



上海實業控股有限公司

SHANGHAI INDUSTRIAL HOLDINGS LIMITED

(Stock Code : 363)

INTERIM REPORT
2016



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Wang Wei (*Chairman*)

Mr. Zhou Jun

(*Vice Chairman & Chief Executive Officer*)

Mr. Lu Shen (*Executive Deputy CEO*)

Mr. Xu Bo (*Deputy CEO*)

Independent Non-Executive Directors

Prof. Woo Chia-Wei

Mr. Leung Pak To, Francis

Mr. Cheng Hoi Chuen, Vincent

Mr. Yuen Tin Fan, Francis

BOARD COMMITTEES

Executive Committee

Mr. Wang Wei (*Committee Chairman*)

Mr. Zhou Jun

Mr. Lu Shen

Mr. Xu Bo

Audit Committee

Mr. Cheng Hoi Chuen, Vincent

(*Committee Chairman*)

Prof. Woo Chia-Wei

Mr. Leung Pak To, Francis

Mr. Yuen Tin Fan, Francis

Remuneration Committee

Prof. Woo Chia-Wei (*Committee Chairman*)

Mr. Leung Pak To, Francis

Mr. Cheng Hoi Chuen, Vincent

Mr. Yuen Tin Fan, Francis

Mr. Li Han Sheng

Mr. Guo Fa Yong

Nomination Committee

Prof. Woo Chia-Wei (*Committee Chairman*)

Mr. Leung Pak To, Francis

Mr. Cheng Hoi Chuen, Vincent

Mr. Yuen Tin Fan, Francis

Mr. Li Han Sheng

Mr. Guo Fa Yong

COMPANY SECRETARY

Mr. Yee Foo Hei

QUALIFIED ACCOUNTANT

Mr. Lee Kim Fung, Edward

AUTHORISED REPRESENTATIVES

Mr. Zhou Jun

Mr. Yee Foo Hei

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COMPANY STOCK CODE

Stock Exchange : 363

Bloomberg : 363 HK

Reuters : 0363.HK

ADR : SGHIY

COMPANY WEBSITE

www.sihl.com.hk

AUDITOR

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SHARE REGISTRAR

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INFORMATION FOR SHAREHOLDERS

DIVIDEND NOTICE

Interim and Special Dividends

The Board of Directors has resolved to pay an interim dividend of HK36 cents (2015: HK36 cents) per share for 2016 and a special dividend of HK10 cents to commemorate the twentieth anniversary of the Company's listing, to shareholders whose names appear on the register of members of the Company on Tuesday, 20 September 2016. The interim and special dividends will be paid to shareholders on or about Thursday, 6 October 2016.

Closure of Register of Members

For the purpose of determining shareholders' entitlement to the interim and special dividends, the register of members of the Company will be closed on Tuesday, 20 September 2016. 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 Monday, 19 September 2016.

FINANCIAL CALENDAR

2016 interim results announced	31 August 2016
Despatch of 2016 interim report	on or about 15 September 2016
Ex-dividend date for 2016 interim dividend	15 September 2016
Record date for 2016 interim dividend	20 September 2016
Despatch notice of 2016 interim dividend	on or about 6 October 2016

CHAIRMAN'S STATEMENT

I am pleased to report to our shareholders the Group's interim results for the period ended 30 June 2016.

During the first half of the year, the economic growth in China continued to slow down and the exchange rate of the RMB declined. Property prices in some of the first and second-tier cities increased significantly. Apart from this, many complex issues were surrounding the global economy, including the sluggish economic climate in Europe and Japan, uncertainties on U.S. dollar interest rate hikes, and the volatility of the financial markets triggered by Brexit. Against this scenario, the Group has made considerable efforts to integrate its financing activities and business operations under the leadership of the Board and the management. While making plans to drive the development of its core businesses to further improve operational efficiency and better allocate its resources, the Group has capitalized on market opportunities, optimizing its capital structure and effectively revitalizing its assets. During the period under review, all the Group's subsidiaries have achieved satisfactory operating results through enhancements of their risk management and strategic operation to facilitate the development of its business. As a result, the pre-determined strategic development targets have generally been achieved.

For the six months ended 30 June 2016, the Group's total revenue amounted to HK\$9,229 million, representing a year-on-year increase of 29.3%. Net profit increased year-on-year by 14.9% to HK\$1,506 million. The increase was mainly attributable to the increase in profits from the real estate business as compared to the same period last year and stable growth in profit of our infrastructure business.

The Board of Directors has resolved to pay an interim dividend of HK36 cents (2015: HK36 cents) per share for 2016 and a special dividend of HK10 cents to commemorate the twentieth anniversary of the Company's listing, to shareholders whose names appear on the register of members of the Company on Tuesday, 20 September 2016. The interim and special dividends will be paid to shareholders on or about Thursday, 6 October 2016.

During the period, the Group's infrastructure facilities business recorded earnings of HK\$620 million, representing a year-on-year increase of 7.8%. The toll roads segment maintained steady growth overall in terms of revenue and traffic flow in the first half of 2016, providing a stable profit contribution to and strong cash flow for the Group. The water business continued to expand in an orderly manner. SI Environment achieved a revenue and net profit of RMB1,119 million and RMB191 million during the period, representing a significant increase of 41.6% and 25.9% year-on-year respectively. During the same period, revenue for General Water of China amounted to HK\$1,008 million, representing an increase of 12.4% over the same period last year; net profit amounted to HK\$119 million, rising 37.0% year-on-year.

The real estate business realized earnings for the period of HK\$353 million, representing a year-on-year increase of 33.6%, which was mainly attributable to the increases in properties delivered and booked during the period. The total revenue for SI Urban Development amounted to HK\$2,457 million, representing an increase of 13.1% over the same period last year. Profit attributable to shareholders increased significantly year-on-year by 173.8% to HK\$310 million. For the first half of 2016, the total revenue for SI Development amounted to RMB2,226 million, representing an increase of 146.3% over the same period last year; profit attributable to shareholders amounted to RMB206 million, representing a year-on-year increase of 144.6%.

The overall revenue for the consumer products business declined due to the difficult operating environment and intense competition. Despite this, the segment continued to make steady contributions to the Group's earnings and cash flow. A revenue and net profit of HK\$1,856 million and HK\$498 million, representing a year-on-year decrease of 2.2% and 3.0% respectively were recorded by the Group during the period.

Improving capital effectiveness and optimizing capital structure

During the period, SI Development completed the issuance of approximately 335.5 million new shares at RMB11.63 per share by private placement and recorded net proceeds of approximately RMB3,855 million after fees were deducted. The shareholding proportion of the Company in SI Development was diluted from 63.65% to 48.6%. In addition, SI Development has issued all corporate bonds as approved by the China Securities Regulatory Commission for a total of RMB2.0 billion.

SI Urban Development has also repaid the US dollar club loan and the loans of its subsidiaries with high interest with its RMB funds and corporate bonds to reduce interest expenses.

Securing steady growth for toll roads business while expanding water projects

In the first half of 2016, benefitting from the efficient management, smooth traffic and overall stable traffic flow during the holidays, the Group's three toll roads recorded growth in traffic flow and revenue. The Group will look for opportunities to acquire suitable assets to further enhance the profitability of its toll roads business.

For water services, SI Environment, which is listed in Singapore, saw rapid development in business. The newly acquired projects began to make profit contributions. In addition, SI Environment continued to expand its assets, improve its asset quality and overall profitability through mergers and acquisitions. The daily water treatment capacity of SI Environment was 7,133,900 tonnes; together with General Water of China, the daily water treatment capacity of the Group's water services segment exceeded 14,000,000 tonnes, further consolidating the leading position of the Group's water business in PRC markets.

Facilitating development and sales of real estate projects and effectively revitalizing real estate assets when opportunities arise

Benefiting from the recovery of the market, SI Development recorded contract sales of RMB3,973 million for its real estate projects during the period, including International Beer City in Qingdao, Hi-Shanghai in Hangzhou, Hi-Shanghai in Chengdu, Shanghai Bay in Huzhou, Essense of Shanghai in Shanghai, Sea County in Shanghai, Flos Granati in Shanghai, Shanghai Bay in Shanghai, United 88 in Changning district, Shanghai, Fengsheng Building project in Changsha, Lake Villa in Suzhou, International Chinese City in Shaoxing and Shanghai International Art Centre in Shanghai. Quite a number of projects were delivered and booked in the first half of the year.

During the period, Shanghai Urban Development, a 59% subsidiary of SI Urban Development, completed the disposal of its 35% interest in the Longcheng project, and achieved a pre-tax gain of approximately RMB933 million. In May this year, the company further disposed of its remaining 40% interest in Longcheng Properties by way of open bidding to a related party at a consideration of RMB1,907 million. The above two transactions are expected to generate a total of pre-tax gain of approximately RMB2,000 million for Shanghai Urban Development. Taking Shanghai as the core, SI Urban Development continued to optimize the regional layout of its real estate projects, focusing on developments in first and second-tier cities in the Yangtze River Delta. The projects are mainly middle to high-end residential properties, together with some developments for investment purposes. Currently, the company holds several large-scale urban complex projects, including Binjiang U Centre and TODTOWN in Xinzhuang, Shanghai, all of which are located at core business districts. During the period, SI Urban Development continued to deepen its strategy to develop the Yangtze River Delta and developed cities, and accelerated the sales of its projects in Shanghai as the core strategic city based on market analysis made earlier this year. Contract sales for the first half of the year increased by 1.19 times to RMB4,533 million as compared with the same period last year, reaching 85.5% of the full year target.

Steady development of consumer products segment with efforts to optimise market and product structure

Amid keen competition and a difficult external business environment, the overall sales growth for the consumer products business slowed down during the first half of the year. During the period, Nanyang Tobacco has improved its gross profit margin, stabilized sales volume and consolidated its markets by way of its successful marketing activities. As a result, the company was able to achieve successive growth in terms of sales volume, revenue and net profits, fully meeting established targets for the year.

Affected by inventory reduction in the domestic tobacco industry and investment costs injected for the construction of an exquisite moulded fiber packaging box manufacturing base, Wing Fat Printing recorded a significant drop in turnover and profit during the period. In addition to expanding its customer base for its existing business, the company has set a strategic target to transform its business into consumer electronic products packaging and to develop high-end exquisite moulded fiber packaging products. The new manufacturing plant was completed as scheduled, resulting in volume delivery of exquisite moulded fiber packaging products which are highly regarded by internationally-renowned clients. The plant will move into a scale-production stage in the second half of the year and is expected to generate new income source and become a profit growth driver for the future development of the company.

PROSPECTS

In the second half of 2016, the Group's principal businesses are still expected to face considerable challenges. For toll roads, the opening up and extension of other new expressways is expected to affect the growth of traffic flow. The real estate sector is still expected to face enormous pressure in achieving sales targets for the second half of the year due to respective local policies despite a recovery in the market in the first half of the year. For consumer products, the business environment and competition remain severe.

Following its strategic targets established for the year, the Group will continue to capitalize on financing activities for its business operations, further enhance its risk management, optimize its internal control system and better allocate its resources to improve operating efficiency. At the same time, the Group will continue to improve its business and asset structure as and when opportunities arise to maximize value for its shareholders.

As for infrastructure facilities, the water business will continue to expand its investment size in an orderly way, further enhance its various corporate management models, optimize and integrate its management team to facilitate the rapid development of its business; for toll roads, while remaining operating efficiency, we will acquire suitable asset projects as and when opportunities arise to continue to maintain steady profit growth. For new business arenas, the Group will continue to invest in clean energy business like photovoltaic power generation to create a new driving force for the Group's profitability growth.

For the real estate segment, our subsidiaries will accelerate the development of their projects and enhance marketing activities. Our interest in existing projects will be revived when opportunities arise so as to release the actual value of such projects. Leveraging on the strength of our traditional core business, we will also diversify into other related fields, integrating the development of real estates with intelligent services and the smart cities concept.

Nanyang Tobacco will make considerable efforts to expand its overseas markets, launch new products with high margins to improve its gross profit and stabilize its sales and profitability base. Wing Fat Printing will endeavour to seek new customers for its traditional business while speeding up the development of its moulded fiber business, thus enhancing the growth in its operating results through business and technological innovation.

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

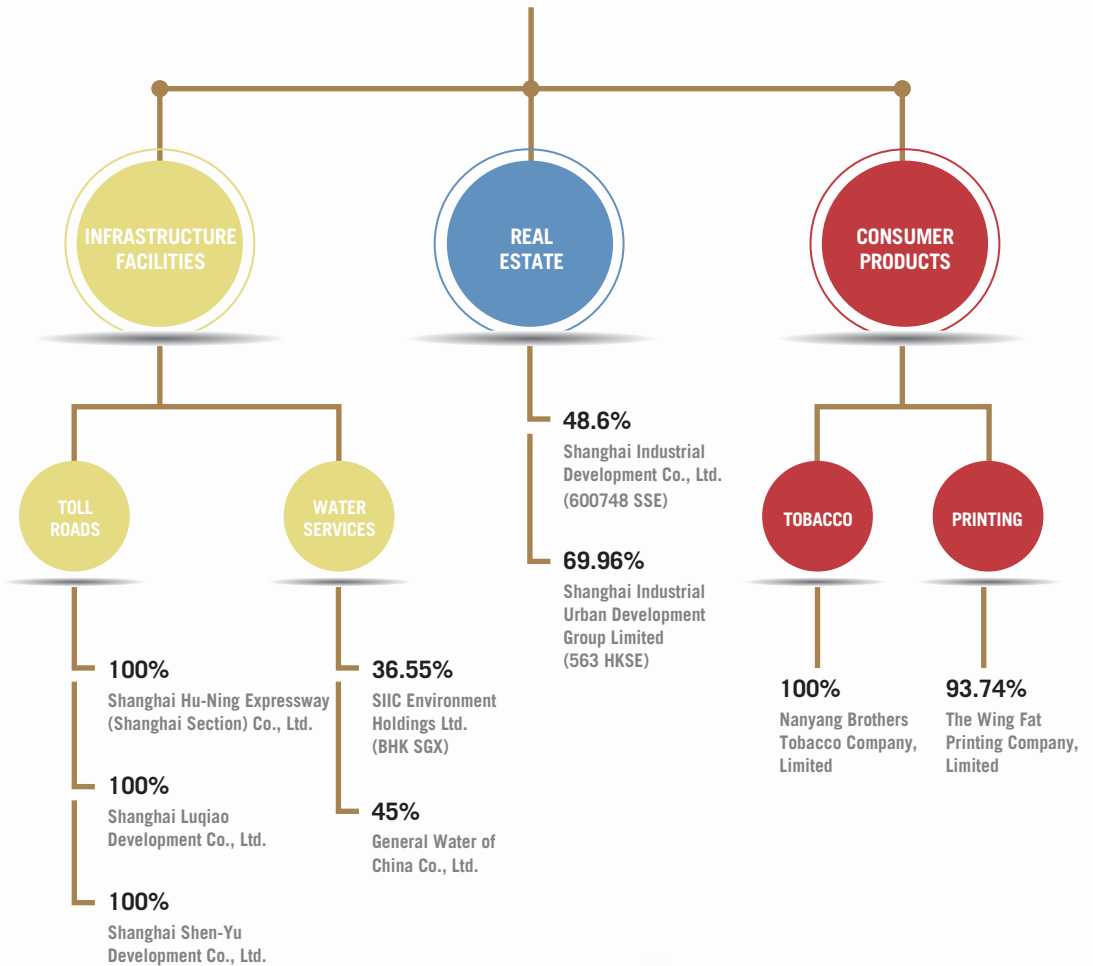


Wang Wei
Chairman

Hong Kong, 31 August 2016

GROUP BUSINESS STRUCTURE

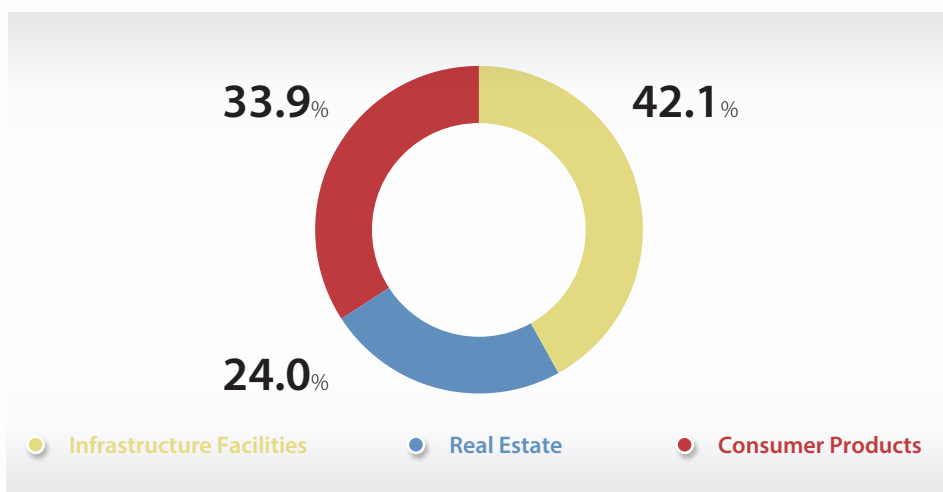
As at 31 August 2016



BUSINESS REVIEW, DISCUSSION AND ANALYSIS

For the six months ended 30 June 2016, the Group recorded an unaudited turnover of HK\$9,229 million, representing a year-on-year increase of 29.3%. Profit attributable to shareholders was HK\$1,506 million, representing an increase of 14.9% over the same period last year. The increase was mainly attributable to the increase in profit from the real estate business as compared to the same period last year and stable profit growth of our infrastructure business. During the period, the Group's principal businesses remained stable, effectively revitalizing its assets and optimizing its capital structure. In addition, capital market operations progressed in an orderly manner and business targets were achieved.

