the Feng Qi Group   | 13    | 1,716,165                       | -                               |
| Gain on disposal of assets through disposal of subsidiaries   | 20    | -                               | 819,125                         |
| Net gain on disposal/deemed partial disposal of interests in other subsidiaries, a joint venture and an associate | 4     | 13,542                          | 105,163                         |
| Profit before taxation  |       | 3,483,584                       | 3,199,045                       |
| Income tax expense  | 5     | (936,788)                       | (944,647)                       |
| Profit for the period   | 6     | 2,546,796                       | 2,254,398                       |
| Profit for the period attributable to   |       |                                 |                                 |
| – Owners of the Company   |       | 1,948,516                       | 1,675,399                       |
| – Non-controlling interests   |       | 598,280                         | 578,999                         |
|   |       | 2,546,796                       | 2,254,398                       |
| Earnings per share  | 8     | HK\$                            | HK\$                            |
| – Basic   |       | 1.800                           | 1.550                           |
| – Diluted   |       | 1.664                           | 1.496                           |

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

|   | Six months ended 30 June        |                                 |
|---|---------------------------------|---------------------------------|
|   | 2014<br>HK\$'000<br>(unaudited) | 2013<br>HK\$'000<br>(unaudited) |
| Profit for the period   | 2,546,796                       | 2,254,398                       |
| <b>Other comprehensive (expense) income</b><br><i>Items that may be subsequently reclassified<br/>to profit or loss</i> |                                 |                                 |
| Exchange differences arising on translation<br>of foreign operations  |                                 |                                 |
| – subsidiaries  | (1,025,616)                     | 266,279                         |
| – joint ventures  | (25,553)                        | 7,032                           |
| – associates  | (49,619)                        | 16,395                          |
| Fair value adjustments on available-for-sale<br>investments held by   |                                 |                                 |
| – subsidiaries  | (46,084)                        | (2,219)                         |
| – a joint venture   | (5,607)                         | –                               |
| Reclassification of translation reserve upon<br>disposal/deemed partial disposal of                                     |                                 |                                 |
| – the Feng Qi Group   | (1,256)                         | –                               |
| – interests in other subsidiaries   | (967)                           | –                               |
| – interest in a joint venture   | (10,308)                        | –                               |
| – interest in an associate  | –                               | (24,503)                        |
| Other comprehensive (expense) income for the period   | (1,165,010)                     | 262,984                         |
| Total comprehensive income for the period   | 1,381,786                       | 2,517,382                       |
| Total comprehensive income for the period<br>attributable to  |                                 |                                 |
| – Owners of the Company   | 1,130,295                       | 1,795,093                       |
| – Non-controlling interests   | 251,491                         | 722,289                         |
|   | 1,381,786                       | 2,517,382                       |



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

|  | NOTES | 30 June<br>2014<br>HK\$'000<br>(unaudited) | 31 December<br>2013<br>HK\$'000<br>(audited) |
|--|-------|--|--|
| <b>Non-Current Assets</b>  |       |  |  |
| Investment properties  | 9     | 9,453,730                                  | 9,779,462                                    |
| Property, plant and equipment  | 9     | 4,195,192                                  | 3,599,557                                    |
| Prepaid lease payments – non-current portion                               | 9     | 309,655                                    | 137,364                                      |
| Toll road operating rights   |       | 12,970,925                                 | 13,674,748                                   |
| Other intangible assets  |       | 1,620,918                                  | 1,428,855                                    |
| Interests in joint ventures  | 10    | 3,299,414                                  | 2,629,143                                    |
| Interests in associates  |       | 1,995,636                                  | 2,047,043                                    |
| Investments  |       | 1,108,218                                  | 1,127,334                                    |
| Receivables under service concession<br>arrangements – non-current portion |       | 4,337,058                                  | 3,745,186                                    |
| Deposits paid on acquisition of a subsidiary                               |       | –  | 156,399                                      |
| Deposits paid on acquisition of property,<br>plant and equipment           |       | 104,892                                    | 56,474                                       |
| Restricted bank deposits   |       | 83,509                                     | 85,288                                       |
| Deferred tax assets  |       | 230,593                                    | 260,075                                      |
|  |       | <b>39,709,740</b>                          | <b>38,726,928</b>                            |
| <b>Current Assets</b>  |       |  |  |
| Inventories  | 11    | 46,952,949                                 | 47,942,059                                   |
| Trade and other receivables  | 12    | 5,900,047                                  | 6,198,674                                    |
| Prepaid lease payments – current portion                                   | 9     | 3,011                                      | 3,490  |
| Investments  |       | 654,383                                    | 542,117                                      |
| Receivables under service concession<br>arrangements – current portion     |       | 125,926                                    | 115,426                                      |
| Amounts due from customers for contract work                               |       | 84,219                                     | 94,259                                       |
| Prepaid taxation   |       | 585,889                                    | 512,636                                      |
| Pledged bank deposits  |       | 590,368                                    | 512,231                                      |
| Short-term bank deposits   |       | 632,238                                    | 548,044                                      |
| Bank balances and cash   |       | 23,852,004                                 | 25,975,351                                   |
|  |       | <b>79,381,034</b>                          | <b>82,444,287</b>                            |
| Assets classified as held for sale   | 13    | 64,438                                     | 1,238,810                                    |
|  |       | <b>79,445,472</b>                          | <b>83,683,097</b>                            |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

|   | NOTES | 30 June<br>2014<br>HK\$'000<br>(unaudited) | 31 December<br>2013<br>HK\$'000<br>(audited) |
|---|-------|--|--|
| <b>Current Liabilities</b>                          |       |  |  |
| Trade and other payables                            | 14    | 11,675,965                                 | 14,694,333                                   |
| Customer deposits from sales of properties          | 15    | 8,092,312                                  | 9,122,413                                    |
| Amounts due to customers for contract work          |       | 16,717                                     | 20,409                                       |
| Taxation payable                                    |       | 3,018,594                                  | 3,219,064                                    |
| Bank and other borrowings                           | 16    | 11,215,635                                 | 12,960,798                                   |
| Senior notes  |       | 1,946,261                                  | 1,994,842                                    |
|   |       | <b>35,965,484</b>                          | 42,011,859                                   |
| Liabilities associated with assets held for sale    | 13    | 36,597                                     | 655,630                                      |
|   |       | <b>36,002,081</b>                          | 42,667,489                                   |
| <b>Net Current Assets</b>                           |       | <b>43,443,391</b>                          | 41,015,608                                   |
| <b>Total Assets less Current Liabilities</b>        |       | <b>83,153,131</b>                          | 79,742,536                                   |
| <b>Capital and Reserves</b>                         |       |  |  |
| Share capital                                       | 17    | 13,527,827                                 | 108,275                                      |
| Share premium and reserves                          | 17    | 22,029,210                                 | 34,837,749                                   |
| <b>Equity attributable to owners of the Company</b> |       | <b>35,557,037</b>                          | 34,946,024                                   |
| <b>Non-controlling interests</b>                    |       | <b>17,504,689</b>                          | 17,433,790                                   |
| <b>Total Equity</b>                                 |       | <b>53,061,726</b>                          | 52,379,814                                   |
| <b>Non-Current Liabilities</b>                      |       |  |  |
| Provision for major overhauls                       |       | 74,041                                     | 77,810                                       |
| Bank and other borrowings                           | 16    | 20,743,625                                 | 17,903,927                                   |
| Convertible bonds                                   | 18    | 3,784,239                                  | 3,742,607                                    |
| Deferred tax liabilities                            |       | 5,489,500                                  | 5,638,378                                    |
|   |       | <b>30,091,405</b>                          | 27,362,722                                   |
| <b>Total Equity and Non-Current Liabilities</b>     |       | <b>83,153,131</b>                          | 79,742,536                                   |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

|  | 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  |            |
|  | 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                              | -                                     | -             | -                     | -                                | -                          | -                         | -             | -              | -                              | -                   | -                      | -   | -          | -  | -  | -                                   | -          | -          |
| - 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                             | -                                     | -             | -                     | -                                | -                          | -                         | -             | -              | (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 18)                                 | -                                     | -             | -                     | 185,214                          | -                          | -                         | -             | -              | -                              | -                   | -                      | -   | 185,214    | -  | -  | -                                   | -          | 185,214    |
| Deferred tax liability on recognition of equity component of convertible bonds (note 18)       | -                                     | -             | -                     | (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                | 20,003,094                                | 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 2014

