



上海實業控股有限公司

SHANGHAI INDUSTRIAL HOLDINGS LIMITED

(Stock Code : 363)

2017

INTERIM REPORT

HARVEST
HOPE
FUTURE

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Corporate Information

DIRECTORS

Executive Directors

Mr. Wang Wei (*Chairman*)
Mr. Zhou Jun
(*Vice Chairman & Chief Executive Officer*)
Mr. Xu Bo (*Deputy CEO*)
Mr. Xu Zhan

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. 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. Tang Ming

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. Tang Ming

COMPANY SECRETARY

Mr. Yee Foo Hei

QUALIFIED ACCOUNTANT

Mr. Lee Kim Fung, Edward

AUTHORISED REPRESENTATIVES

Mr. Zhou Jun
Mr. Yee Foo Hei

REGISTERED OFFICE

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COMPANY STOCK CODE

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

COMPANY WEBSITE

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AUDITOR

Deloitte Touche Tohmatsu

SHARE REGISTRAR

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Information for Shareholders

DIVIDEND NOTICE

Interim Dividend

The Board of Directors has resolved to pay an interim dividend of HK46 cents (2016: an interim dividend of HK36 cents and a special dividend of HK10 cents) per share for 2017 to shareholders whose names appear on the register of members of the Company on Tuesday, 19 September 2017. The interim dividend will be paid to shareholders on or about Wednesday, 4 October 2017.

Closure of Register of Members

For the purpose of determining shareholders' entitlement to the interim dividend, the register of members of the Company will be closed on Tuesday, 19 September 2017, 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, 18 September 2017.

FINANCIAL CALENDAR

2017 interim results announced	29 August 2017
Despatch of 2017 interim report	on or about 15 September 2017
Ex-dividend date for 2017 interim dividend	15 September 2017
Record date for 2017 interim dividend	19 September 2017
Despatch of notice of 2017 interim dividend	on or about 4 October 2017

Chairman's Statement

I am pleased to report to our shareholders the Group's interim results for the period ended 30 June 2017.

During the first half of 2017, a cycle of rising US interest rates began; the situation of economic recovery in European countries was uncertain; terrorist attacks proliferated globally and the geopolitical situations became increasingly complicated. Against this scenario, the Group continued to integrate its financing activities and business operations and effectively revitalized its assets under the leadership of the Board and the management. Capitalizing on market opportunities, the Group managed to increase its share capital and optimize its capital structure. While actively pursuing business development opportunities, the Group has further enhanced the operational efficiency and risk management of its subsidiaries. As a result, the Group achieved stable development for its core businesses and recorded satisfactory overall results, successfully accomplishing its strategic development targets established for the period.

For the six months ended 30 June 2017, the Group's total revenue amounted to HK\$12,141 million, representing a year-on-year increase of 31.6%. Net profit increased year-on-year by 5.4% to HK\$1,621 million. Given that SI Urban Development, a subsidiary of the Group, recorded additional gains arising from the completion of the disposal of a partial interest in the "U Center" project during the same period last year, the Group's profit would actually have increased 35.8% year-on-year when excluding this factor.

The Board of Directors has resolved to pay an interim dividend of HK46 cents (2016: an interim dividend of HK36 cents and a special dividend of HK10 cents) per share for 2017 to shareholders whose names appear on the register of members of the Company on Tuesday, 19 September 2017. The interim dividend will be paid to shareholders on or about Wednesday, 4 October 2017.

During the period, the Group's infrastructure facilities business recorded earnings of HK\$813 million, representing a year-on-year increase of 24.2%. Of this, the water and environmental protection business continued to develop rapidly and expanded the size of its operations in an orderly manner. SI Environment achieved a revenue and net profit of RMB1,995 million and RMB240 million for the first half year of 2017, representing a significant increase of 78.2% and 25.9% year-on-year respectively. During the same period, the revenue for General Water of China amounted to HK\$920 million, representing a decrease of 8.8% over the same period last year; net profit amounted to HK\$118 million, which is almost the same level as last year. The toll roads segment maintained steady growth overall in terms of revenue and traffic flow in the first half of 2017, providing a stable profit contribution to and strong cash flow for the Group.