PROFIT CONTRIBUTION FROM THE GROUP'S PRINCIPAL BUSINESSES



INFRASTRUCTURE FACILITIES

During the period, the infrastructure facilities business recorded a profit of HK\$620 million, representing an increase of 7.8% over the same period last year and accounting for 42.1% of the Group's Net Business Profit. The operation size of its water business has been expanding. The total water treatment capacity of SI Environment and General Water of China together reached 14,000,000 tonnes. Our toll roads business continued to record stable profit and cash flow. As and when appropriate in the second half of the year, the group will plan to inject quality assets into the infrastructure business.

Toll roads

In the first half of the year, the traffic flow and toll revenue of the three toll roads of the Group in Shanghai overall maintained stable growth with smooth road operation. Overall traffic operation remained steady during the holidays. In the second half of the year, focus will be put on preventing traffic congestions and ensuring smooth road operation during the Mid-Autumn Day, the National Day, the crab-tasting season and routine peak hours. At the national main highway examination (the National Examination) during the "Twelfth Five-Year" period conducted last year, all three main roads passed the examination with excellent road conditions, systematic data management and quality counter services, demonstrating the Group's capability in the effective management of the expressways.

The key operating figures of the three tolls roads are as follows:

Toll roads	Net profit from project company	Changes	Toll revenue	Changes	Traffic flow (vehicle journey)	Changes
Jing-Hu Expressway (Shanghai Section)	HK\$154 million	+ 4.1%	HK\$339 million	+ 9.2%	25.51 million	+ 16.1%
Hu-Kun Expressway (Shanghai Section)	HK\$228 million	+ 5.3%	HK\$496 million	+ 1.0%	26.25 million	+ 6.9%
Hu-Yu Expressway (Shanghai Section)	HK\$90 million	+ 1.8%	HK\$261 million	- 2.9%	21.01 million	+ 9.7%
Total	HK\$472 million	+ 4.2%	HK\$1,096 million	+ 2.4%	72.77 million	+ 10.8%

Due to the rapid year-on-year growth in short-distance passage at the Shanghai Jia-Min Elevated Highway and benefiting from continuous growth in motor vehicle parc, the traffic flow of Jing-Hu Expressway (Shanghai Section) increased during the period. In addition, toll revenue also recorded relatively high growth during the period as a result of adjustments to mileage charge for toll expressways in Shanghai since mid-July 2015. Capitalizing on the good results achieved from the National Examination during the “Twelfth Five-Year” period, the project company has further improved its management system and policies. In the first half of the year, the company has continued to refine its management and intensified the inspection and appraisal of its maintenance and operation performance. In addition, through toll competitions, the site management of the roads, equipment maintenance and emergency management capability have been strengthened. Toll efficiency at road junctions maintained relatively high. In the second half of the year, the layout of car lanes at the Jiamin Station and Jiangqiao Station will be modified in order to adjust to traffic flow changes at the sections and to ensure smooth traffic operation of the road junctions.

As a result of such favourable factors as normal weather conditions in the first half of the year, stable increases in tourists and small passenger car travels during holidays and continuous measures implemented to prevent traffic congestions, as well as close monitoring of green agricultural vehicle passage, Hu-Kun Expressway (Shanghai Section) maintained stable growth in toll revenue. During the period, focus was made to standardize safety measures and to introduce safety responsibility at different levels. As part of the “Month of Safety” campaign, measures were taken to alert drivers for a better sense of safety, to reinforce site safety management and enhance road maintenance and to strengthen education programs for the training of employees on safety and routine safety management. All these measures have significantly improved our management capability on road safety.

Benefiting from increases in the traffic flow of cars, the traffic flow of Hu-Yu Expressway (Shanghai Section) continued to rise during the period. A competition section has been introduced to prevent traffic congestions and ensure smooth passage for the Qingpu urban station in this year’s toll contest, in order to minimize traffic congestions at peak hours at the station seen in recent years. The traffic capacity of the station at peak hours has now been raised by 6% as compared with the same period last year. During the period, the project company also made early arrangements on preventing floods and typhoons, examined flood-prevention materials and rescue teams and organized flood-fighting exercises to ensure a safe flood season. In the second half of the year, toll station alteration projects will be carried out in the urban areas of Qingpu to ease congestions during peak hours. Specific maintenance projects will also be implemented as planned to ensure safe road operations.

Water services

With respective contributions from newly acquired projects, the Group's water business maintained rapid growth during the period. The size of operation has continued to expand and the overall production and operation capability has been further improved.

SI Environment

SI Environment recorded a revenue of RMB1,119 million for the first half of 2016, representing a year-on-year growth of 41.6%. The increase in revenue was mainly attributable to the newly acquired Fudan Water project and contributions from newly constructed municipal projects. Profit for the year increased by 25.9% year-on-year to RMB191 million, mainly due to profit contributions from newly constructed BOT (build-operate-transfer) projects and from Fudan Water, newly acquired.

In March 2016, a wholly-owned subsidiary of SI Environment entered into a franchise agreement on the phase I alteration and expansion of a sewage treatment plant in the Coastal Medical Park in Zhejiang Province. The long-term plan of the project is to reach a sewage treatment daily capacity of 50,000 tonnes, beginning from a daily capacity of 12,500 tonnes now to 25,000 tonnes. The current project will be reconstructed to enhance the quality of water generated to class II of the "Integrated Sewage Discharge Standard". The total consideration of the project is tentatively set at RMB162 million with a franchise period up to July 2028.

In April, Fudan Water and the Commission of Housing and Urban-Rural Development of Suizhou City entered into a franchise agreement, pursuant to which the newly constructed project will have a sewage treatment daily capacity of 50,000 tonnes and the quality of water generated will reach class I A of the "Integrated Sewage Discharge Standard". The total investment for the project is approximately RMB99.98 million with a franchise period of 25 years. In July, Fudan Water increased its investments in Henan Zhonghui Joint Investment Co., Ltd., a company principally engaged in sewage and sludge treatment, with RMB225 million. It will hold 75% interest in the company after the capital increase.

Going forward, SI Environment will continue to expand its financing channels and enhance the effect of its leveraging activities. The company will capitalize on opportunities from the growing market and integrations within the industry and to increase the size of the enterprise as well as its profitability based on the business experience that it has accumulated over the years. Investments will continue to be made in sewage treatment, solid waste projects and other environmental protection-related projects, and appropriate acquisition opportunities will be sought to expand the business size of the company when opportunities arise.

General Water of China

In the first half of the year, General Water of China recorded a revenue of HK\$1,008 million, representing an increase of 12.4% over the same period last year; net profit for the period was HK\$119 million, representing a year-on-year increase of 37.0%. During the period, the company established a PPP (public-private-partnership) joint venture for the investment in the Suzhou Bianbei sewage treatment plant and its ancillary pipe network project. The joint venture is principally engaged in the construction, management, operation and maintenance of the facilities for the collection, treatment and discharge of urban sewage. With a contribution of RMB15 million, General Water of China holds 80% interests in the project. In accordance with requirements for the respective regulations, the registered capital for General Water of China in the water drainage project for the Wuxing Children's Clothing Industrial Park in the Shaxi city of Huzhou will be increased from 30% to 40%. Currently, the total investment in the project is RMB86.87 million.

Business Review, Discussion and Analysis

The sludge drying and waste incineration project under General Water of China, the first semi-dried sludge treatment production line in the PRC, is under trial run and commercial operation will begin after that. During the period, the project of General Water of China on the reservoir project in Tiger Lake, Huzhou, passed safety verifications on the dam of the reservoir conducted by a committee consisting of irrigation specialists in the Zhejiang Province and Huzhou City and was appraised as a "Class I" dam.

Details of the water development projects of the Group as at 30 June 2016 are as follows:

Province	Projects of SI Environment	Project type	Daily production capacity (tonnes)	Interest attributable to SI Environment	Project progress	
Sewage treatment / Reclaimed water treatment projects						
1	Fujian	Sewage treatment plant BOT project in Longmen Town, Anxi, Quanzhou	Sewage treatment	50,000	91.203%	<ul style="list-style-type: none"> Phase I of the project is in operation. Phase II of the project is yet to commence construction.
2	Guangdong	Sewage treatment plant BOT project in Dalang, Dongguan	Sewage treatment	100,000	75.5%	The project is in operation.
3	Guangdong	Sewage treatment plant BOT project in Shayao, Shijie, Dongguan	Sewage treatment	60,000	75.5%	The project is in operation.
4	Guangdong	Sewage treatment plant in Yantian, Fenggang, Dongguan	Sewage treatment	50,000	75.5%	The project is in operation.
5	Guangdong	Phase I and phase II of sewage treatment BOT project in Sanzhou, Dongguan	Sewage treatment	150,000	35.478%	The project is in operation.
6	Guangdong	Sewage treatment BOT project in Xinmin, Changan, Dongguan	Sewage treatment	100,000	30.410%	The project is yet to commence construction.
7	Guangdong	Phase I, phase II and phase III of water treatment project in Meihu, Huizhou	Sewage treatment	300,000	91.203%	<ul style="list-style-type: none"> Phase I and Phase II of the project are in operation. Phase III of the project is under construction.
8	Guangdong	Sewage treatment projects in Longgang District, Shenzhen	Sewage treatment	280,000	91.203%	The project is in operation.
9	Guangdong	Water recycling plant project in Henggang, Shenzhen	Reclaimed water treatment	50,000	91.203%	The project is in operation.
10	Guangdong	Sewage treatment plant project in Banxuegang, Shenzhen	Sewage treatment	40,000	91.203%	The project is in operation.
11	Guangdong	Sewage treatment plant project in Guanlan, Shenzhen	Sewage treatment	260,000	54.722%	The project is in operation.
12	Guangdong	Sewage treatment emergency operation entrustment project in Guanlan River, Shenzhen	Sewage treatment	400,000	54.722%	The project is in operation.
13	Guangdong	Sewage treatment plant TOT project in Wuchuan, Zhanjiang	Sewage treatment	40,000	91.203%	The project is in operation.
14	Guangxi	City sewage treatment plant BOT project in Beiliu	Sewage treatment	40,000	75.5%	The project is in operation.
15	Henan	Sewage treatment plant BOT project in Dongcheng District, Luobe	Sewage treatment	20,000	75.5%	The project is in operation.

Province	Projects of SI Environment (continued)	Project type	Daily production capacity (tonnes)	Interest attributable to SI Environment	Project progress
16 Henan	Sewage treatment project in southern Baihe, Nanyang	Sewage treatment	100,000	69.113%	The project is in operation.
17 Hubei	Sewage treatment project in Cihu, Huangshi	Sewage treatment	125,000	100%	The project is in operation.
18 Hubei	Sewage treatment project in Hanxi, Wuhan	Sewage treatment	600,000	80%	<ul style="list-style-type: none"> Phase I of the project is in operation. Phase I upgrading project and phase II expansion project are under construction.
19 Hubei	Sewage treatment project in Qianchuan, Wuhan	Sewage treatment	30,000	100%	The project is in operation.
20 Hubei	Sewage treatment project in Panlong, Wuhan	Sewage treatment	45,000	100%	<ul style="list-style-type: none"> Phase I of the project is in operation. Phase II expansion project is under construction.
21 Hubei	Sewage treatment project in the Wuhan New Town	Sewage treatment	60,000	100%	The project is in operation.
22 Hubei	Sewage treatment BOT project in Wuhu, Wuhan	Sewage treatment	25,000	100%	The project is under construction.
23 Hubei	Sewage treatment project in southern Suizhou	Sewage treatment	50,000	92.15%	The project is yet to commence construction.
24 Hunan	Sewage treatment BOT project in Linwu, Chenzhou	Sewage treatment	10,000	18.241%	The project is in operation.
25 Hunan	Sewage treatment project in Chenzhou	Sewage treatment	120,000	91.203%	The project is in operation.
26 Hunan	Sewage treatment plant BOT project in Taohuajiang, Taojiang	Sewage treatment	20,000	75.5%	The project is in operation.
27 Hunan	Sewage treatment plant BOT project in the new zone of eastern Gaixin District, Yiyang	Sewage treatment	30,000	75.5%	The project is in operation.
28 Hunan	Sewage treatment plant BOT project in northern Yiyang	Sewage treatment	40,000	75.5%	The project is in operation.
29 Jiangsu	Sewage treatment franchise and sewage treatment plant BOT project at Newport Park, Jingjiang	Sewage treatment	80,000	91.203%	<ul style="list-style-type: none"> Phase I of the project is in operation. Phase II of the project is yet to commence construction.
30 Jiangsu	Sewage treatment plant project in southern Shuyang	Sewage treatment	60,000	91.203%	The project is in operation.
31 Jiangsu	Sewage treatment plant franchise project in Huangqiao, Taixing	Sewage treatment	50,000	91.203%	<ul style="list-style-type: none"> Phase I of the project is in operation. Phase II of the project is yet to commence construction.
32 Jiangsu	Phase I and phase II of sewage treatment plant project in Guanyinshan, Nantong	Sewage treatment	73,000	92.15%	The project is in operation.
33 Liaoning	Sewage treatment plant in Puwan New Zone, Dalian	Sewage treatment	50,000	92.65%	<ul style="list-style-type: none"> 30,000 tonnes of the project are in operation. The remaining 20,000 tonnes are yet to commence construction.
34 Liaoning	Sewage treatment plant BOT project in Dalian Bay, Dalian	Sewage treatment	40,000	75.5%	The project is under construction.