|  | Attributable to owners of the Company |               |                       |                      |                            |                           |            |                        |                  |           |  | Attributable to non-controlling interests |                                     |           |          |                           |                            |                     |
|--|---------------------------------------|---------------|-----------------------|----------------------|----------------------------|---------------------------|------------|------------------------|------------------|-----------|--|---|-------------------------------------|-----------|----------|---------------------------|----------------------------|---------------------|
|  | Share capital                         | Share premium | Convertible           |                      |                            |                           | Investment | PRC statutory reserves | Retained profits | Sub-total | Deferred consideration shares of a listed subsidiary | Share options of listed subsidiaries      | Share of net assets of subsidiaries | Sub-total | Total    |                           |                            |                     |
|  |                                       |               | Share options reserve | bonds equity reserve | Capital redemption reserve | Other revaluation reserve |            |                        |                  |           |  |   |                                     |           |          | Other revaluation reserve | Merger revaluation reserve | Translation reserve |
|  | 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 |                           |                            |                     |
|  |                                       |               |                       |                      | (note i)                   | (note ii)                 | (note iii) |                        | (note iv)        |           | (note v)   |   |                                     |           |          |                           |                            |                     |
| At 1 January 2014 (audited)  | 108,275                               | 13,418,247    | 163,633               | 114,442              | 1,071                      | 54,855                    | 1,378,676  | (5,871,665)            | 93,085           | 3,917,251 | 931,663  | 20,636,511                                | 34,944,024                          | 30,582    | 66,842   | 17,336,366                | 17,433,790                 | 52,379,814          |
| Profit for the period  | -                                     | -             | -                     | -                    | -                          | -                         | -          | -                      | -                | -         | -  | 1,948,516                                 | 1,948,516                           | -         | -        | 598,280                   | 598,280                    | 2,544,796           |
| Exchange differences arising on translation of foreign operations                          | -                                     | -             | -                     | -                    | -                          | -                         | -          | -                      | -                | -         | -  | (678,827)                                 | (678,827)                           | -         | -        | (344,789)                 | (344,789)                  | (1,025,616)         |
| - subsidiaries   | -                                     | -             | -                     | -                    | -                          | -                         | -          | -                      | -                | -         | -  | (678,827)                                 | (678,827)                           | -         | -        | (344,789)                 | (344,789)                  | (1,025,616)         |
| - joint ventures   | -                                     | -             | -                     | -                    | -                          | -                         | -          | -                      | -                | -         | -  | (25,553)                                  | (25,553)                            | -         | -        | -                         | -                          | (25,553)            |
| - associates   | -                                     | -             | -                     | -                    | -                          | -                         | -          | -                      | -                | -         | -  | (49,619)                                  | (49,619)                            | -         | -        | -                         | -                          | (49,619)            |
| Fair value adjustments on available-for-sale investments                                   | -                                     | -             | -                     | -                    | -                          | -                         | -          | -                      | -                | -         | -  | (46,084)                                  | (46,084)                            | -         | -        | -                         | -                          | (46,084)            |
| - subsidiaries   | -                                     | -             | -                     | -                    | -                          | -                         | -          | -                      | -                | -         | -  | (46,084)                                  | (46,084)                            | -         | -        | -                         | -                          | (46,084)            |
| - a joint venture  | -                                     | -             | -                     | -                    | -                          | -                         | -          | -                      | -                | -         | -  | (5,607)                                   | (5,607)                             | -         | -        | -                         | -                          | (5,607)             |
| Reclassified on disposal/deemed partial disposal of  | -                                     | -             | -                     | -                    | -                          | -                         | -          | -                      | -                | -         | -  | -   | -                                   | -         | -        | -                         | -                          | -                   |
| - the Feng Qi Group (note 13)  | -                                     | -             | -                     | -                    | -                          | -                         | -          | -                      | -                | (1,256)   | -  | -   | (1,256)                             | -         | -        | -                         | -                          | (1,256)             |
| - interests in other subsidiaries (note 20)  | -                                     | -             | -                     | -                    | -                          | -                         | -          | -                      | -                | (947)     | -  | -   | (947)                               | -         | -        | -                         | -                          | (947)               |
| - interest in a joint venture  | -                                     | -             | -                     | -                    | -                          | -                         | -          | -                      | -                | (10,308)  | -  | -   | (10,308)                            | -         | -        | -                         | -                          | (10,308)            |
| Total comprehensive (expense) income for the period  | -                                     | -             | -                     | -                    | -                          | -                         | -          | -                      | (51,691)         | (746,530) | -  | 1,948,516                                 | 1,130,295                           | -         | -        | 251,491                   | 251,491                    | 1,381,786           |
| Issue of shares upon exercise of share options   | 114                                   | 120           | (19)                  | -                    | -                          | -                         | -          | -                      | -                | -         | -  | -   | 215                                 | -         | -        | -                         | -                          | 215                 |
| Recognition of equity-settled share-based payments   | -                                     | -             | 164                   | -                    | -                          | -                         | -          | -                      | -                | -         | -  | -   | 164                                 | -         | -        | -                         | -                          | 164                 |
| Transfers  | -                                     | -             | -                     | -                    | -                          | -                         | -          | -                      | -                | 50,904    | (50,904)   | -   | -                                   | -         | -        | -                         | -                          | -                   |
| Transfer upon abolition of par value under the new Hong Kong Companies Ordinance (note 17) | 13,419,438                            | (13,418,367)  | -                     | (1,071)              | -                          | -                         | -          | -                      | -                | -         | -  | -   | -                                   | -         | -        | -                         | -                          | -                   |
| Capital contribution by non-controlling interests  | -                                     | -             | -                     | -                    | -                          | -                         | -          | -                      | -                | -         | -  | -   | -                                   | -         | -        | 15,721                    | 15,721                     | 15,721              |
| Dividends paid to non-controlling interests  | -                                     | -             | -                     | -                    | -                          | -                         | -          | -                      | -                | -         | -  | -   | -                                   | -         | -        | (48,000)                  | (48,000)                   | (48,000)            |
| Acquisition of a subsidiary from SIC (note 24(v))  | -                                     | -             | -                     | -                    | -                          | -                         | (18)       | (568)                  | 903              | (26,579)  | (26,262)   | -   | -                                   | -         | (5,212)  | (5,212)                   | (31,474)                   |                     |
| Acquisition of additional interests in subsidiaries  | -                                     | -             | -                     | -                    | -                          | (6,156)                   | -          | -                      | -                | -         | (6,156)  | -   | -                                   | -         | (3,755)  | (3,755)                   | (9,911)                    |                     |
| Disposal of subsidiaries (note 20)   | -                                     | -             | -                     | -                    | -                          | -                         | -          | -                      | -                | -         | -  | -   | -                                   | -         | (37,944) | (37,944)                  | (37,944)                   |                     |
| Disposal of a disposal group classified as held for sale (note 13)                         | -                                     | -             | -                     | -                    | -                          | (21,181)                  | 153,328    | -                      | -                | (5,358)   | (126,789)  | -   | -                                   | -         | (81,400) | (81,400)                  | (81,400)                   |                     |
| Dividends paid (note 7)  | -                                     | -             | -                     | -                    | -                          | -                         | -          | -                      | -                | -         | (487,243)  | (487,243)                                 | -                                   | -         | -        | -                         | -                          | (487,243)           |
| At 30 June 2014 (unaudited)  | 13,527,827                            | -             | 163,778               | 114,442              | -                          | 54,855                    | 1,351,339  | (5,718,375)            | 41,394           | 3,150,153 | 978,112  | 21,893,512                                | 35,557,037                          | 30,582    | 66,842   | 17,407,265                | 17,504,689                 | 53,061,726          |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