The real estate business realized earnings for the period of HK\$362 million, representing a year-on-year increase of 2.6%. Given that SI Urban Development recorded additional gains arising from the completion of the disposal of a partial interest in the "U Center" project in the same period last year, the profit of the Group's real estate segment would actually have increased by HK\$354 million year-on-year when excluding this factor. The revenue for SI Urban Development amounted to HK\$4,222 million, representing an increase of 71.8% year-on-year; profits attributable to shareholders increased by 3.4% year-on-year to HK\$323 million. For the first half of 2017, the total revenue for SI Development amounted to RMB2,358 million, representing an increase of 6.0% over the same period last year; net profit amounted to RMB228 million, representing a year-on-year increase of 12.4%.

The consumer products business maintained steady overall growth despite the policy environment in the mainland and intense competitions. During the period, the segment continued to make steady contributions to the Group's earnings and cash flow. A revenue and net profit of HK\$1,955 million and HK\$545 million, representing a year-on-year increase of 5.3% and 9.3% respectively, were recorded.

Capitalizing on market opportunities to increase share capital

To continue its development strategy of expanding the water and environmental protection operations, the Company subscribed in January 2017 for 350,000,000 new shares in SI Environment at S\$0.63 per share. Immediately following the completion of the subscription, the Company held approximately 45.95% of the enlarged issued capital of SI Environment. The subscription was approved by the independent shareholders of SI Environment and completed in May.

In addition, in February 2017, the Company subscribed for 300,000,000 new shares in Canvest Environmental at HK\$3.50 per share with a total investment of HK\$1,050 million. Together with the 2.42% of Canvest Environmental's enlarged issued share capital already held by SI Environment, the Group held altogether approximately 15.28% of the enlarged issued share capital of Canvest Environmental immediately following the completion of the subscription. Canvest Environmental is a leading waste-to-energy enterprise. The increase in shareholding represents a significant move for the Group's infrastructure sector in the adjustment of its investment strategy in solid waste projects.

Expanding water businesses while securing growth for toll roads segment

For water services, the Group's Singapore-listed subsidiary, SI Environment saw rapid development in business and continued expansion of assets in recent years. The company's newly acquired enterprises and BOT projects are making profit contributions to the Group while its asset quality and overall profitability continued to improve, further reinforcing the position of SI Environment as one of the top environmental protection enterprises in the PRC. The daily water treatment capacity of SI Environment exceeded 10,000,000 tonnes; together with General Water of China, the daily water treatment capacity of the water enterprises under the Group reached 16,690,000 tonnes. The Company further acquired 3.75% shareholding interests in Longjiang Environmental from an independent third party for a consideration of RMB96 million, bringing the Group's shareholding interests in Longjiang Environmental to 98.75%. Longjiang Environmental is a leading company in the water services industry in Heilongjiang.

In the first half of 2017, the four high-quality toll roads under the Group (including the 23.0584% interest in the Hangzhou Bay Bridge project acquired from the parent company last year) recorded steady growth in traffic flow and revenue, benefitting from efficient management, smooth traffic, continuous growth in motor vehicle parc, normal weather conditions and overall stable traffic flow during holidays.

Through Shanghai Galaxy and its subsidiary, Galaxy Energy, the Group owns eleven photovoltaic power generation projects nationwide with a total asset scale reaching 560MW, an increase of 50MW from the same period last year, making them amongst the top-ranking photovoltaic enterprises in the PRC. During the period, the total amount of on-grid electricity sold was approximately 352.3 million kWh, representing an increase of 24.7% over the same period last year.

Increasing real estate marketing efforts and upgrading business structure

In the first half of 2017, SI Development's principal businesses achieved major breakthroughs in sales, resulting from continued upgrading and improvement of its business structure and business development efforts. A cash dividend of RMB0.38 (tax inclusive) for every 10 shares held by shareholders and totaling RMB70.09 million was approved at the company's annual general meeting held in May. In June, SI Development won the bid for the purchase of the land use right for a land lot located in Mudu Town, Wuzhong District, Suzhou at a price consideration of RMB2,196.60 million. The parcel of land with a site area of 40,816.9 square meters and a plot ratio of 2.2 is for residential use.

SI Urban Development continued to adhere to the strategy of strengthening its operations in the Yangtze River Delta and developed cities and stepping up marketing efforts in Shanghai, its core strategic city. Contract sales amounted to RMB4,640 million, reaching 50% of its annual sales target. In August this year, SI Urban Development won the bid for the land use right of a land lot in Minhang District of Shanghai for a price consideration of RMB2,220 million. With a site area of 34,000 square metres, the land parcel can be developed into a total gross floor area of approximately 118,000 square meters for commercial and office use.