Business Review, Discussion and Analysis

Province	Projects of SI Environment (continued)	Project type	Daily production capacity (tonnes)	Interest attributable to SI Environment	Project progress	
35	Liaoning	Sewage treatment plant BOT project in Quanshui River, Dalian	Sewage treatment	105,000	75.5%	The project is yet to commence construction.
36	Ningxia Hui Autonomous Region	Sewage treatment plant no. 5 project in Yinchuan	Sewage treatment	100,000	100%	<ul style="list-style-type: none"> • 50,000 tonnes of the project are in operation. • The remaining 50,000 tonnes are yet to commence construction.
37	Ningxia Hui Autonomous Region	Sewage treatment plant BOT project in Binhe New Zone, Yinchuan	Sewage treatment	50,000	100%	The project is under construction.
38	Ningxia Hui Autonomous Region	Sewage treatment plant no. 5 with reclaimed water treatment ancillary facilities project in Yinchuan	Reclaimed water treatment	50,000	100%	The project is in operation.
39	Shandong	Sewage treatment plant TOT project in Dezhou	Sewage treatment	100,000	75.5%	The project is in operation.
40	Shandong	Sewage treatment plant BOT project in western Weifang	Sewage treatment	40,000	75.5%	The project is in operation.
41	Shandong	Sewage treatment plant BOT project in Weifang City High Technology Industrial Development Zone	Sewage treatment	50,000	75.5%	The project is in operation.
42	Shandong	Sewage treatment plant reclaimed water treatment project in Weifang	Reclaimed water treatment	38,500	75.5%	The project is in operation.
43	Shandong	Sewage treatment plant project in Weifang	Sewage treatment	200,000	75.5%	The project is in operation.
44	Shandong	Sewage treatment plant franchise project in Shanting District, Zaozhuang	Sewage treatment	20,000	75.5%	The project is in operation.
45	Shandong	Sewage treatment plant TOT + BOT project in Yicheng District, Zaozhuang	Sewage treatment	40,000	75.5%	The project is in operation.
46	Shanghai	Sewage treatment plant no. 2 project in Qingpu	Sewage treatment	120,000	100%	The project is in operation.
47	Shanghai	Phase I and Phase II of sewage treatment BOT project in western Fengxian, Shanghai	Sewage treatment	150,000	73.72%	The project is in operation.
48	Zhejiang	Sewage treatment project in Duqiao medical and chemical industrial park, Taizhou	Sewage treatment	25,000	100%	<ul style="list-style-type: none"> • Phase I of the project is in operation. • Phase II of the project is under construction.
49	Zhejiang	Sewage treatment plant BOT project in Xiaocaoe, Yuyao	Sewage treatment	150,000	69.113%	The project is in operation.
50	Zhejiang	Sewage pretreatment plant BOT project in Zhacai, Yuyao	Sewage treatment	3,000	69.113%	The project is in operation.
51	Zhejiang	Sewage treatment plant BOT project in Binhai, Huangjiabu, Ningbo	Sewage treatment	30,000	64.505%	The project is in operation.
52	Zhejiang	Water treatment plant project in New Zone, Hangzhou Bay, Cixi	Sewage treatment	90,000	64.505%	The project is in operation.
53	Zhejiang	Sewage treatment plant project in northern Cixi	Sewage treatment	100,000	59.898%	The project is in operation.
Total			5,009,500			

Province	Projects of SI Environment (continued)	Project type	Daily production capacity (tonnes)	Interest attributable to SI Environment	Project progress	
Water supply projects						
1	Hubei	Water supply project in Tianmen	Water supply	200,000	100%	The project is in operation.
2	Hubei	Water supply project in Xinnong, Tianmen	Water supply	Not applicable	70%	The project is in operation.
3	Hubei	Water supply project in Huangpi, Wuhan	Water supply	280,000	100%	The project is in operation.
4	Hunan	Water supply project in Yiyang	Water supply	320,000	90%	The project is in operation.
5	Shandong	Water supply project in Hanting District, Weifang	Water supply	60,000	26.183%	The project is in operation.
6	Shandong	Water supply project in Weifang	Water supply	320,000	51.34%	The project is in operation.
7	Shanxi	Water supply project in Lvliang	Water supply	55,000	100%	The project is in operation.
Total			1,235,000			
Longjiang Environmental projects (daily capacity was accounted for under equity accounting)			889,400	25.3125%		
Total for water projects			7,133,900			
Waste incineration projects						
1	Shanghai	Waste incineration thermal power generation project in Pucheng	Waste incineration	1,050	50%	The project is in operation.
2	Siuchuen	Waste incineration thermal power generation project in Dazhou	Waste incineration	1,050	100%	<ul style="list-style-type: none"> • 700 tonnes of the project are in operation. • The remaining 350 tonnes are yet to commence construction.
3	Zhejiang	Waste incineration thermal power generation project in Wenling	Waste incineration	1,100	50%	The project is in operation.
Total			3,200			

Province	Projects of General Water of China	Project type	Daily production capacity (tonnes)	Interest attributable to General Water of China	Project progress	
Sewage treatment projects						
1	Auhui	Sewage treatment plant project nos. 2, 3 and 4 in Bengbu	Sewage treatment	350,000	100%	The project is in operation.
2	Auhui	Sewage treatment project in Suzhou	Sewage treatment	100,000	80%	The project is under construction.
3	Fujian	Sewage treatment project in Xiamen	Sewage treatment	1,117,500	55%	The project is in operation.
4	Guangdong	Sewage treatment plant project in Longhua, Shenzhen	Sewage treatment	150,000	90%	The project is in operation.
5	Heilongjiang	City sewage treatment project in Suifenhe	Sewage treatment	20,000	100%	The project is in operation.
6	Hunan	Sewage treatment project in river east of Xiangtan	Sewage treatment	150,000	100%	The project is in operation.
7	Zhejiang	Sewage treatment project in the new zone of eastern Huzhou	Sewage treatment	50,000	100%	The project is in operation.
8	Zhejiang	Sewage treatment project in Huzhou	Sewage treatment	15,000	100%	The project is in operation.
9	Zhejiang	Sewage treatment plant upgrading works entrustment project in eastern new zone, Huzhou	Sewage treatment	50,000	100%	The project is in operation.
10	Zhejiang	Sewage treatment project in eastern Wenzhou	Sewage treatment	150,000	100%	The project is in operation.
11	Zhejiang	Sewage treatment project in central Wenzhou	Sewage treatment	200,000	70%	The project is in operation.
Total			2,352,500			
Water supply / Water generating projects						
1	Auhui	Water supply project in Bengbu	Water supply	655,000	60%	The project is in operation.
2	Auhui	Water supply project in Guzhen	Water supply	100,000	60%	The project is in operation.
3	Fujian	Water generation project in Xiamen	Water generation	1,565,000	45%	The project is in operation.
4	Heilongjiang	Wuhua mountain reservoir project and water supply project in Suifenhe	Water supply	305,000	100%	The project is in operation.
5	Hubei	Water supply project in Xiangyang	Water supply	953,000	50%	The project is in operation.
6	Hunan	Water supply project in Xiangtan	Water supply	425,000	70%	The project is in operation.
7	Shaanxi	Water generation project in Xianyang	Water generation	300,000	100%	The project is in operation.
8	Zhejiang	Project on reservoir and water induction works in Tiger Lake, Huzhou	Water supply	200,000	100%	The project is in operation.
9	Zhejiang	Sewage treatment (water supply plant) project in Huzhou	Water supply	12,000	100%	The project is in operation.
Total			4,515,000			
Total for water projects			6,867,500			

NEW BUSINESS ARENA

Shanghai Galaxy currently owns nine photovoltaic power generation projects in China through its 85%-owned subsidiary, Galaxy Energy, by way of capital operation and acquisitions and mergers over the past few years. Shanghai Galaxy is a 50:50 joint venture between Hu-Ning Expressway, a wholly-owned subsidiary of the Company, and SIIC Shanghai, a company under the parent company. Located in six provinces, namely Gansu, Shanxi, Ningxia, Qinghai, Xinjiang and Inner Mongolia, the projects altogether have a total power generation capacity of 510MW, representing an increase of 190MW from the same period of last year. All the projects have been connected to grids. Power generation for the period reached 283 million kWh, representing a year-on-year growth of 48.9% and maintaining a rapid growth momentum. In the second half of the year, the company will seek to strengthen project expansion and actively strive for obtaining subsidies on power charges to further facilitate the sustainable and healthy development of its business.

In January 2016, each of the two shareholders of Shanghai Galaxy made a further capital contribution of RMB150 million to the company which was in proportion to their shareholdings, to finance the future development of the company.

REAL ESTATE

During the period, the real estate segment recorded a profit of HK\$353 million, representing a year-on-year increase of 33.6% and accounting for 24.0% of the Group's Net Business Profit. The increase in profit was mainly due to increases in number of properties delivered and booked for the period. Capitalizing on market opportunities, the real estate segment has successfully enlarged the Group's share capital through financing raised in the capital markets and further optimized its capital structure. In addition, the Group's assets have been revitalized, its resources allocation being optimized and the overall value of its assets enhanced.

SI Development

SI Development recorded a revenue of RMB2,226 million for the period, representing an increase of 146.3% over the same period last year. Such increases were mainly attributable to a rise in revenue from its real estate projects and new revenue from projects on construction work; net profit for the period amounted to RMB206 million, representing an increase of 144.6% over the same period last year.

Contract sales for the period amounted to RMB3,973 million, arising from such projects as International Beer City in Qingdao, Hi-Shanghai in Hangzhou, Hi-Shanghai in Chengdu, Shanghai Bay in Huzhou, Essence of Shanghai in Shanghai, Sea County in Shanghai, Flos Granati in Shanghai, Shanghai Bay in Shanghai, United 88 in Changning district, Shanghai, Fengsheng Building project in Changsha, Lake Villa in Suzhou, International Chinese City in Shaoxing and Shanghai International Art Centre in Shanghai, accounting for a gross floor area of 282,900 square meters. Property sales booked for the period were RMB1,568 million, mainly including such projects as International Beer City in Qingdao, Shanghai Bay in Huzhou, Shanghai Bay in Shanghai and United 88 in Changning district, Shanghai, representing a gross floor area of 125,200 square meters. Rental income for the first half of the year amounted to HK\$108 million.

As at 22 January 2016, the private placement of SI Development was completed, in which an aggregate of 335,523,659 new ordinary shares were issued to seven placees (including five institutional investors) at an issue price of RMB11.63 per share, raising a total proceed of RMB3,902 million. As a result, the proportion of the Company's shareholding in SI Development was diluted from 63.65% to 48.6%. Further to the completion of acquisition of a 100% equity interest in Shanghai

Investment at the end of last year, as on 15 March this year, the transaction for the acquisition of 61.484% equities of SIIC Longchuang (formerly named Shanghai Longchuang Eco-Energy Systems Co., Ltd.) was also completed. An additional capital of RMB200 million was injected into SIIC Longchuang on 25 April this year, out of which RMB13,186,813 are for registered capital. As at 30 June 2016, all procedures for the capital injection were completed. SI Development now holds 69.7849% interest in SIIC Longchuang.

In July 2016, SI Development and the Company injected an additional capital of an aggregate of approximately RMB441 million into a joint venture engaged in the Shanghai Bay project in Shanghai. The capital injection was made in proportion to their respective shareholding of 51% and 49% in the joint venture. Located at Dianshan Lake side, Zhujiajiao, Qingpu, Shanghai, the Shanghai Bay project has a total gross floor area of approximately 497,100 square meters for residential purposes, with a plot ratio of 0.5. Currently, Phases I and II of the project were completed and delivered, while construction and development of Phase III is in progress. Phase IV is at a preliminary development stage. This capital increase is expected to accelerate the development and construction of the project, provide funding support for subsequent developments and to further enhance overall development efficiency.

The corporate bonds issued by SI Development, which were approved by China Securities Regulatory Commission in March of last year, were released by installments. The issue of the 2014 corporate bonds (the second installment) was completed on 14 March 2016. The actual issue size of such bonds amounted to RMB1,000 million with a final coupon rate of 3.23% for a term of 5 years.

SI Urban Development

SI Urban Development recorded profit attributable to shareholders of HK\$312 million for the period, representing a significant increase of 173.8% as compared with the same period last year. Revenue for the period amounted to HK\$2,457 million, representing an increase of 13.1% as compared with the same period last year. Properties delivered during the period accounted for a total gross floor area of approximately 103,000 square meters, and mainly including such projects as Urban Cradle in Shanghai, Shanghai Jing City and Royal Villa in Kunshan. Rental income for the first half of the year amounted to HK\$319 million. The amount of contract sales reached RMB4,533 million with a gross floor area of 195,800 square meters, mainly including Urban Cradle in Shanghai, Grand Mansion in Shanghai (located at Section 5 of Shanghai Jing City, a commodity housing project) and Royal Villa in Kunshan.

In January 2016, Shanghai Urban Development, a 59%-owned subsidiary of SI Urban Development, entered into a redemption agreement in respect of Green Carbon Fund, pursuant to which Green Carbon Fund will redeem the 35% partnership interest held by Shanghai Urban Development for a cash consideration of RMB1,668 million. This transaction has been completed. Prior to the transaction, Shanghai Urban Development held 40% interest directly and 35% interest through Green Carbon Fund in Longcheng Properties respectively. Longcheng Properties is responsible for developing the "U Center" project in Minhang District, Shanghai and the construction of the project was now completed. In May, Shanghai Urban Development further disposed of its remaining 40% interest in Longcheng Properties by way of open bidding to a related party at a consideration of RMB1,907 million, and has therefore exited fully from the project. Such transaction is yet to be completed. A total pre-tax gain of approximately RMB2,000 million is expected to be recorded by Shanghai Urban Development from the two transactions. Through these transactions, SI Urban Development has successfully realized the hidden value of the "U Center" project and optimized the strategic profile of its investment properties. The proceeds from these transactions will be utilized to fund acquisitions of future new projects and development of its existing projects.

In April, SI Urban Development entered into a cooperation framework agreement with Shanghai Electric Power and Power China Real Estate, under which the three parties will leverage their respective advantages, to explore joint potential opportunities in quality real estate investments with a focus on investments in Shanghai and other first tier cities in China and major cities along the Yangtze River Delta region. Shanghai Electric Power is a large comprehensive construction enterprise with abundant land reserves in Shanghai. Shanghai Electric Power and Power China Real Estate are members of Power Construction Corporation of China acting as its main platform for developing the real estate sector with real estate developments and operations as their core business.

Set out below is a summary of the major property development projects of the Group as at 30 June 2016:

Major Development Properties

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 during the period (square meters)	Total GFA sold (square meters)	Expected date of completion	
1	Kaifu District, Changsha	Fengsheng Building project	Residential and commercial	90%	5,468	70,566	1,935	-	2016
2	Chenghua District, Chengdu	Hi-Shanghai	Residential and commercial	100%	61,506	254,885	39,918	121,039	Completed
3	Beibei District, Chongqing	Hi-Shanghai	Residential and commercial	100%	30,845	74,935	-	-	2017
4	Xiaguan Town, Dali	Sea Melody	Residential and commercial	75%	292,123	348,870	-	286,376	Completed
5	Yuhang District, Hangzhou	Hi-Shanghai	Residential and commercial	85%	74,864	230,484	28,296	-	2018
6	Wuxing District, Huzhou	Shanghai Bay	Residential	100%	85,555	96,085	25,304	51,021	Completed
7	Wuxing District, Huzhou	SIC Garden Hotel	Hotel and commercial	100%	116,458	47,177	-	-	2016
8	Wuxing District, Huzhou	Hurun Commercial Plaza	Commercial	100%	13,661	27,322	-	-	Completed
9	Shilaoren National Tourist Resort, Qingdao	International Beer City	Composite	100%	227,675	783,500	34,815	218,437	2014 to 2018, in phases
10	Fengze District, Quanzhou	Sea Palace	Residential and commercial	49%	381,795	1,670,032	12,434	-	2017 to 2021, in phases
11	Paojiang New Zone, Shaoxing	International Chinese City	Residential and commercial	96.42%	143,342	231,878	18,730	138,899	Completed
12	Qingpu District, Shanghai	Belle Rive	Villa	51%	315,073	51,911	663	11,963	2014 to 2016, in phases

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City	Projects of SI Development (continued)	Type of property	Interest attributable to SI Development	Approximate site area (square meters)	Planned total GFA (square meters)	Pre-sold during the period (square meters)	Total GFA sold (square meters)	Expected date of completion	
13	Qingpu District, Shanghai	Shanghai Bay	Residential	51%	808,572	454,880	2,482	94,430	2011 to 2017, in phases
14	Qingpu District, Shanghai	Zhujiajiao Lot D1	Residential	51%	162,708	121,683	49,917	3,005	2017
15	Qingpu District, Shanghai	Shanghai International Art Centre	Composite	100%	194,956	120,363	2,965	57,665	Completed
16	Jinshan District, Shanghai	Flos Granti	Residential	100%	135,144	214,143	50,764	90,938	Completed
17	Jiading District, Shanghai	Sea Garden	Residential and commercial	40%	58,949	163,351	-	-	2018
18	Jiading District, Shanghai	Essence of Shanghai	Residential and commercial	100%	32,991	75,559	5,337	-	2016
19	Changning District, Shanghai	United 88	Residential	100%	30,175	124,891	2,737	86,417	Completed
20	Jing'an District, Shanghai	Territory Shanghai	Commercial	100%	16,520	123,308	-	-	2016
20	Jing'an District, Shanghai	Territory Shanghai	Residential	100%	32,512	115,932	-	76,768	2017
21	Wuzhong District, Suzhou	Lake Villa	Residential	70%	285,185	283,377	38,528	179,818	Completed
22	Xiqing District, Tianjin	Rhine Town	Residential and commercial	100%	375,961	529,971	-	440,676	Completed
Sub-total					3,882,038¹	6,215,103¹			