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.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

|  | NOTES | Six months ended 30 June        |                                 |
|--|-------|---------------------------------|---------------------------------|
|  |       | 2014<br>HK\$'000<br>(unaudited) | 2013<br>HK\$'000<br>(unaudited) |
| Net cash used in operating activities  |       | <b>(2,990,027)</b>              | (753,082)                       |
| Net cash from (used in) investing activities:  |       |                                 |                                 |
| Disposal of assets classified as held for sale (net of cash and cash equivalents disposed of)      | 21    | <b>1,959,846</b>                | 237,294                         |
| Withdrawal of entrusted fund placed with a joint venture   |       | <b>503,081</b>                  | –                               |
| Interest received  |       | <b>296,533</b>                  | 167,093                         |
| Proceeds from disposal of investment properties  |       | <b>41,793</b>                   | 26,108                          |
| Disposal of subsidiaries (net of cash and cash equivalents disposed of)                            | 20    | <b>33,933</b>                   | –                               |
| Acquisition of a joint venture   |       | <b>(666,068)</b>                | –                               |
| Entrusted fund placed with a joint venture   |       | <b>(503,081)</b>                | (500,000)                       |
| Increase in bank deposits  |       | <b>(185,212)</b>                | (2,471,947)                     |
| Acquisition of subsidiaries  | 19    | <b>(166,799)</b>                | –                               |
| Purchase of property, plant and equipment  |       | <b>(73,565)</b>                 | (57,878)                        |
| Deposits paid on acquisition of property, plant and equipment                                      |       | <b>(49,801)</b>                 | (185,209)                       |
| Purchase of available-for-sale investments   |       | <b>(41,504)</b>                 | (171,125)                       |
| Disposal of assets through disposal of subsidiaries (net of cash and cash equivalents disposed of) | 20    | –                               | 244,249                         |
| Capital injection to a joint venture   |       | –                               | (125,000)                       |
| Other investing cash flows   |       | <b>(199,725)</b>                | (155,750)                       |
|  |       | <b>949,431</b>                  | (2,992,165)                     |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

|  | Six months ended 30 June        |                                 |
|--|---------------------------------|---------------------------------|
|  | 2014<br>HK\$'000<br>(unaudited) | 2013<br>HK\$'000<br>(unaudited) |
| Net cash from (used in) financing activities:                |                                 |                                 |
| Bank and other borrowings raised                             | 9,079,671                       | 5,970,931                       |
| Capital contributions by non-controlling interests           | 15,721                          | 40,579                          |
| Proceeds from issue of shares upon exercise of share options | 215                             | 14,523                          |
| Repayment of bank and other borrowings                       | (7,850,365)                     | (9,422,520)                     |
| Interest paid  | (572,437)                       | (517,335)                       |
| Dividends paid   | (487,243)                       | (626,916)                       |
| Dividends paid to non-controlling interests                  | (68,000)                        | (13,403)                        |
| Acquisition of additional interests in subsidiaries          | (6,374)                         | -                               |
| Proceeds from issue of convertible bonds                     | -                               | 3,900,000                       |
| Transaction costs of issuing convertible bonds               | -                               | (44,420)                        |
| Other financing cash flows                                   | (1,864)                         | (620,769)                       |
|  | 109,324                         | (1,319,330)                     |
| Net decrease in cash and cash equivalents                    | (1,931,272)                     | (5,064,577)                     |
| Cash and cash equivalents at 1 January                       | 26,159,050                      | 19,248,483                      |
| Effect of foreign exchange rate changes                      | (368,674)                       | 109,991                         |
| Cash and cash equivalents at 30 June                         | 23,859,104                      | 14,293,897                      |
| Represented by:  |                                 |                                 |
| Bank balances and cash                                       | 23,852,004                      | 14,293,191                      |
| Bank balances and cash classified as assets held for sale    | 7,100                           | 706                             |
|  | 23,859,104                      | 14,293,897                      |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 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”).

### 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 these condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2013, except for the new or revised Hong Kong Financial Reporting Standards (“HKFRSs”) newly adopted by the Group in the current interim period which are disclosed below.

#### New or revised HKFRSs

In the current interim period, the Group has applied, for the first time, the following new interpretation and amendments to HKFRSs issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

|  |  |
|--|--|
| HK(IFRIC) – Int 21                               | Levies   |
| Amendments to HKFRS 10,<br>HKFRS 12 and HKFRS 27 | Investment Entities  |
| Amendments to HKAS 32                            | Offsetting Financial Assets and Financial Liabilities        |
| Amendments to HKAS 36                            | Recoverable Amounts Disclosures for Non-Financial Assets     |
| Amendments to HKAS 39                            | Novation of Derivatives and Continuation of Hedge Accounting |

The application of the new interpretation and amendments to 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.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 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.

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

#### Six months ended 30 June 2014

|   | Infrastructure facilities<br>HK\$'000 | Real estate<br>HK\$'000 | Consumer products<br>HK\$'000 | Unallocated<br>HK\$'000 | Consolidated<br>HK\$'000 |
|---|---------------------------------------|-------------------------|-------------------------------|-------------------------|--------------------------|
| REVENUE   |                                       |                         |                               |                         |                          |
| Segment revenue – external sales  | 1,867,292                             | 3,884,176               | 1,883,993                     | –                       | 7,635,461                |
| Segment operating profit (loss)   | 863,318                               | 949,320                 | 578,144                       | (118,146)               | 2,272,636                |
| Finance costs   | (101,031)                             | (486,119)               | (2,327)                       | (24,591)                | (614,068)                |
| Share of results of joint ventures  | 92,803                                | –                       | –                             | –                       | 92,803                   |
| Share of results of associates  | 5                                     | (6,198)                 | 8,699                         | –                       | 2,506                    |
| Gain on disposal of the Feng Qi Group   | –                                     | 1,716,165               | –                             | –                       | 1,716,165                |
| Net gain on disposal/deemed partial disposal of interests in other subsidiaries and a joint venture | 10,949                                | 2,593                   | –                             | –                       | 13,542                   |
| Segment profit (loss) before taxation   | 866,044                               | 2,175,761               | 584,516                       | (142,737)               | 3,483,584                |
| Income tax expense  | (176,047)                             | (638,087)               | (97,585)                      | (25,069)                | (936,788)                |
| Segment profit (loss) after taxation  | 689,997                               | 1,537,674               | 486,931                       | (167,806)               | 2,546,796                |
| Less: profit attributable to non-controlling interests  | (129,593)                             | (464,469)               | (4,218)                       | –                       | (598,280)                |
| Segment profit (loss) after taxation attributable to owners of the Company                          | 560,404                               | 1,073,205               | 482,713                       | (167,806)               | 1,948,516                |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 3. SEGMENT INFORMATION (continued)

Six months ended 30 June 2013

|  | Infrastructure facilities<br>HK\$'000 | Real estate<br>HK\$'000 | Consumer products<br>HK\$'000 | Unallocated<br>HK\$'000 | Consolidated<br>HK\$'000 |
|--|---------------------------------------|-------------------------|-------------------------------|-------------------------|--------------------------|
| <b>REVENUE</b>   |                                       |                         |                               |                         |                          |
| Segment revenue - external sales   | 1,561,069                             | 5,516,468               | 1,711,247                     | -                       | 8,788,784                |
| Segment operating 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                  |
| Segment 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)                |
| Segment 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)                |
| Segment profit (loss) after taxation attributable to owners of the Company | 532,331                               | 652,732                 | 544,080                       | (53,744)                | 1,675,399                |

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

|                           | 30 June<br>2014<br>HK\$'000 | 31 December<br>2013<br>HK\$'000 |
|---------------------------|-----------------------------|---------------------------------|
| Infrastructure facilities | 26,533,926                  | 27,268,166                      |
| Real estate               | 77,433,217                  | 82,283,271                      |
| Consumer products         | 6,088,353                   | 5,894,067                       |
| Unallocated assets        | 9,099,716                   | 6,964,521                       |
| Total consolidated assets | 119,155,212                 | 122,410,025                     |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

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

The amount for the six months ended 30 June 2014 comprises (i) net loss on disposal of interests in other subsidiaries of approximately HK\$2 million (see note 20) and (ii) gain on deemed partial disposal of interest in a joint venture of approximately HK\$16 million.

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 and (ii) gain on deregistration of a subsidiary of approximately HK\$2 million.

### 5. INCOME TAX EXPENSE

|   | Six months ended 30 June |                  |
|---|--------------------------|------------------|
|   | 2014<br>HK\$'000         | 2013<br>HK\$'000 |
| Current tax   |                          |                  |
| – Hong Kong   | 94,514                   | 96,930           |
| – PRC Land Appreciation Tax ("LAT")   | 343,999                  | 412,045          |
| – PRC Enterprise income tax ("EIT")<br>(including PRC withholding tax of HK\$46,320,000<br>(six months ended 30 June 2013: HK\$70,782,000)) | 652,707                  | 668,393          |
|   | 1,091,220                | 1,177,368        |
| Overprovision in prior periods  |                          |                  |
| – Hong Kong   | –                        | (51)             |
| – PRC LAT (Note)  | (83,213)                 | –                |
| – PRC EIT   | (5)                      | (4,878)          |
|   | (83,218)                 | (4,929)          |
| Deferred taxation for the current period  | (71,214)                 | (227,792)        |
|   | 936,788                  | 944,647          |

Note: The Group recognised an overprovision of PRC LAT during the current interim period upon completion of tax clearance procedures by a PRC subsidiary with the tax authority.