Optimising market and product structure with steady business development for consumer products businesses

Despite a declining PRC market and within a smoking control environment, Nanyang Tobacco recorded an increase in gross profit margin and profit growth during the first half of the year. The growth has been attributable to stricter cost control, expanding sales network, increasing product mix and enhancing product quality.

During the period, Wing Fat Printing achieved a significant increase in net profit of 172.3% year-on-year due to profit contributions from the new moulded fiber business and the stabilizing trend of the traditional printing and packaging business.

PROSPECTS

In the second half of 2017, the economic environment is expected to be still in a severe condition. Accordingly, the Group is planning to follow its strategic targets established for the year, continue to capitalize on financing activities for its business operations, optimise business structures and further enhance risk management to improve operational efficiency.

As for infrastructure facilities, the water services business will continue to expand its size of investment in an orderly way and to further enhance its corporate management models, optimizing and integrating its management team to facilitate future developments. For toll roads, while maintaining operating efficiency, we will continue to pursue steady profit growth. For new business arenas, the Group will continue to invest in clean energy business such as photovoltaic power generation to create a new driving force for the Group's profit growth.

For the real estate segment, our subsidiaries will accelerate the development of their projects and enhance marketing activities while controlling overall risks. Our interests in existing projects will be revived when opportunities arise so as to release the actual value of such projects. We will enhance the debt and capital structure and seek appropriate investment opportunities.

Nanyang Tobacco will continue to make considerable efforts to expand its overseas markets, launch new products with high gross profit margins, control cost and stabilize its sales and profitability base. Wing Fat Printing will continue to pursue business transformation and technological innovation. Profit contributions from its moulded fiber business not only effectively offset the downward trend of its traditional business, but will lead to a steady increase in the company's operating results.

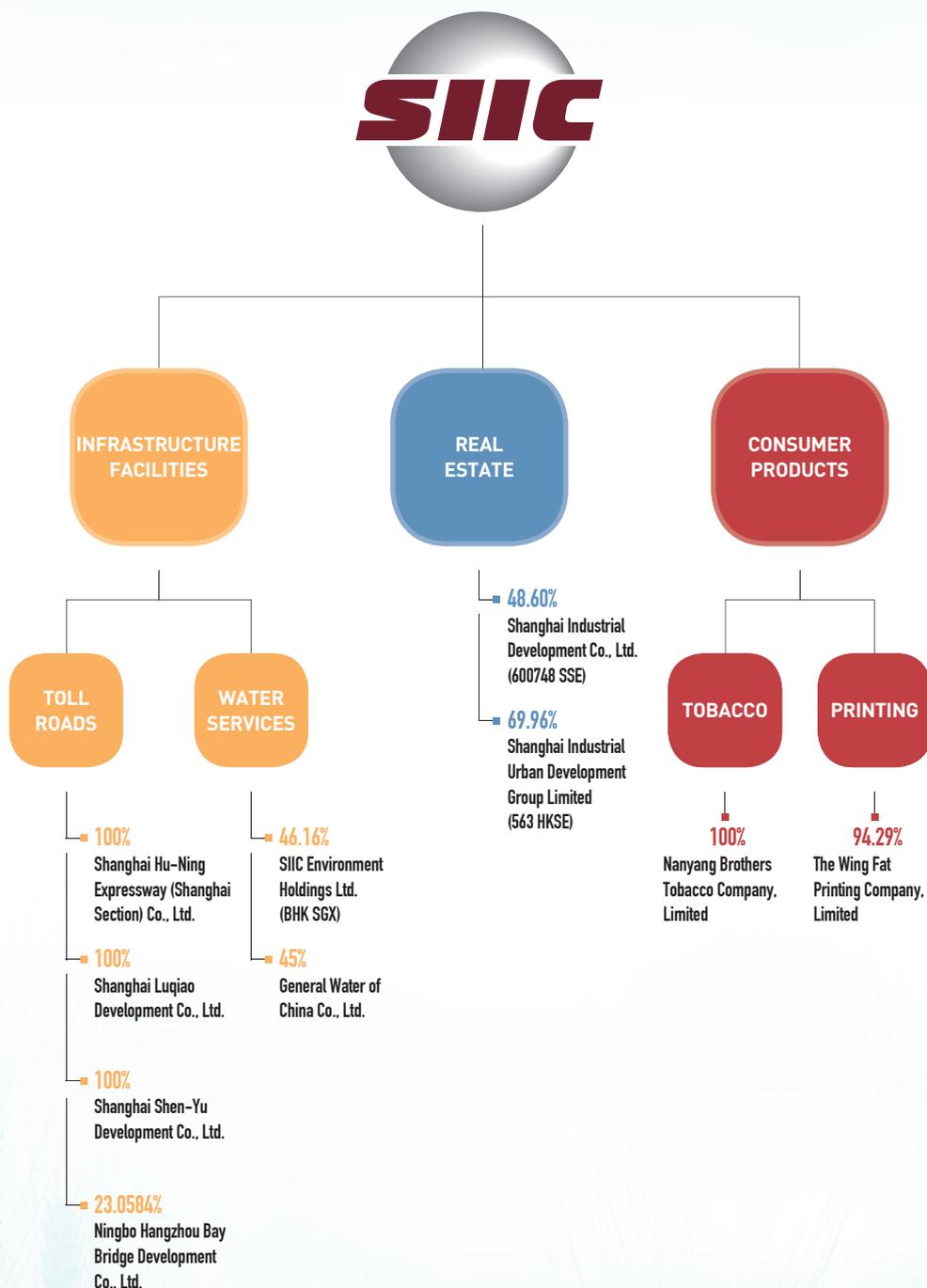
Finally, on behalf of the Board of Directors, I wish to thank our shareholders and business partners for their continued patronage and support to the Group, and extend my sincere gratitude to our management team and staff members for their dedication and contributions in the development of our business.