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 during the period (square meters)	Total GFA sold (square meters)	Expected date of completion	
1	Chaoyang District, Beijing	American Rock	Residential and commercial	100%	121,499	523,833	845	451,596	Completed
2	Chaoyang District, Beijing	Youngman Point	Residential and commercial	100%	112,700	348,664	4,311	251,749	2007 to 2016, in phases
3	Haidian District, Beijing	West Diaoyutai	Residential	90%	42,541	250,930	237	172,069	2007 to 2017, in phases
4	Wangcheng District, Changsha	Forest Sea	Residential and commercial	67%	679,620	907,194	2,333	242,719	2007 to 2017, in phases
5	Jiulongpo District, Chongqing	Top City	Residential, commercial and office	100%	120,014	786,233	8,759	367,786	2008 to 2016, in phases
6	Huajiao Town, Kunshan	Yooouonet	Commercial and office	30.7%	34,223	129,498	3,605	58,949	Completed
7	Zhoushi Town, Kunshan	Royal Villa	Residential	53.1%	205,017	267,701	34,151	198,217	2007 to 2017, in phases
8	Minhang District, Shanghai	Urban Cradle	Residential and commercial	53.1%	908,950	1,136,468	27,548	728,259	2007 to 2016, in phases
9	Minhang District, Shanghai	Shanghai Jing City (including Grand Mansion)	Residential and commercial	59%	301,908	772,885	40,905	540,203	2012 to 2017, in phases
10	Minhang District, Shanghai	Jingjie Yuan	Residential and commercial	59%	49,764	125,143	-	95,594	Completed
11	Minhang District, Shanghai	U Center	Office, commercial and hotel	59%	52,712	203,222	-	-	2014 to 2016, in phases
12	Songjiang District, Shanghai	Shanghai Youth City	Commercial and office	100%	57,944	212,130	437	138,574	Completed
13	Heping District, Shenyang	Shenyang-U Centre	Commercial, office and serviced apartment	80%	22,651	228,768	143	143	2015 to 2017, in phases
14	Futian District, Shenzhen	China Phoenix Tower	Residential, commercial and office	91%	11,038	106,190	-	78,343	Completed
15	Nankai District, Tianjin	Laochengxiang	Residential, commercial and office	100%	244,252	752,883	9,655	569,147	2006 to 2017, in phases
16	Binghu District Wuxi	Urban Development International Center	Commercial, hotel, office and serviced apartment	59%	24,041	193,368	6,163	24,200	Completed
17	Chanba Ecotope, Xi'an	Originally	Residential, commercial and hotel	71.5%	2,101,967	3,899,867	56,726	1,937,485	2008 to 2017, in phases
Sub-total					5,090,841	10,844,977			

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	City	Projects of the Company	Type of property	Interest attributable to the Company	Approximate site area (square meters)	Planned total GFA (square meters)	Pre-sold during the period (square meters)	Total GFA sold (square meters)	Expected date of completion
1	Qingpu District, Shanghai	Belle Rive	Villa	49%	315,073	51,911	663	11,963	2014 to 2016, in phases
2	Qingpu District, Shanghai	Shanghai Bay	Residential	49%	808,572	454,880	2,482	94,430	2011 to 2017, in phases
3	Qingpu District, Shanghai	Zhujiajiao Lot D1	Residential	49%	162,708	121,683	49,917	3,005	2017
Sub-total					1,286,353¹	628,474¹			
Total					10,259,232¹	17,688,554¹			

Major Future Development Properties

	City	Projects of SI Development	Type of property	Interest attributable to SI Development	Approximate site area (square meters)	Planned total GFA (square meters)	Expected date of completion
1	Yuhang District, Hangzhou	Lot 46, Gudun Road project	Residential and commercial	46%	59,640	137,172	2019
2	Wuxing District, Huzhou	Lot HD35-2E of eastern new zone	Residential and commercial	100%	115,647	173,470	2019
3	Wuxing District, Huzhou	Lot BLD35-2 of eastern new zone	Residential	100%	68,471	150,636	2020
4	Hongkou District, Shanghai	Lot HK324-01 of Tilanqiao Road	Commercial	49%	23,037	221,047	2018
5	Qingpu District, Shanghai	Zhujiajiao Lot D2	Residential and commercial	51%	349,168	174,584	2017
Sub-total					615,963¹	856,909¹	

	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)	Expected date of completion
1	Minhang District, Shanghai	TODTOWN	Residential, commercial, hotel, office and apartment office	20.7%	117,825	605,000	2018 to 2022, in phases
2	Xuhui Binjiang, Shanghai	Binjiang U Center	Office and commercial	35.4%	77,371	404,600	2017 to 2021, in phases
Sub-total					195,196	1,009,600	

	City	Projects of the Company	Type of property	Interest attributable to the Company	Approximate site area (square meters)	Planned total GFA (square meters)	Expected date of completion
1	Qingpu District, Shanghai	Zhujiujiao Lot D2	Residential and commercial	49%	349,168	174,584	2017
2	Qingpu District, Shanghai	Shanghai Lot F	Villa	10%	350,533	175,267	Under planning
3	Qingpu District, Shanghai	Shanghai Lot G	Villa	10%	401,274	200,637	Under planning
Sub-total					1,100,975¹	550,488¹	
Total					1,912,134¹	2,416,997¹	

Major Investment Properties

	City	Projects of SI Development	Type of property	Interest attributable to SI Development	Total GFA for investment properties (square meters)
1	Wenjiang District, Chengdu	Orchard Forest Commercial Building	Commercial	100%	1,396
2	Qingdao Economic Development Zone	Dali Plaza	Commercial	76%	21,495
3	Changning District, Shanghai	Super Ocean Finance Center	Office	100%	2,321
4	Hongkou District, Shanghai	Gao Yang Commercial Centre	Office	100%	26,668
5	Hongkou District, Shanghai	Gao Yang Hotel	Office	100%	3,847
6	Huangpu District, Shanghai	Golden Bell Plaza	Office	100%	12,270
			Office	90%	49,006 (car park included)
7	Huangpu District, Shanghai	Huangpu Estate	Commercial	100%	20,918 (car park included)
8	Huangpu District, Shanghai	No. 108, Haichao Road	Commercial	100%	474
9	Jingan District, Shanghai	Imperial Mansion	Commercial	100%	420
10	Pudong New District, Shanghai	No. 1111, Shangchuan Road	Industrial	100%	40,208
11	Pudong New District, Shanghai	Huashen Building	Office	100%	344
12	Xuhui District, Shanghai	Shanghai Industrial Investment Building	Office	100%	10,089
			Office	74%	23,035 (car park included)
13	Xuhui District, Shanghai	Yonglong Building	Office	100%	798
14	Yangpu District, Shanghai	Hi-Shanghai	Commercial	100%	44,027 (car park included)
15	Zhabei District, Shanghai	No. 235, Zhongshan Road North (portion)	Office	100%	1,434
16	Xiqing District, Tianjin	Rhine Town	Commercial	100%	5,961
Sub-total					264,711

	City	Projects of SI Urban Development	Type of property	Interest attributable to SI Urban Development	Total GFA for investment properties (square meters)
1	Chaoyang District, Beijing	Youngman Point	Commercial	100%	19,768 ²
2	Futian District, Shenzhen	China Phoenix Tower	Office	91%	1,048 ²
3	Jiulongpo District, Chongqing	Top City	Commercial and car park	100%	251,847 ²
4	Nankai District, Tianjin	Laochengxiang	Residential, commercial and office	100%	1,509 ²
5	Shanghai Hongqiao Economic & Technological Development Zone	ShanghaiMart	Exhibition, trade market, office and car park	51%	284,651
6	Songjiang District, Shanghai	Shanghai Youth City	Commercial	100%	16,349 ²
7	Xuhui District, Shanghai	Urban Development International Tower	Office	59%	45,239
8	Xuhui District, Shanghai	Huimin Commercial Tower	Commercial	59%	13,839
9	Shanghai	Others	Commercial and office	59%	9,249
Sub-total					643,499
Total					908,210

Notes:

1. There are duplicate figures in the GPA of Belle Rive, Shanghai Bay in Shanghai, Zhujiyajiao Lot D1 and Zhujiyajiao Lot D2.
2. Such total GFAs are duplicate figures, which have been included in the Major Development Properties table.

CONSUMER PRODUCTS

The consumer products business contributed a profit of HK\$498 million to the Group for the first half of 2016, representing a decrease of 3.0% over the same period last year and accounting for 33.9% of the Group's Net Business Profit. With intense competition and a difficult external environment, overall sales growth for the consumer products business relatively fell behind. The new moulded fiber business is still at a stage of investment, hence also affected the segment's profit level for the period. Going forward, the consumer products business will continue to explore markets overseas, launch new products with high profit margins, expand its customer base for its traditional printing business and speed up the development of its new business to achieve its business targets and increase its profits.

Tobacco

During the period, Nanyang Tobacco recorded a year-on-year rise of 1.6%, 3.8% and 4.5% in sales volume, revenue and net profit respectively, maintaining the vantage of successive growth in these items. Revenue and net profit of the company amounted to HK\$1,579 million and HK\$475 million respectively. As the overall tobacco industry continued to decline during the period, Nanyang Tobacco has made considerable efforts to overcome the situation. Plans were made to increase cooperation between the company's production and marketing teams and to deal with competition. The company also strived to broaden its marketing activities to expand new markets and to develop new products. As a result of these efforts, the company was able to meet its business targets for the period.

During the period, Nanyang Tobacco continued to implement its technical transformation for the "Thirteenth Five-Year Plan", which covers the development of cigarette logistic works and fine cigarette production lines, increasing the warehouse capacity of cut tobacco and introducing flexible feeding technology for cut tobacco to increase its quality and production efficiency. In the second half of the year, Nanyang Tobacco will continue to strengthen its market base and consolidate its existing markets while continuing to expand emerging markets. Efforts will be made to develop new products, to intensify preparation work for fine cigarette technology and to apply first class technology and equipment for the achievement of its leading position in technology.

Printing

Wing Fat Printing recorded a revenue of HK\$452 million for the period, representing a year-on-year decrease of 17.6%, while net profits dropped 64.8% to HK\$23.37 million. The significant decline in revenue and profit was mainly due to the impact of inventory reduction in the tobacco industry in the PRC, resulting in a year-on-year drop of 31.6% of revenue from the tobacco packaging business. In addition, investment costs injected into the construction of an exquisite moulded fibre manufacturing base also affected its net profit. During the period, the wine packaging business showed signs of bottoming out and recorded an increase in revenue of 5.7% over the same period last year.

Wing Fat Printing has set an overall target to transform its business into the production of consumer electronic products packaging. During the period, enormous efforts were made to cultivate the construction of high-end exquisite moulded fibre packaging products. Today, the production base for supplying exquisite moulded fibre packaging products to multinational enterprises has been completed as scheduled. The new facility will go into mass production in the second half of the year, and is expected to create a new economic growth benchmark for the company.

FINANCIAL REVIEW

KEY FIGURES

	2016	2015 (restated)	Change %
Unaudited Six months ended 30 June			
Results			
Revenue (HK\$'000)	9,228,568	7,138,628	29.3
Profit attributable to owners of the Company (HK\$'000)	1,505,824	1,310,375	14.9
Earnings per share – basic (HK\$)	1.387	1.209	14.7
Dividend per share			
– interim (HK cents)	36	36	
– special (HK cents)	10	–	
Dividend payout ratio	33.2%	29.8%	
Interest cover (note (a))	7.1 times	4.4 times	

	Unaudited 30 June	Audited 31 December	Change %
Financial Position			
Total assets (HK\$'000)	139,344,150	142,893,926	–2.5
Equity attributable to owners of the Company (HK\$'000)	37,438,599	36,028,098	3.9
Net assets per share (HK\$)	34.48	33.18	3.9
Net debt ratio (note (b))	41.02%	56.13%	
Gearing ratio (note (c))	40.51%	46.82%	
Number of shares in issue (shares)	1,085,850,600	1,085,850,600	

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

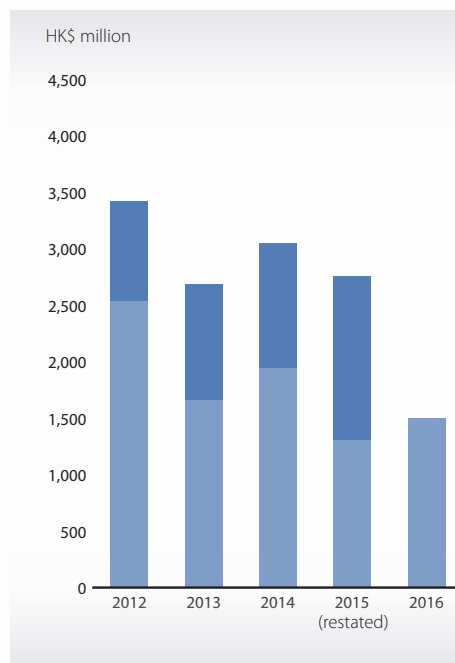
Note (c): interest-bearing loans/(equity attributable to owners of the Company + non-controlling interests + interest-bearing loans)

Note: The Company's non-wholly owned subsidiary, SI Development has adopted the Accounting Guideline 5 "Merger Accounting for Common Control Combinations" to account for its acquisitions of Shanghai Investment from SIIC. The comparative figures for 2015 contained in this Financial Review had been restated accordingly.

I ANALYSIS OF FINANCIAL RESULTS

1 Profit attributable to owners of the Company

For the six months ended 30 June 2016, the Group recorded a profit attributable to owners of the Company of HK\$1,505.82 million, an increase of HK\$195.45 million or approximately 14.9% as compared to the same period of 2015, it is mainly due to the increase of profit from real estate business and the infrastructure facilities business maintained a stable growth in profit.

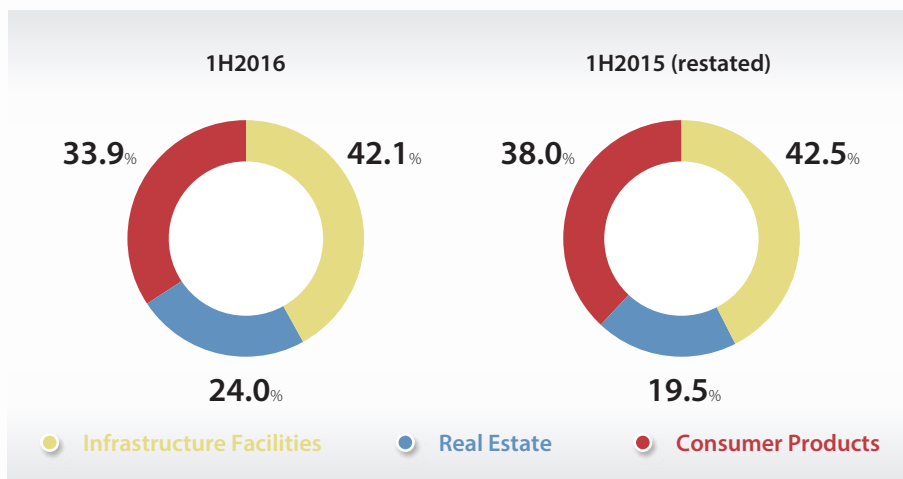


- Profit for the second half of the year
- Profit for the first half of the year

2 Profit Contribution from Each Business

The profit contributed by each business in the Group during the first half of 2016 and the comparative figures of the corresponding period last year was summarized as follows:

	2016 Unaudited Six months ended 30 June HK\$'000	2015 (restated) Six months ended 30 June HK\$'000	Change %
Infrastructure Facilities	620,125	575,158	7.8
Real Estate	352,651	263,974	33.6
Consumer Products	498,300	513,833	-3.0
	1,471,076	1,352,965	8.7



Net profit from the infrastructure facilities business for the period was approximately HK\$620.13 million, accounting for 42.1% of Net Business Profit, and representing a year-on-year increase of 7.8%. While the traffic flow of the three expressways recorded a growth ranging from 6.9% to 16.1% due to various factors, including growth in the number of vehicles, fine weather, higher number of tourists during holidays and adjustments to the mileage charge for the toll expressways in Shanghai, the result of toll road operation achieved a year-on-year increase of 4.2% due to an approximate 5% depreciation of RMB, which offset part of the increase in toll revenue. Water services business recorded an increase of 21.1% in profit, of which profit attributable to shareholders of SI Environment increased by 25.9% driven by profit contributions from newly acquired projects, while part of its profit contributions to SIHL were offset by the dilution of equity interests and an approximate 5% depreciation of RMB, and recorded a year-on-year increase of 6.5%. General Water of China recorded growth in operating profit, with a year-on-year increase of 37.0% in profit contribution.