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 5. INCOME TAX EXPENSE (continued)

The Group's subsidiaries in the PRC are subject to PRC EIT at a rate of 25% for both periods, except for a PRC subsidiary which was taxed at a lower rate of 12.5% for the six months ended 30 June 2013.

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.

### 6. PROFIT FOR THE PERIOD

|  | Six months ended 30 June |                  |
|--|--------------------------|------------------|
|  | 2014<br>HK\$'000         | 2013<br>HK\$'000 |
| Profit for the period has been arrived at after charging (crediting) the following items:                            |                          |                  |
| Amortisation of toll road operating rights<br>(included in cost of sales)  | 371,596                  | 329,524          |
| Amortisation of other intangible assets<br>(included in cost of sales)   | 36,130                   | 26,952           |
| Depreciation of property, plant and equipment  | 141,648                  | 127,944          |
| Release of prepaid lease payments  | 2,294                    | 1,901            |
| Decrease in fair value of investment properties<br>(included in administrative and other expense)                    | 56,040                   | 67,849           |
| Dividend income from investments<br>(included in net investment income)  | (1,761)                  | (2,188)          |
| Gain on disposal of property, plant and equipment  | (386)                    | (782)            |
| Interest income (included in net investment income)  | (296,533)                | (216,890)        |
| Interest income in relation to service concession arrangements (included in other income)                            | (135,855)                | (115,393)        |
| Change in fair value of financial assets at fair value through profit or loss<br>(included in net investment income) | 8,091                    | 9,266            |
| Net foreign exchange loss  | 130,555                  | 15,123           |
| Compensation to customers as a result of late delivery of properties   | -                        | 37,083           |
| Compensation from a contractor in respect of late completion of properties   | (134,574)                | -                |
| Share of PRC EIT of joint ventures<br>(included in share of results of joint ventures)                               | 26,905                   | 18,489           |
| Share of PRC EIT of associates<br>(included in share of results of associates)                                       | 940                      | 2,930            |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 7. DIVIDENDS

|  | Six months ended 30 June |                  |
|--|--------------------------|------------------|
|  | 2014<br>HK\$'000         | 2013<br>HK\$'000 |
| 2013 final dividend paid of HK45 cents<br>(six months ended 30 June 2013: 2012<br>final dividend paid of HK58 cents) per share | <b>487,243</b>           | 626,916          |

Subsequent to the end of the reporting period, the directors have determined that an interim dividend of HK45 cents (six months ended 30 June 2013: HK42 cents) per share will be paid to the shareholders of the Company whose names appear on the Company's register of members on 17 September 2014.

### 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 |                  |
|--|--------------------------|------------------|
|  | 2014<br>HK\$'000         | 2013<br>HK\$'000 |
| <b>Earnings:</b>   |                          |                  |
| Earnings for the purpose of basic earnings<br>per share (profit for the period attributable<br>to owners of the Company) | <b>1,948,516</b>         | 1,675,399        |
| Effect of dilutive potential ordinary shares<br>– interest on convertible bonds, net of tax                              | <b>34,763</b>            | 25,535           |
| Earnings for the purpose of diluted earnings per share   | <b>1,983,279</b>         | 1,700,934        |
| <b>Number of shares:</b>   |                          |                  |
| Weighted average number of ordinary shares<br>for the purpose of basic earnings per share                                | <b>1,082,759,777</b>     | 1,080,816,101    |
| Effect of dilutive potential ordinary shares<br>– convertible bonds  | <b>107,319,758</b>       | 53,956,342       |
| – share options of the Company   | <b>1,883,256</b>         | 1,864,458        |
| Weighted average number of ordinary shares<br>for the purpose of diluted earnings per share                              | <b>1,191,962,791</b>     | 1,136,636,901    |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 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; and (ii) the exercise of options issued by Shanghai Industrial Urban Development Group Limited ("SI Urban Development"), a listed subsidiary of the Group, because they are anti-dilutive.

### 9. MOVEMENTS IN INVESTMENT PROPERTIES/PROPERTY, PLANT AND EQUIPMENT AND PREPAID LEASE PAYMENTS

The Group's investment properties 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 income approach or investment approach, where appropriate. During the current interim period, the Group (i) recognised a decrease in fair value of investment properties of approximately HK\$56 million in profit or loss (six months ended 30 June 2013: HK\$68 million) and (ii) disposed of certain investment properties for cash proceeds of HK\$41,793,000 (six months ended 30 June 2013: HK\$26,108,000).

During the current interim period, the Group incurred costs for construction in progress of approximately HK\$12 million (six months ended 30 June 2013: HK\$2 million) and acquired other property, plant and equipment at an aggregate cost of approximately HK\$62 million (six months ended 30 June 2013: HK\$97 million) for the purpose of expanding the Group's operations and businesses.

In addition, during the current interim period, management of the Group changed the intention of selling the hotel properties included in inventories to carrying out the hotel operation by the Group itself. Accordingly, inventories with carrying amounts of HK\$665,312,000 and HK\$170,732,000 (six months ended 30 June 2013: Nil) were transferred to as property, plant and equipment under hotel property and prepaid lease payments, respectively. This hotel commenced operation in June 2014.

### 10. INTERESTS IN JOINT VENTURES

During the current interim period, the Group acquired 50% interest of Shanghai Pucheng Thermal Power Energy Co. Ltd., which principally engages in the business of waste incineration power generation in the PRC, from an independent third party at a consideration of RMB530 million (equivalent to approximately HK\$666 million).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 11. INVENTORIES

Inventories mainly represent properties under development held for sale. Included in the amount is approximately HK\$27,229 million (31 December 2013: HK\$27,453 million) which is not expected to be realised within one year.

As detailed in note 9, inventories with carrying amounts of HK\$665,312,000 and HK\$170,732,000 (six months ended 30 June 2013: Nil), representing the hotel properties operated by the Group itself, were transferred to as property, plant and equipment and prepaid lease payments, respectively.

### 12. 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.

|                     | 30 June<br>2014<br>HK\$'000 | 31 December<br>2013<br>HK\$'000 |
|---------------------|-----------------------------|---------------------------------|
| Within 30 days      | 273,730                     | 288,178                         |
| Within 31-60 days   | 219,159                     | 172,099                         |
| Within 61-90 days   | 105,206                     | 226,304                         |
| Within 91-180 days  | 115,533                     | 134,422                         |
| Within 181-365 days | 110,472                     | 169,979                         |
| Over 365 days       | 126,227                     | 102,769                         |
|                     | <b>950,327</b>              | 1,093,751                       |

Included in other receivables as at 30 June 2014 were (i) consideration receivables of HK\$271,306,000 (31 December 2013: HK\$1,419,628,000), (ii) amounts of HK\$2,200,792,000 (31 December 2013: HK\$1,876,426,000) due from certain associates in which an amount of HK\$1,791,010,000 (31 December 2013: HK\$1,769,996,000) carried fixed interest at prevailing market interest rate, and (iii) a deposit paid on acquisition of a piece of land for properties development for sale of HK\$667,770,000 (31 December 2013: Nil).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 13. DISPOSAL GROUP HELD FOR SALE/ASSETS CLASSIFIED AS HELD FOR SALE

#### A disposal group held for sale as at 30 June 2014

In June 2014, the Group entered into a sale and purchase agreement with an independent third party to dispose of its 100% interest in a subsidiary, namely Wuhan Kaidi Water Services Co., Ltd. ("Wuhan Kaidi"), for a cash consideration of RMB16,782,000 (equivalent to HK\$21,107,000). Wuhan Kaidi is principally engaged in the business of Engineering, Procurement & Commissioning ("EPC") of water purification and treatment systems and facilities in the PRC. The assets and liabilities attributed to Wuhan Kaidi, which are expected to be sold within twelve months from the end of the reporting period, have been classified as held for sale and are presented separately in the condensed consolidated statement of financial position at 30 June 2014.