Wang Wei
Chairman

Hong Kong, 29 August 2017

Group Business Structure

As at 29 August 2017

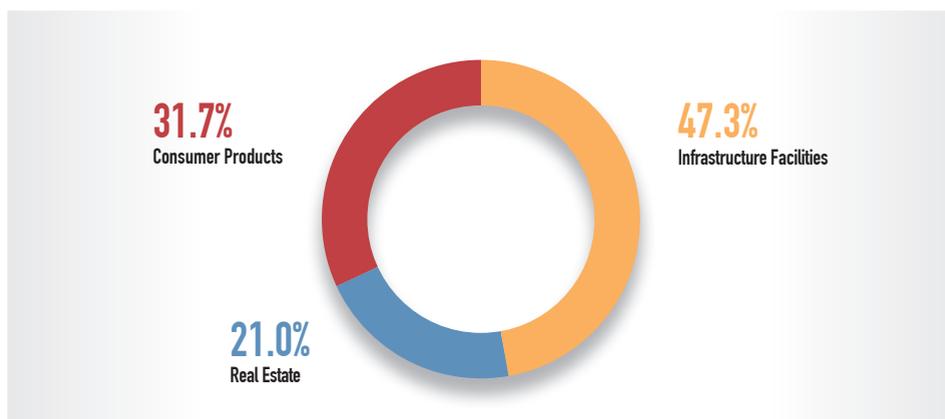


Business Review, Discussion and Analysis

For the six months ended 30 June 2017, the Group recorded an unaudited turnover of HK\$12,141 million, representing a year-on-year increase of 31.6%. Profits attributable to shareholders were HK\$1,621 million, representing an increase of 5.4% over the same period last year. The Group's subsidiary, SI Urban Development, has recorded additional gains arising from the disposal of a partial interest in the "U Center" project in Shanghai last year. Excluding this factor, the Group's profits would have actually increased 35.8% year-on-year.

During the period, the Group's core businesses continued to develop on a healthy basis. In addition, the Group has further realized its strategic goals of expanding its infrastructure business, improving the quality of its real estate business, stabilizing its consumer business and broadening the scope of its new business arenas. This has been achieved through adjusting its asset portfolio, revitalizing its assets and streamlining its resources allocations.

PROFIT CONTRIBUTION FROM THE GROUP'S PRINCIPAL BUSINESSES



INFRASTRUCTURE FACILITIES

During the period, the infrastructure facilities business recorded a profit of HK\$813 million, representing an increase of 24.2% over the same period last year and accounting for 47.3% of the Group's Net Business Profit. The water and environmental protection business grew rapidly, resulting in the expansion of the scale of its business. The toll roads business remained stable and, with additional profit contributions from newly acquired assets, the segment has continued to provide stable profits to the Group and contribute to its cash flow position.