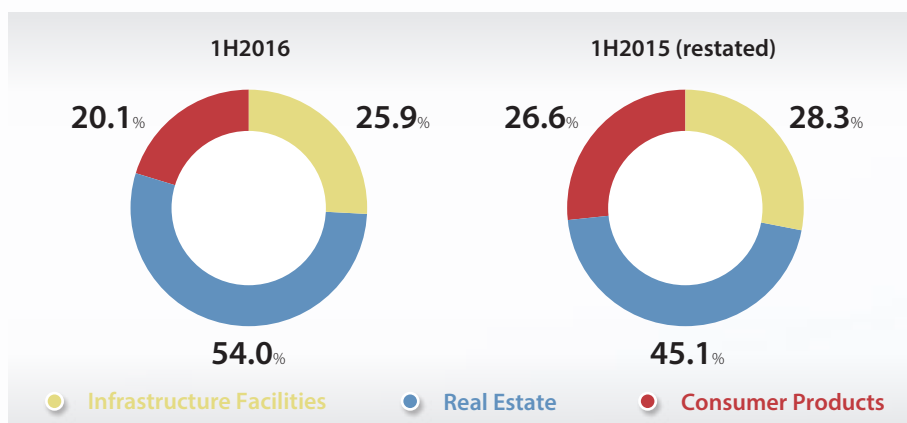
Real estate business recorded a profit of approximately HK\$352.65 million for the period, accounting for 24.0% of Net Business Profit, and representing an increase of approximately HK\$88.68 million as compared to the same period of 2015. The increase was mainly due to significant increase in property sales booked by SI Development's real estate business during the period, which led to a significant increase in profit attributable to shareholders. However, the equity interests in SI Development held by SIHL were diluted from 63.65% to 48.6% following the completion of new share placement of SI Development in January. As affected by the dilution of equity interests and an approximate 5% depreciation of RMB, part of its profit contributions was offset. In addition, SI Urban Development exited the partnership interests in Green Carbon Fund, which holds 35% equity interests in Longcheng project, and recorded a profit after taxation of approximately HK\$344.57 million during the period, while a profit of HK\$442.30 million were recorded from the disposal of 100% interests in Yanjiao Project for the same period last year, which partly offset the increase in profit.

The consumer products business recorded a net profit of HK\$498.30 million for the period, accounting for 33.9% of Net Business Profit, and representing a year-on-year decrease of 3.0%. The business of Nanyang Tobacco remained stable. The total sales volume of cigarettes increased year-on-year by 1.6% for the period, contributing to a year-on-year increase in sales by 3.8% and in net profit by HK\$20.24 million. During the period, Wing Fat Printing suffered a relatively larger decline in the profit from tobacco packaging printing due to various factors, including destocking of tobacco industry, implementation of the open tender system and price reduction. In addition, a portion of expenses for setting up the production plant for fine paper mold cannot be capitalized also affected its net profits. The profit contribution of Wing Fat Printing dropped significantly by 60.2% as compared to the same period last year.

3 Revenue

The Group's revenue by principal activities for the first half of 2016 and the comparatives of the same period last year was summarized as follows:

	2016 Unaudited Six months ended 30 June HK\$'000	2015 (restated) HK\$'000	Change %
Infrastructure Facilities	2,386,529	2,017,302	18.3
Real Estate	4,985,975	3,223,558	54.7
Consumer Products	1,856,064	1,897,768	-2.2
	9,228,568	7,138,628	29.3



In the first half of 2016, revenue amounted to approximately HK\$9,228.57 million, representing a year-on-year increase of 29.3%, mainly due to the increase in property sales in the real estate business as compared to the same period last year.

The year-on-year increase in revenue of the infrastructure facilities business was attributable to increase in revenue of approximately HK\$335.58 million as SI Environment started consolidating the sales of Fudan Water upon completion of the acquisition in May last year and there was a year-on-year increase in construction income.

The increase in revenue of the real estate business was attributable to the increase in property sales booked in the real estate business as compared to last year, together with the consolidation of sales of Longchuan upon completion of acquisition by SI Development early this year, which added HK\$1,762.42 million in revenue of the real estate business as compared to the same period of last year.

During the period, growth in revenue of Nanyang Tobacco was maintained while the sales amount of Wing Fat Printing dropped. Therefore, the revenue from consumer products business decreased slightly by approximately 2.2%.

4 Profit before Taxation

(1) Gross profit margin

Compared to the first half of 2015, the gross profit margin slightly decreased 1.1 percentage points, mainly due to an increase in proportion of construction income with relatively lower profit margin in infrastructure facilities business, which in turn resulted in an approximately 6.0 percentage points decrease in the overall profit margin of the infrastructure facilities business. Profit margin for the real estate and consumer products businesses remained stable.

(2) Other income, gains and losses

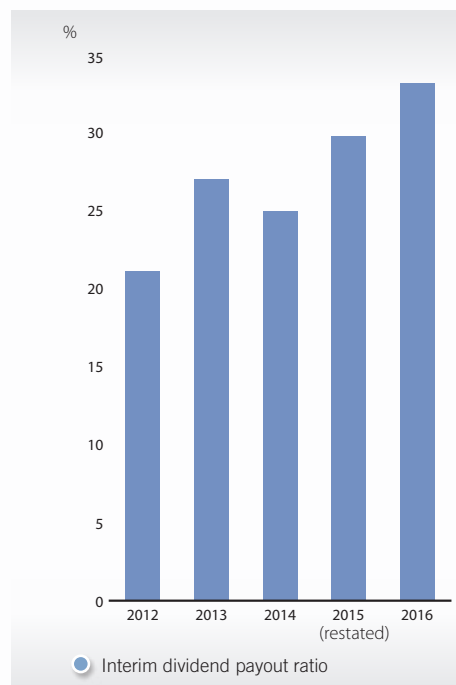
During the period, other income, gains and losses decreased as compared to the same period last year, mainly due to a foreign exchange loss was booked from the continuous depreciation of Renminbi for the period.

(3) Gain on disposal of assets through disposal of interest in a subsidiary/disposal of interests in subsidiaries

The gain for the period was mainly attributable to the profit before tax of HK\$1,114.16 million from exiting the partnership interests in Green Carbon Fund which holds 35% equity interests in Longcheng project; while the disposal of 100% equity interests in Yanjiao Project during the same period last year generated HK\$452.37 million in profit before tax.

5 Dividend

The Board of Directors of the Group has resolved to declare an interim dividend of HK36 cents and a special dividend of HK10 cents, totaling HK46 cents per share, an increase of 27.8% as compared with 2015 interim of HK36 cents per share, and interim dividend payout ratio is 33.2% (2015 interim: 29.8%).

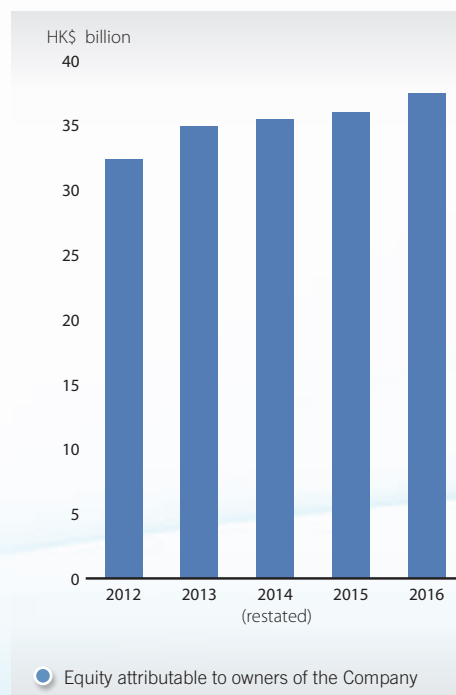


II FINANCIAL POSITION OF THE GROUP

1 Capital and Equity attributable to owners of the Company

The Company had a total of 1,085,850,600 shares in issue as at 30 June 2016. There is no change compared with 1,085,850,600 shares as at the end of 2015.

Equities attributable to owners of the Company reached HK\$37,438.60 million as at 30 June 2016, and the increase was attributable to the net profit for the first half after deducting the dividend actually paid during the period.



2 Indebtedness

(1) Borrowings

SIHL Finance Limited, a wholly-owned subsidiary of the Company, signed a HK\$3 billion or US dollar equivalent dual-currency club loan in May 2016, of which HK\$1.5 billion or US dollar equivalent dual-currency are of a term of 3 years and the remaining HK\$1.5 billion or US dollar equivalent dual-currency are of a term of 5 years. The facility was used for the early repayment of a syndicated loan of totally HK\$3.0 billion or US dollar equivalent dual-currency due in 2017 and 2019 respectively.

As at 30 June 2016, the total borrowings of the Group including bank borrowings, other borrowings and convertible bonds amounted to approximately HK\$41,138.56 million (31 December 2015: HK\$48,684.33 million), of which 64.0% (31 December 2015: 62.0%) was unsecured credit facilities. The proportions of US dollars, Renminbi and HK dollars of total borrowings were 8%, 81% and 11% (31 December 2015: 9%, 69% and 22%) respectively.

(2) Pledge of assets

The following assets were pledged by the Group to banks to secure banking facilities granted by these banks to the Group:

- (a) investment properties with an aggregate carrying value of HK\$12,681,203,000 (31 December 2015: HK\$12,613,259,000);
- (b) leasehold land and buildings with an aggregate carrying value of HK\$157,760,000 (31 December 2015: HK\$1,569,254,000);
- (c) plant and machineries with an aggregate carrying value of HK\$23,049,000 (31 December 2015: HK\$25,529,000);
- (d) one (31 December 2015: one) toll road operating right with a carrying value of HK\$2,623,409,000 (31 December 2015: HK\$2,778,489,000);
- (e) receivables under service concession arrangements with an aggregate carrying value of HK\$2,153,111,000 (31 December 2015: HK\$2,440,439,000);
- (f) properties under development held for sale with an aggregate carrying value of HK\$5,688,449,000 (31 December 2015: HK\$8,279,494,000);

- (g) properties held for sale with an aggregate carrying value of HK\$1,506,147,000 (31 December 2015: HK\$1,541,220,000);
- (h) trade receivables with an aggregate carrying value of HK\$63,425,000 (31 December 2015: HK\$188,229,000); and
- (i) bank deposits with an aggregate carrying value of HK\$200,268,000 (31 December 2015: HK\$362,252,000).

(3) Contingent liabilities

As at 30 June 2016, 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 joint ventures amounted to approximately HK\$193.72 million, HK\$3,264.05 million and HK\$1,070.46 million (31 December 2015: HK\$263.91 million, HK\$2,553.96 million and HK\$1,029.71 million) respectively.

3 Capital Commitments

As at 30 June 2016, the Group had capital commitments mainly contracted for business development and investments in fixed assets of HK\$4,845.45 million (31 December 2015: HK\$5,526.29 million). The Group had sufficient internal resources and/or through loan markets for the finance of its capital expenditures.

4 Bank Deposits and Short-term Investments

As at 30 June 2016, bank balances and short-term investments held by the Group amounted to HK\$25,780.73 million (31 December 2015: HK\$28,460.70 million) and HK\$342.42 million (31 December 2015: HK\$444.19 million) respectively. The proportions of US dollars and other currencies, Renminbi and HK dollars of bank balances were 5%, 84% and 11% (31 December 2015: 4%, 73% and 23%) 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 respective funding requirements on a regular basis for business developments, and will seek opportunities to optimize its capital structure should the need arises.

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 arise from fluctuations in the US dollar, Singapore dollar, HK dollar and Renminbi exchange rates. The management monitors foreign currency exposure, especially in view of the depreciation risk for Renminbi. The management will also consider hedging significant foreign currency exposures and adopting suitable measures where necessary in order to mitigate impacts due to the depreciation of the Renminbi to the Group.

2 Interest Rate Risk

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

3 Price Risk

The Group is exposed to price risks through its listed investments classified as either available-for-sale investments or financial assets at fair value through profit or loss. The management strictly monitors this exposure by maintaining a portfolio of investments with different levels of risks. The Group's price risks are mainly concentrated on equity instruments quoted in the Stock Exchange and the Shanghai Stock Exchange. In addition, a special team has been appointed by the management to monitor price risks and hedging against such risk exposures will be made should the need arises.

4 Credit Risk

The Group's principal financial assets are receivables under concession arrangements, pledged bank deposits, short-term bank deposits, bank balances and cash, securities and debt investments and trade and other receivables. The Group's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the consolidated statement of financial position are net of allowances for doubtful receivables. An allowance for impairment is made 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, all bank balances and cash, securities and debt investments of the Group must be placed and entered into with sound and reputable financial institutions. Strict requirements and restrictions in relation to the outstanding amount and credit ratings on securities and debt investments to be held are followed in order to minimize the Group's credit risk exposures.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Shanghai Industrial Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 36 to 68, which comprise the condensed consolidated statement of financial position as of 30 June 2016, 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 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

31 August 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016

	NOTES	Six months ended 30 June	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited and restated)
Revenue	4	9,228,568	7,138,628
Cost of sales		(5,662,286)	(4,303,944)
Gross profit		3,566,282	2,834,684
Net investment income		361,281	559,214
Other income, gains and losses		231,280	301,699
Selling and distribution costs		(418,825)	(401,153)
Administrative and other expenses		(886,414)	(818,948)
Finance costs		(668,791)	(815,146)
Share of results of joint ventures		128,462	105,292
Share of results of associates		6,825	1,180
Gain on disposal of assets through disposal of interest in a subsidiary/disposal of interests in subsidiaries	5	1,114,163	452,367
Profit before taxation		3,434,263	2,219,189
Income tax expense	6	(1,038,515)	(627,009)
Profit for the period	7	2,395,748	1,592,180
Profit for the period attributable to			
– Owners of the Company		1,505,824	1,310,375
– Non-controlling interests		889,924	281,805
		2,395,748	1,592,180
Earnings per share	9	HK\$	HK\$
– Basic		1.387	1.209
– Diluted		1.352	1.128

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited and restated)
Profit for the period	2,395,748	1,592,180
Other comprehensive (expense) income Items that may be subsequently reclassified to profit or loss		
Exchange differences arising on translation of foreign operations		
– subsidiaries	(1,231,692)	(38,746)
– joint ventures	(27,928)	(4,966)
– associates	(24,425)	(4,912)
Fair value adjustments on available-for-sale investments held by subsidiaries	(18,498)	126,920
Reclassification on disposal of available-for-sale investments held by subsidiaries	–	(7,843)
Other comprehensive (expense) income for the period	(1,302,543)	70,453
Total comprehensive income for the period	1,093,205	1,662,633
Total comprehensive income for the period attributable to		
– Owners of the Company	714,677	1,337,174
– Non-controlling interests	378,528	325,459
	1,093,205	1,662,633

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	NOTES	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Non-Current Assets			
Investment properties	10	15,089,872	15,362,596
Property, plant and equipment	10	4,379,513	4,312,097
Prepaid lease payments – non-current portion		253,383	262,995
Toll road operating rights		10,678,821	11,319,899
Goodwill		863,507	572,855
Other intangible assets	10	4,394,599	3,918,690
Interests in joint ventures		3,613,541	3,334,796
Interests in associates		2,698,385	2,708,144
Investments		1,175,041	1,192,559
Receivables under service concession arrangements – non-current portion		6,066,717	5,870,222
Deposits paid on acquisition of a subsidiary/property, plant and equipment		200,973	622,009
Other non-current receivables		213,094	194,872
Deferred tax assets		406,102	417,094
		50,033,548	50,088,828
Current Assets			
Inventories	11	46,728,744	52,844,091
Trade and other receivables	12	8,569,290	10,600,499
Prepaid lease payments – current portion		5,670	5,982
Investments		342,424	444,187
Receivables under service concession arrangements – current portion		170,039	166,658
Amounts due from customers for contract work		610,461	82,135
Prepaid taxation		592,382	200,844
Pledged bank deposits		200,268	362,252
Short-term bank deposits		722,715	1,314,414
Bank balances and cash		24,753,516	26,784,036
		82,695,509	92,805,098
Assets classified as held for sale	13	6,615,093	–
		89,310,602	92,805,098