The major classes of assets and liabilities of Wuhan Kaidi classified as held for sale as at 30 June 2014 were as follows:

|   | HK\$'000      |
|---|---------------|
| Property, plant and equipment                                 | 258           |
| Other intangible assets                                       | 235           |
| Deferred tax assets   | 835           |
| Inventories   | 6,951         |
| Trade and other receivables                                   | 30,867        |
| Amounts due from customers for contract work                  | 14,029        |
| Pledged bank deposits   | 4,163         |
| Bank balances and cash  | 7,100         |
| <b>Total assets classified as held for sale</b>               | <b>64,438</b> |
| Trade and other payables                                      | 28,159        |
| Amounts due to customers for contract work                    | 8,438         |
| <b>Total liabilities associated with assets held for sale</b> | <b>36,597</b> |



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 13. DISPOSAL GROUP HELD FOR SALE/ASSETS CLASSIFIED AS HELD FOR SALE (continued)

#### A disposal group held for sale/assets classified as held for sale as at 31 December 2013

- (i) In November 2013, the Group resolved to dispose of its 100% interest in Shanghai Feng Qi Properties Co., Ltd. ("Feng Qi Shanghai"), a limited liability company established in the PRC. Feng Qi Shanghai is owned by the Company, through two wholly owned investment holding subsidiaries, and Shanghai Industrial Development Co., Ltd ("SI Development"), a 63.65% owned subsidiary of the Company, as to 49% and 51%, respectively. Feng Qi Shanghai owns a development project on a piece of land located at Qingpu District in Shanghai, the PRC.

Subsequently on 26 November 2013, the Company entered into a sale and purchase agreement with an independent third party (the "Purchaser") and pursuant to which, the Company agreed to dispose of its 49% interest in Feng Qi Shanghai and the two investment holding subsidiaries to the Purchaser for a consideration of RMB821,419,000 (equivalent to HK\$1,040,957,000). SI Development also entered into two separate sale and purchase agreements on 7 January 2014 and 28 January 2014 with the Purchaser and pursuant to which, SI Development agreed to dispose of its 51% interest in Feng Qi Shanghai to the Purchaser for an aggregate consideration of RMB855,000,000 (equivalent to HK\$1,085,496,000).

The subsidiaries to be disposed of are collectively referred to as the "Feng Qi Group". The assets and liabilities attributed to the Feng Qi Group, which are expected to be sold within twelve months from 31 December 2013, were classified as assets held for sale and are presented separately in the consolidated statement of financial position at 31 December 2013.

Further details of the above transactions are set out in the announcements of the Company dated 26 November 2013, 7 January 2014 and 28 January 2014.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 13. DISPOSAL GROUP HELD FOR SALE/ASSETS CLASSIFIED AS HELD FOR SALE (continued)

#### A disposal group held for sale/assets classified as held for sale as at 31 December 2013 (continued)

(i) (continued)

The major classes of assets and liabilities of Feng Qi Group classified as held for sale as at 31 December 2013 were as follows:

|   | HK\$'000         |
|---|------------------|
| Property, plant and equipment                                 | 581              |
| Inventories   | 921,906          |
| Other receivables   | 166              |
| Bank balances and cash  | 183,699          |
| <b>Total assets classified as held for sale</b>               | <b>1,106,352</b> |
| Other payables  | 17,683           |
| Bank and other borrowings                                     | 637,947          |
| <b>Total liabilities associated with assets held for sale</b> | <b>655,630</b>   |

The above disposals of 49% and 51% interests were completed in February 2014 and March 2014, respectively.

(ii) The Group entered into sale and purchase agreements during the year ended 31 December 2013 to dispose of certain investment properties to independent third parties. The disposals were to be completed upon fulfillment of certain conditions precedent. The investment properties, which had been fair-valued with reference to the disposal considerations, were classified as assets held for sale and presented separately in the consolidated statement of financial position as at 31 December 2013.

Included in assets classified as held for sale as at 31 December 2013 were:

|                       | HK\$'000 |
|-----------------------|----------|
| Investment properties | 132,458  |

The above disposals were completed during the current interim period.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2014*

### 13. DISPOSAL GROUP HELD FOR SALE/ASSETS CLASSIFIED AS HELD FOR SALE (continued)

#### A disposal group held for sale/assets classified as held for sale as at 31 December 2013 (continued)

The values of interest in the Feng Qi Group and investments properties at the respective dates of disposals during the current interim period were as follows:

|  | The Feng Qi<br>Group<br>HK\$'000 | Investment<br>properties<br>HK\$'000 | Total<br>HK\$'000 |
|--|----------------------------------|--------------------------------------|-------------------|
| Interest/assets disposed of  | 439,083                          | 132,458                              | 571,541           |
| Reclassification of translation reserve<br>upon disposal to profit or loss | (1,256)                          | –                                    | (1,256)           |
| Non-controlling interests  | (81,400)                         | –                                    | (81,400)          |
|  | 356,427                          | 132,458                              | 488,885           |
| Gain on disposal<br>– interest in the Feng Qi Group                        | 1,716,165                        | –                                    | 1,716,165         |
| <b>Total consideration</b>   | <b>2,072,592</b>                 | <b>132,458</b>                       | <b>2,205,050</b>  |
| Satisfied by:  |                                  |                                      |                   |
| Cash received  | 2,072,592                        | 66,209                               | 2,138,801         |
| Consideration received in advance<br>as at 31 December 2013 (note 14)      | –                                | 66,249                               | 66,249            |
|  | 2,072,592                        | 132,458                              | 2,205,050         |
| Net cash inflow arising on disposals:                                      |                                  |                                      |                   |
| Total cash consideration received  | 2,072,592                        | 66,209                               | 2,138,801         |
| Less: bank balances and cash<br>disposed of                                | (178,955)                        | –                                    | (178,955)         |
|  | 1,893,637                        | 66,209                               | 1,959,846         |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 14. TRADE AND OTHER PAYABLES

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

|                     | 30 June<br>2014<br>HK\$'000 | 31 December<br>2013<br>HK\$'000 |
|---------------------|-----------------------------|---------------------------------|
| Within 30 days      | 344,650                     | 553,062                         |
| Within 31-60 days   | 127,129                     | 136,522                         |
| Within 61-90 days   | 36,418                      | 54,079                          |
| Within 91-180 days  | 355,178                     | 63,458                          |
| Within 181-365 days | 749,120                     | 859,465                         |
| Over 365 days       | 389,209                     | 975,099                         |
|                     | <b>2,001,704</b>            | <b>2,641,685</b>                |

Included in other payables as at 30 June 2014 were (i) amounts of HK\$304,959,000 (31 December 2013: HK\$310,088,000) due to State-owned Assets Supervision and Administration Commission of Shanghai Xuhui District ("Xuhui SASAC") and its controlled entities, which are unsecured, non-interest bearing and repayable on demand, except for HK\$202,790,000 (31 December 2013: HK\$202,790,000) carrying interest at a fixed rate of 5.8% (31 December 2013: 5.8%) per annum and repayable within one year, (ii) amounts of HK\$315,253,000 (31 December 2013: HK\$1,475,122,000) due to certain fellow subsidiaries, which are unsecured, non-interest bearing and have no fixed terms of repayment, and except for HK\$125,213,000 (31 December 2013: HK\$128,161,000) carrying interest at a fixed rate of 4% (31 December 2013: 4%) per annum and (iii) accrued expenditure on properties under development of HK\$2,786,909,000 (31 December 2013: HK\$4,905,338,000).

Included in other payables as at 31 December 2013 were deposits received in advance for disposal of assets classified as held for sale (see note 13(ii)) of HK\$66,249,000 (30 June 2014: Nil).

### 15. 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\$436 million (31 December 2013: HK\$458 million) is expected to be recognised as revenue after more than one year.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 16. BANK AND OTHER BORROWINGS

During the current interim period, the Group (i) obtained new borrowings in the amount of approximately HK\$9,080 million (six months ended 30 June 2013: HK\$5,971 million) and (ii) repaid borrowings of approximately HK\$7,850 million (six months ended 30 June 2013: HK\$9,423 million).

Included in the other borrowings are loans of approximately HK\$2,108 million (31 December 2013: HK\$2,161 million) from a fellow subsidiary.

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

### 17. SHARE CAPITAL/RESERVES

Under the Hong Kong Companies Ordinance (Cap. 622), with effect from 3 March 2014, the concept of authorised share capital no longer exists and the Company's shares no longer have a par value. There is no impact on the number of shares in issue or the relative entitlements of any of the shareholders as a result of this transition.

On 3 March 2014, the share premium account and the capital redemption reserve account of the Company amounted to HK\$13,418,367,000 and HK\$1,071,000, respectively, were transferred to, and became part of, the share capital of the Company following this transition.

### 18. 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 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 require the Issuer to redeem all or some only of CB 2018 on 18 February 2016 at a pre-determined redemption amount ("Holders' Redemption Option").

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 18. CONVERTIBLE BONDS (continued)

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").

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". The effective interest rate applied to the liability component on initial recognition was 2% per annum.