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	NOTES	30 June 2016 HK\$'000 (unaudited)	31 December 2015 HK\$'000 (audited)
Current Liabilities			
Trade and other payables	14	13,953,361	20,789,727
Customer deposits from sales of properties	15	12,535,960	7,410,541
Amounts due to customers for contract work		30,264	24,998
Taxation payable		3,382,433	3,386,361
Bank and other borrowings	16	6,608,656	10,977,611
Convertible bonds	17	32,396	3,681,843
		36,543,070	46,271,081
Liabilities associated with assets classified as held for sale	13	5,634,816	–
		42,177,886	46,271,081
Net Current Assets		47,132,716	46,534,017
Total Assets less Current Liabilities		97,166,264	96,622,845
Capital and Reserves			
Share capital		13,615,889	13,615,889
Reserves		23,822,710	22,412,209
Equity attributable to owners of the Company		37,438,599	36,028,098
Non-controlling interests		22,975,415	19,261,616
Total Equity		60,414,014	55,289,714
Non-Current Liabilities			
Provision for major overhauls		69,194	72,294
Bank and other borrowings	16	29,537,123	33,957,371
Deferred tax liabilities		7,145,933	7,303,466
		36,752,250	41,333,131
Total Equity and Non-Current Liabilities		97,166,264	96,622,845

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company										Attributable to non-controlling interests			Total HK\$'000		
	Share capital HK\$'000	Share options reserve HK\$'000	Convertible bonds equity reserve HK\$'000	Other revaluation reserve HK\$'000 (Note i)	Other reserve HK\$'000 (Note ii)	Merger reserve HK\$'000 (Note ii)	Investment revaluation reserve HK\$'000 (Note ii)	Transition reserve HK\$'000	PAC statutory reserves HK\$'000 (Note ii)	Retained profits HK\$'000	Sub-total HK\$'000	Deferred consideration shares of a listed subsidiary HK\$'000	Share options reserve of listed subsidiaries HK\$'000		Share of net assets of subsidiaries HK\$'000	Sub-total HK\$'000
At 1 January 2015 (audited)	13,527,827	163,778	114,442	54,855	478,225	(5,938,972)	297,023	2,999,124	1,136,075	22,396,046	35,228,423	30,582	66,842	18,106,344	18,203,768	53,432,191
Profit for the period,																
as restated	-	-	-	-	-	-	-	-	-	1,310,375	1,310,375	-	-	281,885	281,885	1,592,180
Exchange differences arising on translation of foreign operations																
- subsidiaries	-	-	-	-	-	-	-	(7,028)	-	-	(7,028)	-	-	(31,718)	(31,718)	(38,746)
- joint ventures	-	-	-	-	-	-	-	(4,966)	-	-	(4,966)	-	-	-	-	(4,966)
- associates	-	-	-	-	-	-	-	(4,912)	-	-	(4,912)	-	-	-	-	(4,912)
Fair value adjustments on available-for-sale investments held by subsidiaries																
	-	-	-	-	-	-	51,548	-	-	-	51,548	-	-	75,372	75,372	126,920
Reclassified on disposal of available-for-sale investments held by subsidiaries																
	-	-	-	-	-	-	(7,843)	-	-	-	(7,843)	-	-	-	-	(7,843)
Total comprehensive income (expense) for the period, as restated	-	-	-	-	-	-	43,705	(16,906)	-	1,310,375	1,337,174	-	-	325,459	325,459	1,662,633
Issue of shares upon exercise of share options	88,062	(6,637)	-	-	-	-	-	-	-	-	81,425	-	-	-	-	81,425
Transfers	-	-	-	-	-	-	-	-	52,520	(52,520)	-	-	-	-	-	-
Capital contribution by non-controlling interests upon establishment of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	50,600	50,600	50,600
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	187,976	187,976	187,976
Acquisition of additional interests in subsidiaries	-	-	-	-	(8,439)	-	-	-	-	-	(8,439)	-	-	(147,218)	(147,218)	(156,657)
Deemed disposal of interest in a listed subsidiary upon issuance of consideration shares	-	-	-	-	381,667	-	-	-	-	-	381,667	-	-	1,480,924	1,480,924	1,862,591
Designation of a subsidiary	-	-	-	-	-	66,448	-	-	(3,560)	(62,888)	-	-	-	-	-	-
Dividends paid (note 8)	-	-	-	-	-	-	-	-	-	(488,634)	(488,634)	-	-	-	-	(488,634)
Dividends paid to non-controlling interests, as restated	-	-	-	-	-	-	-	-	-	-	-	-	-	(399,737)	(399,737)	(399,737)
At 30 June 2015 (unaudited and restated)	13,615,889	157,141	114,442	54,855	850,453	(5,872,524)	340,728	2,982,218	1,185,035	23,102,179	36,530,416	30,582	66,842	19,604,348	19,701,772	56,232,188

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company										Attributable to non-controlling interests				
	Share capital HK\$'000	Share options reserve HK\$'000	Convertible bonds equity reserve HK\$'000	Other revaluation reserve HK\$'000 (Note i)	Other reserve HK\$'000 (Note ii)	Merger reserve HK\$'000 (Note iii)	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	PRC statutory reserves HK\$'000 (Note iv)	Retained profits HK\$'000	Sub-total HK\$'000	Share options reserve of listed subsidiaries HK\$'000	Share of net assets of subsidiaries HK\$'000	Sub-total HK\$'000	Total HK\$'000
At 1 January 2016 (audited)	13,615,889	27,883	104,956	54,855	820,117	(5,827,721)	373,565	1,688,318	1,317,340	23,852,896	36,028,098	49,367	19,212,249	19,261,616	55,289,714
Profit for the period	-	-	-	-	-	-	-	-	-	1,505,824	1,505,824	-	889,924	889,924	2,395,748
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- subsidiaries	-	-	-	-	-	-	-	(715,436)	-	-	(715,436)	-	(516,256)	(516,256)	(1,231,692)
- joint ventures	-	-	-	-	-	-	-	(27,928)	-	-	(27,928)	-	-	-	(27,928)
- associates	-	-	-	-	-	-	-	(24,425)	-	-	(24,425)	-	-	-	(24,425)
Fair value adjustments on available-for-sale investments held by subsidiaries	-	-	-	-	-	-	(23,358)	-	-	-	(23,358)	-	4,860	4,860	(18,498)
Total comprehensive income (expense) for the period	-	-	-	-	-	-	(23,358)	(767,789)	-	1,505,824	714,677	-	378,528	378,528	1,093,205
Transfers	-	-	-	-	-	-	-	-	50,666	(50,666)	-	-	-	-	-
Capital contributions by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	54,651	54,651	54,651
Acquisition of subsidiaries (note 18)	-	-	-	-	-	-	-	-	-	-	-	-	178,051	178,051	178,051
Acquisition of additional interest in a subsidiary	-	-	-	-	(20,228)	-	-	-	-	-	(20,228)	-	20,228	20,228	-
Acquisition of additional interest in a listed subsidiary	-	-	-	-	(19,481)	-	-	-	-	-	(19,481)	-	(70,441)	(70,441)	(89,922)
Deemed partial disposal of interest in a listed subsidiary upon issuance of consideration shares (note 18)	-	-	-	-	48,039	-	-	-	-	-	48,039	-	117,412	117,412	165,451
Deemed partial disposal of interest in a listed subsidiary upon shares placement (Note v)	-	-	-	-	1,242,263	-	-	-	-	-	1,242,263	-	3,172,541	3,172,541	4,414,804
Deregistration of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(25,917)	(25,917)	(25,917)
Dividends paid (note 8)	-	-	-	-	-	-	-	-	-	(488,633)	(488,633)	-	-	-	(488,633)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(112,037)	(112,037)	(112,037)
Redemption of convertible bonds (note 17)	-	-	(100,848)	-	-	-	-	-	-	34,014	(66,834)	-	-	-	(66,834)
Repurchase of convertible bonds (note 17)	-	-	(3,169)	-	-	-	-	-	-	4,650	1,481	-	-	-	1,481
Transfer upon forfeiture of share options of a listed subsidiary	-	-	-	-	-	-	-	-	-	815	815	(1,165)	350	(815)	-
Transfer upon disposal of assets through disposal of interest in a subsidiary	-	-	-	-	-	-	(5,318)	-	-	3,720	(1,598)	-	1,598	1,598	-
At 30 June 2016 (unaudited)	13,615,889	27,883	939	54,855	2,070,710	(5,827,721)	350,207	915,211	1,368,006	24,862,620	37,438,599	48,202	22,927,213	22,975,415	60,414,014

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

Notes:

- (i) Other revaluation reserve is comprised of fair value adjustments on acquisition of subsidiaries relating to interests previously held by the Company and its subsidiaries (collectively referred to as the "Group") as associates/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 (the "PRC") applicable to the Group's PRC subsidiaries, joint ventures and associates.
- (v) On 26 January 2016, a non-wholly owned listed subsidiary of the Group, Shanghai Industrial Development Co., Ltd ("SI Development"), completed a share placing of 335,523,659 new ordinary shares, representing 30.97% of its total issued shares prior to the share placing or 23.65% of the enlarged capital of SI Development, at an issue price of RMB11.63 (equivalent to approximately HK\$13.89) per share and raised a total sum of RMB3,855,200,000 (equivalent to HK\$4,580,255,000). Upon the completion of the share placing, the Group's shareholding in SI Development is diluted from 63.65% to 48.60%.

The Group accounted for the above shares placement as an equity transaction and the difference between the consideration received and the change of the Group's interest in SI Development's net assets amounting to approximately HK\$1,242 million was credited to other reserve.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	NOTE	Six months ended 30 June	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited and restated)
Net cash from (used in) operating activities		968,083	(1,925,561)
Net cash from (used in) investing activities:			
Decrease (increase) in short-term bank deposits		715,529	(1,323,465)
Deposits received upon disposal of assets held for sale		700,198	–
Decrease in deposits paid on acquisition of property, plant and equipment		408,069	97,139
Interest received		357,581	301,358
Dividend income received from available-for-sale investments		3,694	165,610
Acquisition of subsidiaries	18	(133,417)	(805,606)
Purchase of property, plant and equipment		(298,528)	(46,145)
Capital injection to a joint venture		(178,211)	–
Net cash outflow on deregistration of a non-wholly owned subsidiary		(25,917)	–
Advance to an independent third party		(23,065)	(156,444)
Purchase of available-for-sale investments		(13,069)	(25,209)
Disposal of assets classified as held for sale (net of cash and cash equivalents disposed of)		–	824,690
Other investing cash flows		2,519	24,917
		1,515,383	(943,155)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	NOTE	Six months ended 30 June	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited and restated)
Net cash (used in) from financing activities:			
Repayment of bank and other borrowings		(17,605,034)	(9,157,564)
Redemption of convertible bonds	17	(3,541,408)	–
Interest paid		(667,539)	(772,772)
Dividends paid		(488,633)	(488,834)
Dividends paid to non-controlling interests		(112,037)	(399,737)
Repurchase of convertible bonds	17	(109,080)	–
Acquisition of additional interest in a listed subsidiary		(89,922)	–
Bank and other borrowings raised		14,223,714	9,288,113
Proceeds from shares placement by a listed subsidiary, net of direct transaction costs		4,414,804	–
Issuance of listed bonds		1,188,072	2,499,375
Capital contributions by non-controlling interests		54,651	50,600
Proceeds from issue of shares upon exercise of share options		–	81,425
Acquisition of additional interests in subsidiaries		–	(156,657)
Other financing cash flows		(2,856)	(1,761)
		(2,735,268)	942,188
Net decrease in cash and cash equivalents		(251,802)	(1,926,528)
Cash and cash equivalents at 1 January		26,784,036	27,087,717
Effect of foreign exchange rate changes		(1,674,485)	(27,483)
Cash and cash equivalents at 30 June		24,857,749	25,133,706
Represented by:			
Bank balances and cash		24,753,516	25,133,706
Bank balances and cash classified as assets held for sale		104,233	–
		24,857,749	25,133,706

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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").

The financial information relating to the year ended 31 December 2015 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to the Hong Kong Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

1A. SIGNIFICANT EVENT AND TRANSACTION IN THE CURRENT INTERIM PERIOD

During the current interim period, the Group completed a disposal of assets through disposal of interest in a subsidiary which had a significant impact to the Group's current interim financial performance. Details of this disposal are set out in note 19.

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.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the current interim period.

The application of the 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 2016

3. MERGER ACCOUNTING

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

In December 2015, the Group, through SI Development, completed the acquisition of 100% equity interest in Shanghai Investment Co., Ltd. ("Shanghai Investment") from SIIC Shanghai (Holdings) Co., Ltd., a wholly owned subsidiary of SIIC, for a cash consideration of RMB3,432,703,000 (equivalent to HK\$4,099,239,000).

Shanghai Investment is principally engaged in the business of property development and sale in the PRC.

Shanghai Investment was acquired by SIIC from Shanghai International Group Co., Ltd., an entity controlled by State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government, on 1 July 2014 and hence, the Group and Shanghai Investment first came under the common control of SIIC since that date.

The Group already applied AG 5 to the acquisition of Shanghai Investment in the consolidated financial statements for the year ended 31 December 2015. In the current interim period, the 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 of the Group for the six months ended 30 June 2015 were restated to include the financial performance and cash flows of the Shanghai Investment and its subsidiaries (collectively referred to as the "Shanghai Investment Group") as if they were within the Group at 1 January 2015 (also see below for the financial impact on the condensed consolidated statement of profit or loss and condensed consolidated statement of profit or loss and other comprehensive income).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

3. MERGER ACCOUNTING (continued)

The effects of acquisition of the Shanghai Investment Group using merger accounting on the condensed consolidated statement of profit or loss for the six months ended 30 June 2015 are as follows:

	HK\$'000 (originally stated)	Business combination of entities under common control HK\$'000	HK\$'000 (restated)
Revenue	6,982,031	156,597	7,138,628
Cost of sales	(4,155,994)	(147,950)	(4,303,944)
Gross profit	2,826,037	8,647	2,834,684
Net investment income	603,561	(44,347)	559,214
Other income, gains and losses	301,574	125	301,699
Selling and distribution costs	(378,928)	(22,225)	(401,153)
Administrative and other expenses	(789,259)	(29,689)	(818,948)
Finance costs	(806,267)	(8,879)	(815,146)
Share of results of joint ventures	105,292	–	105,292
Share of results of associates	1,180	–	1,180
Gain on disposal of interests in subsidiaries	452,367	–	452,367
Profit before taxation	2,315,557	(96,368)	2,219,189
Income tax expense	(619,597)	(7,412)	(627,009)
Profit for the period	1,695,960	(103,780)	1,592,180
Profit for the period attributable to			
– Owners of the Company	1,373,497	(63,122)	1,310,375
– Non-controlling interests	322,463	(40,658)	281,805
	1,695,960	(103,780)	1,592,180
	HK\$ (originally stated)	HK\$	HK\$ (restated)
Earnings per share			
– Basic	1.267	(0.058)	1.209
– Diluted	1.181	(0.053)	1.128

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

3. MERGER ACCOUNTING (continued)

The effects of acquisition of the Shanghai Investment Group using merger accounting on the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2015 are as follows:

	HK\$'000 (originally stated)	Business combination of entities under common control HK\$'000	HK\$'000 (restated)
Profit for the period	1,695,960	(103,780)	1,592,180
Other comprehensive income for the period	70,453	–	70,453
Total comprehensive income for the period	1,766,413	(103,780)	1,662,633
Total comprehensive income for the period attributable to			
– Owners of the Company	1,400,296	(63,122)	1,337,174
– Non-controlling interests	366,117	(40,658)	325,459
	1,766,413	(103,780)	1,662,633