The movements of the liability component of CB 2018 during the current interim period are set out below:

|                   | HK\$'000  |
|-------------------|-----------|
| At 1 January 2014 | 3,742,607 |
| Interest charged  | 41,632    |
| At 30 June 2014   | 3,784,239 |

### 19. ACQUISITION OF SUBSIDIARIES

The following acquisitions took place during the current interim period:

- (i) In February 2014, the Group acquired 100% interest in Gold Wisdom Holdings Limited, (which together with its subsidiaries, are collectively referred to as the "Gold Wisdom Group") for a consideration of RMB119 million (equivalent to approximately HK\$148 million). The Gold Wisdom Group is principally engaged in the business of refuse disposal and waste incineration power generation in the PRC.
- (ii) In February 2014, the Group acquired 100% interest in Shanghai Qingpu Second Waste Water Treatment Plant Co., Ltd. ("Shanghai Qingpu") for a consideration of RMB180 million (equivalent to approximately HK\$225 million). Shanghai Qingpu is engaged principally in the business of waste water treatment in the PRC.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 19. ACQUISITION OF SUBSIDIARIES (continued)

Consideration transferred

|  | The Gold<br>Wisdom Group<br>HK\$'000 | Shanghai<br>Qingpu<br>HK\$'000 | Total<br>HK\$'000 |
|--|--------------------------------------|--------------------------------|-------------------|
| Cash   | 135,961                              | 67,383                         | 203,344           |
| Deferred consideration                           | 12,473                               | -                              | 12,473            |
| Deposits paid for acquisition<br>of a subsidiary | -                                    | 157,227                        | 157,227           |
|  | 148,434                              | 224,610                        | 373,044           |

Assets acquired and liabilities recognised at the date of acquisition (determined on a provisional basis) are as follows:

|  | The Gold<br>Wisdom Group<br>HK\$'000 | Shanghai<br>Qingpu<br>HK\$'000 | Total<br>HK\$'000 |
|--|--------------------------------------|--------------------------------|-------------------|
| Property, plant and equipment                        | 924                                  | 14,406                         | 15,330            |
| Prepaid lease payments                               | 20,919                               | -                              | 20,919            |
| Other intangible assets                              | 219,600                              | -                              | 219,600           |
| Receivables under service concession<br>arrangements | 239,547                              | 374,021                        | 613,568           |
| Inventories  | 558                                  | 138                            | 696               |
| Trade and other receivables                          | 5,918                                | 4,002                          | 9,920             |
| Pledged bank deposits                                | 7,550                                | -                              | 7,550             |
| Bank balances and cash                               | 5,372                                | 31,173                         | 36,545            |
| Trade and other payables                             | (79,421)                             | (8,558)                        | (87,979)          |
| Bank and other borrowings                            | (270,248)                            | (156,605)                      | (426,853)         |
| Deferred tax liabilities                             | (2,285)                              | (33,967)                       | (36,252)          |
|  | 148,434                              | 224,610                        | 373,044           |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 19. ACQUISITION OF SUBSIDIARIES (continued)

*Goodwill arising on acquisition (determined on a provisional basis)*

|                           | The Gold<br>Wisdom Group<br>HK\$'000 | Shanghai<br>Qingpu<br>HK\$'000 | Total<br>HK\$'000 |
|---------------------------|--------------------------------------|--------------------------------|-------------------|
| Consideration transferred | 148,434                              | 224,610                        | 373,044           |
| Less: net assets acquired | (148,434)                            | (224,610)                      | (373,044)         |
|                           | -                                    | -                              | -                 |

*Net cash outflow arising on acquisition*

|                                       |         |          |          |
|---------------------------------------|---------|----------|----------|
| Cash consideration paid               | 135,961 | 67,383   | 203,344  |
| Less: bank balances and cash acquired | (5,372) | (31,173) | (36,545) |
|                                       | 130,589 | 36,210   | 166,799  |

Note: The initial accounting of these acquisitions are not yet completed at the end of the current interim period. The assets acquired and liabilities recognised and the amounts recognised in the financial statements for these acquisitions have been determined provisionally. The professional valuation conducted by an independent valuer has not yet been finalised on the date when these condensed consolidated financial statements are authorised for issue.

The directors of the Company are of the opinion that the above subsidiaries acquired had no significant contribution to the Group's revenue or results for the six months ended 30 June 2014.

### 20. DISPOSAL OF SUBSIDIARIES

The following disposals took place in the current interim period:

- (i) In March 2014, SI Environment disposed of its 52% interest in a subsidiary, namely 昆明南方水務有限公司 ("Kunming Nanfang"), to a non-controlling shareholder of Kunming Nanfang for a consideration of RMB14,503,000 (equivalent to HK\$18,296,000). Kunming Nanfang is principally engaged in the business of sewage treatment and water supply in the PRC.
- (ii) In April 2014, SI Development disposed of its 80% interest in a subsidiary, namely 重慶華新國際城市有限公司 ("Chongqing Huaxin"), to a non-controlling shareholder of Chongqing Huaxin for a consideration of RMB35,360,000 (equivalent to HK\$43,450,000). Chongqing Huaxin is principally engaged in the business of property development and sales in the PRC.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 20. DISPOSAL OF SUBSIDIARIES (continued)

Further details of the consideration and assets and liabilities disposed of in respect of the disposed subsidiaries are set out below:

|   | Chongqing<br>Huaxin<br>HK\$'000 | Kunming<br>Nanfang<br>HK\$'000 | Total<br>HK\$'000 |
|---|---------------------------------|--------------------------------|-------------------|
| <i>Consideration received in cash</i>   | 43,450                          | 18,296                         | 61,746            |
| <i>Analysis of assets and liabilities<br/>over which control was lost:</i>  |                                 |                                |                   |
| Property, plant and equipment   | 79                              | –                              | 79                |
| Other intangible assets   | –                               | 35,121                         | 35,121            |
| Trade and other receivables   | 50,415                          | –                              | 50,415            |
| Bank balances and cash  | 9,109                           | 18,704                         | 27,813            |
| Trade and other payables  | (5,794)                         | (3,296)                        | (9,090)           |
| Tax payable   | (1,490)                         | –                              | (1,490)           |
| <b>Net assets disposed of</b>   | <b>52,319</b>                   | <b>50,529</b>                  | <b>102,848</b>    |
| <i>Gain (loss) on disposal</i>  |                                 |                                |                   |
| Consideration received in cash  | 43,450                          | 18,296                         | 61,746            |
| Net assets disposed of  | (52,319)                        | (50,529)                       | (102,848)         |
| Non-controlling interests   | 10,464                          | 27,482                         | 37,946            |
| Cumulative exchange differences<br>in respect of the net assets of the<br>subsidiary reclassified from equity<br>to profit or loss on loss of control | 1,022                           | (55)                           | 967               |
|   | 2,617                           | (4,806)                        | (2,189)           |
| <i>Net cash inflows (outflows) arising<br/>on the disposal</i>  |                                 |                                |                   |
| Cash consideration received   | 43,450                          | 18,296                         | 61,746            |
| Less: bank balances and cash disposed of  | (9,109)                         | (18,704)                       | (27,813)          |
|   | 34,341                          | (408)                          | 33,933            |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 20. DISPOSAL OF SUBSIDIARIES (continued)

In June 2013, SI Urban Development, disposed of an exclusive right for a specific piece of land to an independent third party at a consideration of RMB1,174,500,000 (equivalent to HK\$1,463,369,000), resulting in a gain on disposal of assets through disposal of subsidiaries of HK\$819,125,000. Further details are set out in the Group's annual financial statements for the year ended 31 December 2013.