4. SEGMENT INFORMATION

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

4. SEGMENT INFORMATION (continued)

Segment revenue and results

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

Six months ended 30 June 2016

	Infrastructure facilities HK\$'000	Real estate HK\$'000	Consumer products HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
REVENUE					
Segment revenue – external sales	2,386,529	4,985,975	1,856,064	–	9,228,568
Segment operating profit (loss)	989,285	1,264,849	606,683	(7,213)	2,853,604
Finance costs	(115,494)	(541,249)	(1,384)	(10,664)	(668,791)
Share of results of joint ventures	128,462	–	–	–	128,462
Share of results of associates	21,761	(14,738)	(198)	–	6,825
Gain on disposal of assets through disposal of interest in a subsidiary	–	1,114,163	–	–	1,114,163
Segment profit (loss) before taxation	1,024,014	1,823,025	605,101	(17,877)	3,434,263
Income tax (expense) credit	(217,448)	(769,902)	(103,790)	52,625	(1,038,515)
Segment profit after taxation	806,566	1,053,123	501,311	34,748	2,395,748
Less: profit attributable to non-controlling interests	(186,441)	(700,472)	(3,011)	–	(889,924)
Segment profit after taxation attributable to owners of the Company	620,125	352,651	498,300	34,748	1,505,824

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

4. SEGMENT INFORMATION (continued) Segment revenue and results (continued)

Six months ended 30 June 2015

	Infrastructure facilities HK\$'000	Real estate HK\$'000 (restated)	Consumer products HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000 (restated)
REVENUE					
Segment revenue – external sales	2,017,302	3,223,558	1,897,768	–	7,138,628
Segment operating profit	937,609	930,265	607,618	4	2,475,496
Finance costs	(118,166)	(680,970)	(1,923)	(14,087)	(815,146)
Share of results of joint ventures	105,292	–	–	–	105,292
Share of results of associates	9,370	(15,501)	7,311	–	1,180
Gain on disposal of interests in subsidiaries	–	452,367	–	–	452,367
Segment profit (loss) before taxation	934,105	686,161	613,006	(14,083)	2,219,189
Income tax expense	(203,308)	(302,570)	(92,624)	(28,507)	(627,009)
Segment profit (loss) after taxation	730,797	383,591	520,382	(42,590)	1,592,180
Less: profit attributable to non-controlling interests	(155,639)	(119,617)	(6,549)	–	(281,805)
Segment profit (loss) after taxation attributable to owners of the Company	575,158	263,974	513,833	(42,590)	1,310,375

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

4. SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

At 30 June 2016

	Infrastructure facilities HK\$'000	Real estate HK\$'000	Consumer products HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Segment assets	30,553,260	99,464,656	6,384,469	2,941,765	139,344,150
Segment liabilities	6,705,687	64,456,002	768,061	7,000,386	78,930,136

At 31 December 2015

	Infrastructure facilities HK\$'000	Real estate HK\$'000	Consumer products HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Segment assets	30,761,174	98,589,637	6,786,259	6,756,856	142,893,926
Segment liabilities	6,918,118	67,393,771	765,268	12,527,055	87,604,212

5. GAIN ON DISPOSAL OF ASSETS THROUGH DISPOSAL OF INTEREST IN A SUBSIDIARY/INTERESTS IN SUBSIDIARIES

The amount for the six months ended 30 June 2016 represents a gain on disposal of assets through disposal of interest in a subsidiary of HK\$1,114,163,000 (see note 19).

During the six months ended 30 June 2015, the Group completed the disposal of its entire 100% equity interest in Bold Eagle Investment Limited and its subsidiaries with aggregate net assets of HK\$722,339,000, at a consideration of RMB940,000,000 (equivalent to HK\$1,174,706,000) and resulted in a gain on disposal of interests in subsidiaries of HK\$452,367,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000 (restated)
Current tax		
– Hong Kong	99,153	87,229
– PRC Land Appreciation Tax ("LAT")	312,563	282,531
– PRC Enterprise income tax ("EIT") (including PRC withholding tax of HK\$45,328,000 (six months ended 30 June 2015: HK\$48,454,000))	746,240	340,201
	1,157,956	709,961
Under(over)provision in prior periods		
– Hong Kong	154	(2,275)
– PRC LAT (Note i)	(5,517)	–
– PRC EIT (Note ii)	(36,550)	(4,416)
	(41,913)	(6,691)
Deferred taxation for the current period	(77,528)	(76,261)
	1,038,515	627,009

Notes:

- (i) 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.
- (ii) The Group also recognised an overprovision of PRC EIT during the current interim period upon obtaining a tax clearance from the tax authority for deregistration of a PRC subsidiary.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

6. INCOME TAX EXPENSE (continued)

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

The Group's subsidiaries in the PRC are subject to PRC EIT at a rate of 25% for both periods, except for two (six months ended 30 June 2015: one) PRC subsidiaries which are qualified as High New Technology Enterprises and enjoy a preferential tax rate of 15% for both periods. The preferential tax rate is applicable for a consecutive three years from the date of grant and subject to approval for renewal.

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.

7. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000 (restated)
Profit for the period has been arrived at after charging (crediting) the following items:		
Amortisation of toll road operating rights (included in cost of sales)	390,402	374,681
Amortisation of other intangible assets (included in cost of sales)	81,892	46,396
Depreciation of property, plant and equipment	164,661	164,636
Release of prepaid lease payments	6,232	3,955
(Increase) decrease in fair value of investment properties (included in other income/ administrative and other expenses)	(78,262)	27,344
Dividend income from investments (included in net investment income)	(3,694)	(164,471)
Net loss (gain) on disposal of property, plant and equipment	445	(4,812)
Interest income (included in net investment income)	(357,581)	(301,358)
Decrease (increase) in fair value of financial assets at fair value through profit or loss (included in net investment income)	846	(29,236)
Net foreign exchange loss	156,334	8,946
Share of PRC EIT of joint ventures (included in share of results of joint ventures)	43,284	32,284
Share of PRC EIT of associates (included in share of results of associates)	11,012	11,504

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

8. DIVIDENDS

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
2015 final dividend paid of HK45 cents (six months ended 30 June 2015: 2014 final dividend paid of HK45 cents) per share	488,633	488,834

Subsequent to the end of the reporting period, the directors of the Company have determined that an interim dividend of HK36 cents and a special dividend of HK10 cents (six months ended 30 June 2015: an interim dividend of HK36 cents) per share will be paid to the shareholders of the Company whose names appear on the Company's register of members on 20 September 2016.

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000 (restated)
Earnings:		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	1,505,824	1,310,375
Effect of dilutive potential ordinary shares – interest on convertible bonds, net of tax	1,045	35,382
Earnings for the purpose of diluted earnings per share	1,506,869	1,345,757
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,085,850,600	1,084,216,653
Effect of dilutive potential ordinary shares – convertible bonds	28,535,141	107,319,758
– share options of the Company	–	1,834,143
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,114,385,741	1,193,370,554

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

9. EARNINGS PER SHARE (continued)

The computation of diluted earnings per share does not assume:

- (i) the exercise of the Company's outstanding options as the relevant 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 the relevant exercise price of those options was higher than the average market price for the corresponding period.

10. MOVEMENTS IN INVESTMENT PROPERTIES/PROPERTY, PLANT AND EQUIPMENT AND OTHER INTANGIBLE ASSETS

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 recognised an increase in fair value of investment properties of approximately HK\$78 million in profit or loss (six months ended 30 June 2015: a decrease of HK\$27 million).

During the current interim period, the Group incurred costs for construction in progress of approximately HK\$14 million (six months ended 30 June 2015: HK\$10 million) and acquired other property, plant and equipment at an aggregate cost of approximately HK\$284 million (six months ended 30 June 2015: HK\$37 million, as restated) for the purpose of expanding the Group's operations and businesses.

In addition, the Group acquired other intangible assets, of which an amount of approximately HK\$640 million (six months ended 30 June 2015: HK\$1,827 million) was related to the operating rights of service concession arrangements for sewage and water treatment, through acquisition of subsidiaries as set out in note 18 during the current interim period.

11. INVENTORIES

Inventories mainly represent properties under development held for sale. Included in the amount is HK\$21,071,569,000 (31 December 2015: HK\$25,920,066,000) which is not expected to be realised within one year.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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 2016 HK\$'000	31 December 2015 HK\$'000
Within 30 days	293,033	319,988
Within 31 – 60 days	208,206	182,919
Within 61 – 90 days	351,745	139,289
Within 91 – 180 days	135,097	180,503
Within 181 – 365 days	154,525	170,670
Over 365 days	135,065	70,450
	1,277,671	1,063,819

Included in other receivables as at 30 June 2016 were (a) consideration receivable of HK\$358,252,000 (31 December 2015: 2,627,284,000) (see note 19) and (b) amounts of HK\$3,961,706,000 (31 December 2015: HK\$3,824,118,000) due from certain associates of which amounts of HK\$2,446,881,000 (31 December 2015: HK\$3,597,225,000) carried fixed interest at prevailing market interest rates and amounts of HK\$1,293,146,000 (31 December 2015: Nil) carried interest at a fixed rate of 6% (31 December 2015: N/A) per annum.

Included in other receivables as at 31 December 2015 was a deposit paid on acquisition of a piece of land for property development for sale of HK\$918,319,000 (30 June 2016: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

13. ASSETS CLASSIFIED AS HELD FOR SALE

In May 2016, the Group entered into an equity transfer agreement with Zhonggeng Real Estate Industrial Group Co., Ltd., a connected person of the Group at the subsidiary level, pursuant to which the Group agreed to dispose of an exclusive right for the remaining designated portion of the "U Center" project held by Shanghai Urban Development Group Longcheng Properties Co., Ltd. ("SUD Longcheng"), a non-wholly owned subsidiary of SI Urban Development, through disposal of 40% equity interest in SUD Longcheng, at a consideration of RMB1,907,000,000 (equivalent to HK\$2,225,464,000) and would be paid according to the payment terms as set out in the equity transfer agreement. SUD Longcheng is principally engaged in the property development and sales in the PRC. A deposit of RMB600,000,000 (equivalent to HK\$700,198,000) was received by the Group and has been included in other payables as at 30 June 2016 as set out in note 14.

The net proceeds of disposal exceeds the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss is considered necessary.

The major classes of assets and liabilities of SUD Longcheng, which are presented separately in the condensed consolidated statement of financial position as at 30 June 2016 as held for sale, are as follows:

	HK\$'000
Property, plant and equipment	886
Properties under development held for sale	2,709,309
Other receivables	3,800,665
Bank balances and cash	104,233
Total assets classified as held for sale	6,615,093
Other payables	617,611
Customer deposits from sales of properties	115,816
Bank borrowings	4,901,389
Total liabilities associated with assets classified as held for sale	5,634,816

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

14. TRADE AND OTHER PAYABLES

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

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Within 30 days	438,543	743,706
Within 31 – 60 days	475,079	557,495
Within 61 – 90 days	153,860	755,497
Within 91 – 180 days	481,719	562,363
Within 181 – 365 days	500,188	683,017
Over 365 days	643,899	406,176
	2,693,288	3,708,254

Included in other payables as at 30 June 2016 were (a) amounts of HK\$361,870,000 (31 December 2015: HK\$462,133,000) 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\$92,776,000 (31 December 2015: HK\$78,815,000) carrying interest at a fixed rate of 12.5% (31 December 2015: 12.5%) per annum and repayable on 27 June 2017 (31 December 2015: 27 June 2016), (b) amounts of HK\$31,601,000 (31 December 2015: HK\$32,337,000) due to certain fellow subsidiaries, which are unsecured, non-interest bearing and have no fixed terms of repayment, (c) an amount of HK\$1,358,469,000 (31 December 2015: HK\$1,352,351,000) due to a non-controlling shareholder, which is unsecured, non-interest bearing and repayable on demand, (d) accrued expenditure on properties under development of HK\$3,170,043,000 (31 December 2015: HK\$4,607,146,000) and (e) an aggregate consideration received in advance for disposal of assets classified as held for sale (see note 13) of HK\$700,198,000 (31 December 2015: 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\$287 million (31 December 2015: HK\$65 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 2016

16. BANK AND OTHER BORROWINGS

During the current interim period, the Group (i) obtained new borrowings in the amount of approximately HK\$15,412 million (six months ended 30 June 2015: HK\$11,788 million, as restated) and (ii) repaid borrowings of approximately HK\$17,605 million (six months ended 30 June 2015: HK\$9,158 million, as restated).

In March 2016, SI Development issued a bond with a principal amount of RMB1,000 million (equivalent to approximately HK\$1,188 million), which is listed on the Shanghai Stock Exchange. The bond is unsecured and has a maturity of five years falling due on 11 March 2021. It carries interest at a fixed rate of 3.23% per annum. At the end of the third year from issuance date, SI Development will have the right to increase the coupon rate and the bondholders will have the right to request SI Development to redeem the bond at par together with the accrued interest. Effective interest rate applied to the bond is 3.41% per annum.

Included in the other borrowings is also a loan of approximately HK\$467 million (31 December 2015: HK\$478 million) from SIIC.

The borrowings carry interest at market rates and are repayable within one to eight years (31 December 2015: one to eight years).

17. 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"). As a result, CB 2018 was classified under current liabilities as at 31 December 2015.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

17. 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"). Also, if at any time the aggregate outstanding principal amount of CB 2018 is less than 10 per cent of the aggregate original principal amount, the Issuer shall have the option to redeem such outstanding CB 2018 in whole but not in part at their pre-determined redemption amount as at the date fixed for redemption. As a result, the CB 2018 was classified under current liabilities as at 30 June 2016.

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.

On 18 February 2016, certain CB 2018 holders exercised their Holders' Redemption Option and the Issuer redeemed and cancelled a principal amount of HK\$3,437,000,000 of CB 2018, representing approximately 88.13% of the initial principal amount of CB 2018, at a consideration of HK\$3,541,408,000, in accordance with the terms and conditions of the CB 2018.

During the current interim period, the Issuer also repurchased part of the CB 2018 with a principal amount of HK\$108,000,000 at a consideration of HK\$109,080,000.

At 30 June 2016, the outstanding principal amount of CB 2018 was HK\$32,000,000 (31 December 2015: HK\$3,577,000,000).

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

	Liability component HK\$'000	Equity component HK\$'000
At 1 January 2016	3,681,843	104,956
Interest charged	1,252	-
Redemption	(3,540,988)	(100,848)
Repurchase	(109,711)	(3,169)
At 30 June 2016	32,396	939

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

18. ACQUISITION OF SUBSIDIARIES

The following acquisitions took place during the current interim period:

- (I) In January 2016, SI Development completed its acquisition of 61.48% equity interest in 上海上實龍創智慧能源科技股份有限公司 (“Longchuang”) (previously named as 上海龍創節能系統股份有限公司) as detailed below.

In April 2015, SI Development and an independent third party (the “Seller”) entered into a share subscription agreement, pursuant to which SI Development agreed to issue and allot 20,000,000 ordinary shares in SI Development to the Seller, for a consideration of RMB234,000,000 (equivalent to HK\$278,009,000). The consideration is settled by the Seller transferring to SI Development 9,181,978 shares in Longchuang, representing 19.13% of the equity interest in Longchuang and the balance of RMB94,740,000 (equivalent to HK\$112,558,000) by cash.

On the same day, SI Development and certain other Longchuang shareholders entered into a share transfer agreement, pursuant to which SI Development agreed to purchase 42.35% equity interest in Longchuang for a consideration of RMB308,344,000 (equivalent to HK\$366,335,000).

Longchuang is principally engaged in the business of construction equipment and provision of integrated energy-saving consultation.