### 21. CAPITAL COMMITMENTS

|  | 30 June<br>2014<br>HK\$'000 | 31 December<br>2013<br>HK\$'000 |
|--|-----------------------------|---------------------------------|
| Capital expenditure contracted for but not provided in these condensed consolidated financial statements in respect of |                             |                                 |
| – additions in properties under development held for sale  | 10,434,244                  | 7,358,408                       |
| – investments in associates  | 565,826                     | –                               |
| – additions in construction in progress  | 327,242                     | 600,192                         |
| – acquisition of property, plant and equipment   | 19,166                      | 36,115                          |
| – investment in a joint venture  | –                           | 678,617                         |
| – acquisition of a PRC subsidiary  | –                           | 221,538                         |
|  | <b>11,346,478</b>           | <b>8,894,870</b>                |
| Capital expenditure authorised but not contracted for in respect of additions in construction in progress              | –                           | 19,206                          |

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

|  | 30 June<br>2014<br>HK\$'000 | 31 December<br>2013<br>HK\$'000 |
|--|-----------------------------|---------------------------------|
| Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of |                             |                                 |
| – investment in a PRC joint venture  | 78,691                      | 85,147                          |
| – additions in construction in progress  | –                           | 153,672                         |
|  | <b>78,691</b>               | <b>238,819</b>                  |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 22. CONTINGENT LIABILITIES

#### (a) Guarantees

|  | 30 June<br>2014<br>HK\$'000 | 31 December<br>2013<br>HK\$'000 |
|--|-----------------------------|---------------------------------|
| Guarantees given to banks in respect of banking facilities utilised by |                             |                                 |
| – property buyers  | 2,648,655                   | 3,137,451                       |
| – an entity controlled by Xuhui SASAC                                  | 394,704                     | 340,589                         |
| – a joint venture  | 674,373                     | 212,228                         |
|  | <b>3,717,732</b>            | 3,690,268                       |

- (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 HK\$160,000 thereafter until settlement. The directors of the Company, after taking advice from the management of SI Urban Development which has consulted its legal advisers, 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.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Other than the financial assets 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 these condensed consolidated financial statements approximate their fair values.

| Financial assets   | Fair value<br>as at 30<br>June 2014<br>HK\$'000 | Fair value<br>as at 31<br>December 2013<br>HK\$'000 | Fair value<br>hierarchy | Valuation<br>techniques<br>and key inputs   | Significant<br>unobservable<br>inputs |
|--|---|---|-------------------------|---|---------------------------------------|
| <i>Available-for-sale investments</i>                                      |   |   |                         |   |                                       |
| Listed equity securities   | 110,509   | 149,854   | Level 1                 | Quoted bid prices in active markets   | N/A                                   |
| <i>Investments held for trading</i>  |   |   |                         |   |                                       |
| Listed equity securities   | 175,847   | 170,959   | Level 1                 | Quoted bid prices in active markets   | N/A                                   |
| <i>Financial assets designated as at fair value through profit or loss</i> |   |   |                         |   |                                       |
| Structured deposits  | 395,847   | 299,455   | Level 2                 | By comparing the exchange rate at the end of the reporting period with target exchange rate | N/A                                   |

There was no transfer amongst Levels 1, 2 and 3 in both periods.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 24. RELATED PARTY TRANSACTIONS

- (i) During the current interim period, save as disclosed elsewhere 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 |                  |
|---|--|--------------------------|------------------|
|   |  | 2014<br>HK\$'000         | 2013<br>HK\$'000 |
| Ultimate holding company  | Rentals and management fee paid by the Group on land and buildings | 1,207                    | 1,140            |
| Fellow subsidiaries   | Interest paid by the Group   | 88,593                   | 91,765           |
|   | Rentals and management fee paid by the Group on land and buildings | 27,163                   | 28,932           |
| Joint ventures  | Investment income from entrusted fund received by the Group        | 20,123                   | 19,935           |
|   | Capital injection by the Group                                     | -                        | 125,000          |
|   | Interest income received by the Group                              | 11,354                   | -                |
| Associates  | Interest income received by the Group                              | 52,613                   | 47,741           |
|   | Rentals received by the Group on land and buildings                | 718                      | 1,286            |
|   | Property agency fee paid by the Group                              | 7,363                    | 33,358           |
| Non-controlling shareholders of subsidiaries                              | Interest received by the Group                                     | -                        | 3,596            |
|   | Interest paid by the Group   | 56                       | 5,460            |
| Entity controlled by an independent non-executive director of the Company | Rentals and management fee paid by the Group on land and buildings | 3,024                    | 3,097            |

In addition, a fellow subsidiary pledged a bank deposit amounting to RMB494 million (31 December 2013: RMB496 million) (equivalent to approximately HK\$617 million (31 December 2013: HK\$620 million)) to secure a bank loan granted to SI Development.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 24. RELATED PARTY TRANSACTIONS (continued)

(ii) Compensation of key management personnel

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

|  | Six months ended 30 June |                  |
|--|--------------------------|------------------|
|  | 2014<br>HK\$'000         | 2013<br>HK\$'000 |
| Directors' fee and committee remuneration  | 890                      | 828              |
| Basic salaries and allowance               | 9,671                    | 9,692            |
| Bonuses                                    | 5,203                    | 4,724            |
| Equity-settled share-based payment expense | 86                       | 1,243            |
| Retirement benefits scheme contributions   | 259                      | 242              |
|  | <b>16,109</b>            | <b>16,729</b>    |

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

(iii) Transactions with other PRC government entities

The Group itself is part of a larger group of companies under SIIC, which is controlled by the PRC government. The directors consider that the Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government. Apart from the transactions with SIIC, other connected persons and related parties disclosed as above, the Group also conducts business with other government related entities in the ordinary course of business. In the opinion of the directors of the Company, these transactions are considered as individually and collectively insignificant to the operations of the Group. The directors consider these government-related entities are independent third parties so far as the Group's business transactions with them are concerned.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

### 24. RELATED PARTY TRANSACTIONS (continued)

- (iv) The Group has entered into several banking facility agreements amounted to HK\$10,649 million (31 December 2013: HK\$9,280 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 3 April 2019. As at 30 June 2014, the extent of utilisation of such bank facilities amounted to approximately HK\$9,249 million (31 December 2013: HK\$9,280 million).
- (v) In June 2014, the Group acquired 75% and 25% interests in 上海勝利醫療器械有限公司 ("Shengli Medical") from a fellow subsidiary and an independent third party for considerations of RMB8,506,000 (equivalent to HK\$10,609,000) and RMB2,835,000 (equivalent to HK\$3,536,000), respectively. Shengli Medical is principally engaged in the business of production of medical equipment and paper-packaging products. As Shengli Medical is an entity under common control by SIIC, the Group accounted for this transaction using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA. Further details of these transactions are set out in the Company's announcement dated 4 June 2014.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

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

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

- (i) On 8 July 2014, SI Environment entered into a placing agreement with two placement agents, who are independent third parties of the Group, in relation to its placement of 1,000,000,000 new ordinary shares, representing approximately 10.43% of the enlarged capital of SI Environment, at the placement price of S\$0.158 per share. The Group's shareholding in SI Environment would be diluted from 46.72% to 41.85% upon completion of the placement. The Group would account for the share placement as an equity transaction. The share placement was subsequently completed on 14 July 2014.
- (ii) On 6 August 2014, SI Urban Development entered into a framework agreement under which SI Urban Development conditionally agreed to dispose of its entire 40% equity interest in 天津市億嘉合置業有限公司, an associate of SI Urban Development, through disposal of a subsidiary for a cash consideration of RMB366,000,000 (equivalent to HK\$457,157,000). The disposal is yet to complete at the date of issuance of these condensed consolidated financial statements.



## OTHER INFORMATION

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

As at 30 June 2014, 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<br>(Note 2) | Total     | Approximate percentage of the issued shares |
|------------------|------------------|---------------------|---------------------------------------|--|-----------|---|
| 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%                                       |
| 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<br>(Note 2) | Approximate percentage of the issued shares |
|--------------------------------|------------------|---------------------|---|---|
| Zhou Jun                       | Beneficial owner | Personal            | 7,000,000                                       | 0.15%                                       |
| Ni Jian Da <sup>(Note 3)</sup> | Beneficial owner | Personal            | 8,000,000                                       | 0.17%                                       |

Notes:

- All interests stated above represent long positions.
- Such long position represents underlying shares derived from unlisted and physically-settled derivatives.
- Mr. Ni Jian Da was appointed as a Director of the Company on 20 February 2014.

*Shanghai Pharmaceuticals*

| Name of Director | Class of shares | Capacity                         | Nature of interests | Number of issued shares held | Approximate percentage of the issued shares |
|------------------|-----------------|----------------------------------|---------------------|------------------------------|---|
| Lu Shen          | A share         | Beneficial owner                 | Personal            | 6,440                        | 0.0002%                                     |
| 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, chief executives nor their associates of the Company had any other interests or short positions in any 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 2014.