- (II) In February 2016, SIIC Environment Holdings Ltd., a listed subsidiary of the Group, completed its acquisition of 90% equity interest in Yiyang City Tap Water Co., Ltd. (“Yiyang City”) from an independent third party at a cash consideration of RMB288,188,000 (equivalent to HK\$342,388,000). Yiyang City is principally engaged in the business of operating water supply plants and projects in the PRC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

18. ACQUISITION OF SUBSIDIARIES (continued)

	Longchuang HK\$'000	Yiyang City HK\$'000 (Note (i))	Total HK\$'000
Consideration transferred			
Cash	366,335	–	366,335
Consideration shares	165,451	–	165,451
Deposit paid as at 31 December 2015	–	342,388	342,388
	531,786	342,388	874,174
Assets acquired and liabilities recognised at the date of acquisition are as follows:			
Property, plant and equipment	2,554	5,137	7,691
Other intangible assets	8,161	631,914	640,075
Deposits paid on property, plant and equipment	–	1,188	1,188
Deferred tax assets	7,158	4,029	11,187
Inventories	455,016	3,645	458,661
Trade and other receivables	300,239	8,747	308,986
Bank balances and cash	199,426	33,492	232,918
Trade and other payables	(419,468)	(144,740)	(564,208)
Bank borrowings	(189,577)	(74,708)	(264,285)
Deferred tax liabilities	–	(88,273)	(88,273)
	363,509	380,431	743,940
Goodwill arising on acquisition			
Consideration transferred	531,786	342,388	874,174
Add: non-controlling interests (Note (ii))	140,008	38,043	178,051
Less: net assets acquired	(363,509)	(380,431)	(743,940)
	308,285	–	308,285
Net cash outflow arising on acquisition			
Cash consideration paid	366,335	–	366,335
Less: bank balances and cash acquired	(199,426)	(33,492)	(232,918)
	166,909	(33,492)	133,417

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

18. ACQUISITION OF SUBSIDIARIES (continued)

Notes:

- (i) The initial accounting of this acquisition is not yet completed and the assets acquired and liabilities recognised and the amounts recognised in these condensed consolidated financial statements for this acquisition 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 issued.
- (ii) The non-controlling interests of 38.52% and 10% in Longchuang and Yiyang City respectively recognised at the respective acquisition dates were measured with reference to the non-controlling interests' proportionate share of the fair value of the net assets at those dates.
- (iii) Goodwill arose in the acquisition of Longchuang because the cost of the combination effectively included amounts in relation to the benefits of expected revenue growth and future market development of Longchuang. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Included in the profit for the period ended 30 June 2016 were revenue of HK\$433,014,000 and HK\$38,440,000, and profit of HK\$35,991,000 and HK\$8,138,000, attributable to the additional business generated by Longchuang and Yiyang City, respectively.

Had the acquisition of Yiyang City been completed on 1 January 2016, total group revenue for the current interim period would have been HK\$9,243,867,000, and profit for the period would have been HK\$2,383,700,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results. No pro forma information for the acquisition of Longchuang is prepared as the acquisition was completed on 1 January 2016.

19. GAIN ON DISPOSAL OF ASSETS THROUGH DISPOSAL OF INTEREST IN A SUBSIDIARY

During the year ended 31 December 2015, (i) Shanghai Urban Development (Holdings) Co., Ltd. ("SUD"), a non-wholly owned subsidiary of SI Urban Development, (ii) Urban Development Green Carbon (Tianjin) Equity Investment Fund (Limited Partnership) ("Green Carbon Fund"), a limited partnership established in the PRC, (iii) an existing general partner of Green Carbon Fund (the "Departing GP"), and (iv) two other independent third parties (the "New Partners") entered into an investment agreement. Pursuant to which, the New Partners invested RMB1,368,000,000 (equivalent to HK\$1,633,628,000) into Green Carbon Fund, and same amount was then advanced from Green Carbon Fund to SUD for the purpose of identifying investment opportunities on new projects.

As at 31 December 2015, in view of no potential new projects have been identified by SUD, SUD negotiated with the New Partners to dispose of an exclusive right for a designated portion of the "U Center" project (the "Carved-out Site") held by SUD Longcheng (as defined in note 13) through disposal of its entire partnership interest in Green Carbon Fund for a consideration of RMB1,668,000,000 (equivalent to HK\$1,991,880,000). The New Partners agreed that they would not exert influence, neither would they be entitled to any distribution of profits of SUD Longcheng or obliged to bear additional obligations of SUD Longcheng, other than the exclusive right of the Carved-out Site. The land use right of the Carved-out Site still remains under the name of SUD Longcheng.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

19. GAIN ON DISPOSAL OF ASSETS THROUGH DISPOSAL OF INTEREST IN A SUBSIDIARY (continued)

On 8 January 2016, SUD entered into a redemption agreement with Green Carbon Fund, the Departing GP and the New Partners. As stated on the redemption agreement, any amounts SUD received previously and owed to Green Carbon Fund, amounting to RMB1,368,000,000 (equivalent to HK\$1,633,628,000), could be used to offset the redemption consideration. Therefore, an outstanding balance of redemption consideration payable by Green Carbon Fund to SUD amounted to RMB300,000,000 (equivalent to HK\$358,252,000) was included in other receivables as at 30 June 2016. The entire redemption consideration receivable has been settled in full up to the date of issuance of these condensed consolidated financial statements.

The above disposal was completed during current interim period and further details of the disposed subsidiary are set out below:

	HK\$'000
Consideration	
Deposit received as at 31 December 2015	1,633,628
Consideration receivable (note 12)	358,252
	1,991,880
Analysis of assets and liabilities over which control was lost	
Properties under development held for sale	2,393,272
Other receivables	3,045
Other payables	(1,518,600)
Net assets disposed of	877,717
Gain on disposal	
Consideration	1,991,880
Net assets disposed of	(877,717)
	1,114,163

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

20. CAPITAL COMMITMENTS

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Capital expenditure contracted for but not provided in these condensed consolidated financial statements in respect of		
– acquisition of property, plant and equipment	68,221	109,330
– additions in construction in progress	741,520	694,134
– additions in properties under development held for sale	3,964,094	4,665,502
– investment in an associate	56,016	57,320
– investment in an available-for-sale investment	15,600	–
	4,845,451	5,526,286

21. CONTINGENT LIABILITIES

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Guarantees given to banks in respect of banking facilities utilised by		
– property buyers	3,264,050	2,553,957
– an entity controlled by Xuhui SASAC	193,722	263,912
– joint ventures	1,070,460	1,029,708
	4,528,232	3,847,577

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

22. 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 other financial instruments that are recorded at amortised cost in these condensed consolidated financial statements approximate their fair values.

Financial assets	Fair value as at 30 June 2016 HK\$'000	Fair value as at 31 December 2015 HK\$'000	Fair value hierarchy	Valuation techniques and key inputs
Available-for-sale investments				
Listed equity securities	428,838	254,733	Level 1	Quoted bid prices in an active market
Listed equity securities in the PRC with restriction period	–	189,277	Level 1	Quoted bid prices in an active market
Investments held for trading				
Listed equity securities	174,799	174,508	Level 1	Quoted bid prices in an active market
Financial assets designated as at fair value through profit or loss				
Structured deposits				
– Exchange rate linked notes	–	73,414	Level 2	Quoted prices in the over-the-counter markets
– Equity linked notes	44,189	149,692	Level 2	Quoted prices in the over-the-counter markets

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 2016

23. 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	
		2016 HK\$'000	2015 HK\$'000
Ultimate holding company	Rentals and management fee paid by the Group on land and buildings	–	625
Fellow subsidiaries	Interest paid by the Group	15,492	14,934
	Rentals and management fee paid by the Group on land and buildings	24,682	24,130
	Rentals received by the Group on land and buildings	5,968	8,412
	Loan provided by the Group	118,807	–
Joint venture	Interest income received by the Group	12,653	7,686
	Capital injection by the Group	178,211	–
Associates	Interest income received by the Group	78,806	32,967
	Rentals received by the Group on land and buildings	4,439	361
	Property agency fee paid by the Group	24,584	14,870
Non-controlling shareholders of subsidiaries	Interest paid by the Group	56	1,048
	Management fee paid by the Group	592	–
Entity controlled by an independent non-executive director of the Company	Rentals and management fee paid by the Group on land and buildings	3,116	3,151

In addition, a fellow subsidiary pledged a bank deposit amounting to RMB485 million (31 December 2015: RMB490 million) (equivalent to approximately HK\$566 million (31 December 2015: HK\$585 million)) to secure a bank loan granted to SI Development.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

23. 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	
	2016 HK\$'000	2015 HK\$'000
Directors' fee and committee remuneration	845	864
Basic salaries and allowance	8,043	9,152
Bonuses	4,169	5,048
Retirement benefits scheme contributions	228	247
	13,285	15,311

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.

- (iv) The Group has entered into several banking facility agreements amounted to HK\$6,000 million (31 December 2015: HK\$7,000 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 26 June 2019. As at 30 June 2016, the extent of utilisation of such bank facilities amounted to approximately HK\$6,000 million (31 December 2015: HK\$6,596 million).

OTHER INFORMATION

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2016, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

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

Name of Director	Capacity	Nature of interests	Number of issued ordinary shares held	Number of outstanding shares options (Note 2)	Total	Approximate percentage of the issued shares
Zhou Jun	Beneficial owner	Personal	195,000	600,000	795,000	0.07%
Lu Shen	Beneficial owner	Personal	–	600,000	600,000	0.06%
Xu Bo	Beneficial owner	Personal	–	600,000	600,000	0.06%
Woo Chia-Wei	Beneficial owner	Personal	–	96,000	96,000	0.009%
Leung Pak To	Beneficial owner	Personal	–	96,000	96,000	0.009%
Zhou Jie ^(Note 3)	Beneficial owner	Personal	333,000	680,000	1,013,000	0.09%
Lo Ka Shui ^(Note 4)	Beneficial owner	Personal	766,560	96,000	862,560	0.08%

Notes:

1. All interests stated above represent long positions.
2. Such long position represents underlying shares derived from unlisted and physically-settled derivatives.
3. Mr. Zhou Jie resigned as a Director of the Company on 25 August 2016.
4. Dr. Lo Ka Shui resigned as a Director of the Company on 30 June 2016.

(II) Interests in shares and underlying shares of association corporations***SI Development***

Name of Director	Capacity	Nature of Interests	Number of issued ordinary shares held	Approximate percentage of the issued shares
Lu Shen	Beneficial owner	Personal	101,200	0.01%

Note: All interests stated above represent long positions.

SI Urban Development

Name of Director	Capacity	Nature of Interests	Number of outstanding shares option <small>(Note 2)</small>	Approximate percentage of the issued shares
Zhou Jun	Beneficial owner	Personal	7,000,000	0.15%

Notes:

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

Shanghai Pharmaceuticals

Name of Director	Class of shares	Capacity	Nature of interests	Number of issued shares held	Approximate percentage of the issued shares
Lu Shen	A share	Beneficial owner	Personal	6,440	0.0003%
Lo Ka Shui <small>(Note 2)</small>	H share	Founder of a discretionary trust	Other	4,000,000	0.52%

Notes:

- All interests stated above represent long positions.
- Dr. Lo Ka Shui resigned as a Director of the Company on 30 June 2016.

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 2016.

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 1.1.2016	Reclassified during the period	Cancelled during the period	Outstanding at 30.6.2016
Category 1: Director						
Zhou Jun	20.9.2011	22.71	600,000	-	-	600,000
Lu Shen	20.9.2011	22.71	600,000	-	-	600,000
Xu Bo	16.5.2012	23.69	600,000	-	-	600,000
Woo Chia Wei	20.9.2011	22.71	96,000	-	-	96,000
Leung Pak To, Francis	20.9.2011	22.71	96,000	-	-	96,000
Zhou Jie ^(Note 1)	20.9.2011	22.71	680,000	-	-	680,000
Lo Ka Shui ^(Note 2)	20.9.2011	22.71	96,000	(96,000)	-	-
Total			2,768,000	(96,000)	-	2,672,000
Category 2: Employees						
	20.9.2011	22.71	7,496,000	-	(80,000)	7,416,000
	16.5.2012	23.69	540,000	-	-	540,000
Total			8,036,000	-	(80,000)	7,956,000
Category 3: Others						
	20.9.2011	22.71	3,837,000	96,000	(60,000)	3,873,000
Total for all categories			14,641,000	-	(140,000)	14,501,000

Notes:

1. Mr. Zhou Jie resigned as a Director of the Company on 25 August 2016.
2. Dr. Lo Ka Shui resigned as a Director of the Company on 30 June 2016.

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)

(II) SIHL New Scheme

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

(III) SI Urban Development Scheme

The SI Urban Development Scheme was valid and effective for a period of 10 years commencing the date of its adoption and was expired on 11 December 2012 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 HK\$	Number of shares issuable under the share options granted		
			Outstanding at 1.1.2016	Cancelled during the period	Outstanding at 30.6.2016
<i>Category 1: Director of SI Urban Development, who is also Director of the Company</i>					
Zhou Jun	24.9.2010	2.98	7,000,000	-	7,000,000
<i>Category 2: Other Directors of SI Urban Development</i>					
	24.9.2010	2.98	23,000,000	(1,000,000)	22,000,000
<i>Category 3: Employees of SI Urban Development</i>					
	24.9.2010	2.98	12,750,000	-	12,750,000
Total for all categories			42,750,000	-	41,750,000

Other Information

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

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

(IV) SI Urban Development New Scheme

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

(V) SI Environment Scheme

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES OF THE COMPANY

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

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2016, 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	639,266,748 <i>(Note 1)</i>	58.87%

Notes:

- SIIC through its subsidiaries, namely Shanghai Investment Holdings Limited, SIIC Capital (B.V.I.) Limited, SIIC Trading Company Limited, Shanghai Industrial Financial (Holdings) Company, Limited, The Tien Chu Ve Tsin (Hong Kong) Company Limited, SIIC CM Development Funds Limited, South Pacific International Trading Limited, Billion More Investments Limited, South Pacific Hotel (Hong Kong) Limited, SIIC Treasury (B.V.I.) Limited and SIIC CM Development Limited held 519,409,748 shares, 80,000,000 shares, 15,593,000 shares, 13,685,000 shares, 3,200,000 shares, 3,005,000 shares, 1,479,000 shares, 1,219,000 shares, 937,000 shares, 729,000 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 2016.

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

Change in Directors' information since the date of the annual report 2015 up to the date of this report is set out below:

Mr. Zhou Jun

- appointed as the Vice Chairman and Chief Executive Officer of the Company on 25 August 2016.

EMPLOYEES AND REMUNERATION POLICIES

During the six months ended 30 June 2016, there was an increase in the number of employees at the end of 2015 from 14,097 to 15,396. 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 2016.

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 deviation from 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 at that time, was unable to attend the annual general meeting of the Company held on 26 May 2016 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

In February 2013, 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"). On 18 February 2016, certain bondholders exercised their redemption option and the Company redeemed and cancelled a principal amount of HK\$3,437,000,000 of the Convertible Bonds, representing approximately 88.13% of the initial principal amount of the bonds in accordance with the terms and conditions of the Convertible Bonds. Subsequently in June 2016, the Company repurchased further Convertible Bonds with a principal amount of HK\$108,000,000.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

GLOSSARY OF TERMS

Term used	Brief description
Companies Ordinance	Companies Ordinance (Chapter 622 of the laws of Hong Kong)
Company	Shanghai Industrial Holdings Limited (HKSE stock code: 363)
Director (s)	director (s) of the Company
Fudan Water	Shanghai Fudan Water Engineering and Technology Co., Ltd.
Galaxy Energy	SIIC Aerospace Galaxy Energy (Shanghai) Co., Ltd.
General Water of China	General Water of China Co., Ltd.
Green Carbon Fund	Urban Development Green Carbon (Tianjin) Equity Investment Fund (Limited Partnership)
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
Longcheng Properties	Shanghai Urban Development Group Longcheng Properties Co., Ltd.
Longjiang Environmental	Longjiang Environmental Protection Group Co., Ltd.
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules
Nanfang Water	Nanfang Water Co., Ltd.
Nanyang Tobacco	Nanyang Brothers Tobacco Company, Limited
Net Business Profit	Net profit excluding net corporate expenses
Power China Real Estate	Power China Real Estate Group Ltd.
PRC	The People's Republic of China
SFO	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
SGX	Singapore Stock Exchange
Shanghai Electric Power	Shanghai Electric Power Construction Co., Ltd.
Shanghai Galaxy	Shanghai Galaxy Investment Co., Ltd.

Glossary of Terms

Term used	Brief description
Shanghai Investment	Shanghai Investment Co., Ltd.
Shanghai Pharmaceuticals	Shanghai Pharmaceuticals Holding Co., Ltd. (SSE stock code: 601607; HKSE stock code: 2607)
Shanghai Urban Development	Shanghai Urban Development (Holdings) Co., Ltd.
SI Development	Shanghai Industrial Development Co., Ltd. (SSE stock code: 600748)
SI Environment	SIIC Environment Holdings Ltd. (SGX stock code: BHK)
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 Longchuang	Shanghai SIIC-Long Chuang Smarter Energy Technology Co., Ltd.
SIIC Shanghai	SIIC Shanghai 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