## OTHER INFORMATION

## 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 |                             |                                |                          |
|---------------------------------|---------------|-------------------------------|---|-----------------------------|--------------------------------|--------------------------|
|                                 |               |                               | Outstanding at 1.1.2014                           | Exercised during the period | Reclassified during the period | Outstanding at 30.6.2014 |
| <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                  |
| 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                   |
| Qian Yi <sup>(Note)</sup>       | 2.11.2010     | 36.60                         | 750,000   | -                           | (750,000)                      | -                        |
|                                 | 20.9.2011     | 22.71                         | 600,000   | -                           | (600,000)                      | -                        |
| Total                           |               |                               | 6,828,000   | -                           | (1,350,000)                    | 5,478,000                |
| <i>Category 2: Employees</i>    |               |                               |   |                             |                                |                          |
|                                 | 2.11.2010     | 36.60                         | 9,170,000   | -                           | 750,000                        | 9,920,000                |
|                                 | 20.9.2011     | 22.71                         | 8,620,000   | -                           | 600,000                        | 9,220,000                |
|                                 | 16.5.2012     | 23.69                         | 544,000   | -                           | -                              | 544,000                  |
| Total                           |               |                               | 18,334,000  | -                           | 1,350,000                      | 19,684,000               |
| <i>Category 3: Others</i>       |               |                               |   |                             |                                |                          |
|                                 | 2.11.2010     | 36.60                         | 11,440,000  | -                           | -                              | 11,440,000               |
|                                 | 20.9.2011     | 22.71                         | 5,855,000   | (10,000)                    | -                              | 5,845,000                |
| Total                           |               |                               | 17,295,000  | (10,000)                    | -                              | 17,285,000               |
| <b>Total for all categories</b> |               |                               | <b>42,457,000</b>                                 | <b>(10,000)</b>             | <b>-</b>                       | <b>42,447,000</b>        |

Note: Mr. Qian Yi resigned as Director of the Company on 20 February 2014.

## OTHER INFORMATION

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\$28.13.

## (II) SIHL New Scheme

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

## OTHER INFORMATION

### (III) SI Urban Development Scheme

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 as approved by the shareholders of the Company. 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<br>HK\$ | Number of shares issuable under the share options granted |                                |                          |
|---|---------------|----------------------------------|---|--------------------------------|--------------------------|
|   |               |                                  | Outstanding at 1.1.2014                                   | Reclassified during the period | Outstanding at 30.6.2014 |
| <i>Category 1: Directors of SI Urban Development, who are also Directors of the Company</i> |               |                                  |   |                                |                          |
| Zhou Jun  | 24.9.2010     | 2.98                             | 7,000,000   | -                              | 7,000,000                |
| Ni Jian Da <sup>(Note)</sup>  | 24.9.2010     | 2.98                             | -   | 8,000,000                      | 8,000,000                |
|   |               |                                  | 7,000,000   | 8,000,000                      | 15,000,000               |
| <i>Category 2: Other directors of SI Urban Development</i>                                  | 24.9.2010     | 2.98                             | 31,000,000  | (8,000,000)                    | 23,000,000               |
| <i>Category 3: Employees of SI Urban Development</i>  | 24.9.2010     | 2.98                             | 12,750,000  | -                              | 12,750,000               |
| <i>Category 4: Others</i>   | 24.9.2010     | 2.98                             | 7,000,000   | -                              | 7,000,000                |
| <b>Total for all categories</b>   |               |                                  | <b>57,750,000</b>   | <b>-</b>                       | <b>57,750,000</b>        |

Note: Mr. Ni Jian Da was appointed as a Director of the Company on 20 February 2014.

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

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

### (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.

## OTHER INFORMATION

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES OF THE COMPANY

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

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2014, 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 shares |
|---------------------|---|---------------------|--|---|
| SIIC                | Interests held by controlled corporations | Corporate           | 617,956,748<br>(Note 1)                            | 57.07%                                      |

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, South Pacific International Trading Limited, Billion More Investments Limited, SIIC Treasury (B.V.I.) Limited and SIIC CM Development Limited held 519,409,748 shares, 80,000,000 shares, 13,685,000 shares, 1,604,000 shares, 1,479,000 shares, 1,219,000 shares, 550,000 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 2014.

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

Change in Directors' information since the date of the annual report 2013 up to the date of this report is set out below:

Mr. Zhou Jun

- appointed as the chairman of Shanghai Shengtai Investment and Management Limited under Shanghai Charity Foundation on 4 June 2014.

Mr. Ni Jian Da

- appointed as a vice chairman of China Real Estate Association on 13 May 2014.

Mr. Cheng Hoi Chuen, Vincent

- appointed as an independent non-executive director of Whampoa Hutchison Limited on 13 July 2014.

## OTHER INFORMATION

### CONVERTIBLE BONDS

Tong Jie Limited, a wholly-owned subsidiary of the Company, issued zero coupon convertible bonds with a principal amount of HK\$3,900,000,000 (the “**Convertible Bonds**”) to public investors in February 2013. Unless early redeemed, the Convertible Bonds will be redeemed at 105.11% of the principal amount on 18 February 2018. The bonds are guaranteed by the Company and listed on the Stock Exchange. The proceeds from the Convertible Bonds are currently used to fund future capital expenditure and investments in infrastructure facilities business and for general working capital purpose, which included the use on the subscription by the Company of 1,250,000,000 placement shares of SI Environment (a Singapore listed subsidiary of the Company) last year.

### EMPLOYEES AND REMUNERATION POLICIES

During the six months ended 30 June 2014, SIIC Environment has completed the acquisition of equity stake in certain project companies giving rise to an increase the number of employees at the end of 2013 from 10,627 to 11,077. The Group appraises staff remuneration with reference to the operating results of the Company, individual performance and industry average. With a strong commitment to staff relationship and training, the Group also encourages employees to continue their education, adding value both for themselves and for the Group.

### REVIEW OF REPORT

The Audit Committee has reviewed the Company’s interim report for the six months ended 30 June 2014.

### 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 28 May 2014 due to a business engagement.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

## GLOSSARY OF TERMS

| <b>Term used</b>          | <b>Brief description</b>   |
|---------------------------|--|
| Company                   | Shanghai Industrial Holdings Limited   |
| Dazhou Jiajin             | Dazhou Jiajin Environmental Protection and Recycling Resources Co., Ltd.                   |
| Director(s)               | director(s) of the Company   |
| Galaxy Energy             | SIIC Aerospace Galaxy New Energy (Shanghai) Co., Ltd.                                      |
| General Water of China    | General Water of China Co., Ltd.   |
| Group                     | the Company and its subsidiaries   |
| Hu-Ning Expressway        | Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd.                                   |
| Listing Rules             | Rules Governing the Listing of Securities on the Stock Exchange                            |
| Longjiang Environmental   | Longjiang Environmental Protection Group Co., Ltd.   |
| Luqiao Development        | Shanghai Luqiao Development Co., Ltd.  |
| Model Code                | Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules |
| Nanyang Tobacco           | Nanyang Brothers Tobacco Company, Limited  |
| Net Business Profit       | Net profit excluding net corporate expenses  |
| PRC                       | The People's Republic of China   |
| Pucheng Thermal Power     | Shanghai Pucheng Thermal Power Energy Co., Ltd.  |
| SFO                       | Securities and Futures Ordinance (Chapter 571) of the laws of Hong Kong                    |
| SGX                       | Singapore Stock Exchange   |
| Shanghai City Land Group  | Shanghai City Land (Group) Co., Ltd.   |
| Shanghai Galaxy           | Shanghai Galaxy Investment Co., Ltd.   |
| Shanghai Pharmaceuticals  | Shanghai Pharmaceuticals Holding Co., Ltd. (SSE stock code: 601607; HKSE stock code: 2607) |
| Qingpu Sewage Plant No. 2 | Shanghai Qingpu Second Waste Water Treatment Plant Co., Ltd.                               |
| Shanghai Shen-Yu          | Shanghai Shen-Yu Development Co., Ltd.   |

## GLOSSARY OF TERMS

| <b>Term used</b>                | <b>Brief description</b>  |
|---------------------------------|---|
| Shengli Medical                 | Shanghai Dental Instrument Factory Co., Ltd.  |
| SI Development                  | Shanghai Industrial Development Co., Ltd. (SSE stock code: 600748)  |
| SI Environment                  | SIIC Environment Holdings Ltd. (SGX stock code: 5GB)  |
| SI Environment Scheme           | A share option scheme adopted by SI Environment at the extraordinary general meeting held on 27 April 2012  |
| SI Urban Development            | Shanghai Industrial Urban Development Group Limited (HKSE stock code: 563)  |
| SI Urban Development Scheme     | A share option scheme adopted by SI Urban Development at the extraordinary general meeting held on 12 December 2002. Such scheme was expired on 11 December 2012  |
| SI Urban Development New Scheme | A new share option scheme adopted by SI Urban Development at the annual general meeting held on 16 May 2013   |
| SIHL Scheme                     | A share option scheme adopted by the Company 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 at the extraordinary general meeting held on 25 May 2012   |
| SIIC                            | Shanghai Industrial Investment (Holdings) Company Limited   |
| SIIC Dongtan                    | SIIC Dongtan Investment & Development (Holdings) Co., Ltd.  |
| 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.   |