Toll roads

For the first half of the year, the four toll roads under the Group (including the 23.0584% interest in the Hangzhou Bay Bridge project acquired from the parent company last year) recorded healthy growth in toll revenue and traffic flow. Through measures taken to prevent traffic congestions and ensure smooth traffic flow, the road and traffic conditions remained smooth and stable. Overall traffic was in order during holidays. In the second

Business Review, Discussion and Analysis

half of the year, focus will be made to prevent traffic congestions and ensure smooth road operations especially at road junctions during the Mid-Autumn Festival, the National Day, the crab-tasting season as well as regular peak hours. Efforts will also be made to ensure road safety operations during flood seasons, typhoons, ice, snow and other hazardous weather conditions.

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

Toll roads	Interest attributable to the Group	Net profit from project company	Change	Toll revenue	Change	Traffic flow (vehicle journey)	Change
Jing-Hu Expressway (Shanghai Section)	100%	HK\$190 million	+23.5%	HK\$338 million	-0.1%	27.70 million	+8.6%
Hu-Kun Expressway (Shanghai Section)	100%	HK\$262 million	+14.6%	HK\$509 million	+2.7%	28.02 million	+6.7%
Hu-Yu Expressway (Shanghai Section)	100%	HK\$107 million	+19.9%	HK\$287 million	+9.8%	21.04 million	+0.1%
Hangzhou Bay Bridge	23.0584%	HK\$47 million	+35.3%	HK\$825 million	+8.0%	6.37 million	+12.7%
Total		HK\$606 million	+19.6%	HK\$1,959 million	+5.4%	83.13 million	+6.0%

The traffic flow of Jing-Hu Expressway (Shanghai Section) recorded rapid growth, benefitting from continuous increases in motor vehicle parc. During the period, a road safety competition under the theme "Safety 360" was organized by the project company, Hu-Ning Expressway, to promote safety management standards and employees' safety awareness. In addition, efforts were made to strengthen emergency management, refine the information communication process, upgrade data analysis and modify monitoring facilities. In May, Hu-Ning Expressway acquired approximately 11.27% shareholdings in Wufangzhai held by Shanghai Galaxy (a 50/50 joint venture between Hu-Ning Expressway and the parent company) for a total consideration of RMB162,764,700. The transaction was completed in the first half of the year. Hu-Ning Expressway now owns approximately 23.97% direct interest in Wufangzhai which has been accounted for in the Group's accounts by way of equity accounting. The increased shareholdings are expected to contribute higher profits to Hu-Ning Expressway.

During the period, Hu-Kun Expressway (Shanghai Section) maintained stable growth in toll revenue and traffic flow as a result of normal weather conditions, stable increases in tourists and small passenger car travel during holidays and measures implemented to prevent traffic congestions, as well as close monitoring of green agricultural vehicle passages. The road operation was also generally smooth without long and extended congestions due to effective routine measures taken to prevent traffic congestions and ensure smooth traffic flows based on past experience. These included enhancing work plans, strengthening the on-site management of electronic toll collection (ETC) lanes and improving information connection and communication systems. During the period, as part of the "Month of Safety" campaign, activities were conducted to check and control safety risks and to identify the source of danger. As a result, the overall work was stable and manageable.

While the resumption of toll collection by the Jiasong toll station of the Hu-Yu Expressway (Shanghai Section) in the beginning of the year affected traffic flow of the section to some extent, toll revenue recorded stronger growth due to the resumption and continuous growth in motor vehicle parc as well as increases in travelling. Continued toll competitions also further enhanced smooth traffic operation. Traffic operations at the toll station in the urban area of Qingpu during peak hours increased 7.7% over the same period last year. To ensure smooth traffic flow, the Ministry of Transport has been conducting intensive monitoring exercise of the national trunk highway networks each year, comprising bridges, tunnels and roads. The Lanlu Port Bridge of the Hu-Yu Expressway (Shanghai Section) represents the only bridge project under monitoring in Shanghai this year. The project company was highly commended for the examination through its detailed and comprehensive preparation work for the monitoring exercise and the great efforts it has put into the daily operation. The construction of the new Jiudu Road toll station and the alteration of the Huting North Road were basically completed, and preparation for their opening was actively underway. During the period, Hu-Yu Expressway (Shanghai Section) was the first pilot expressway in Shanghai for toll payments using mobile phones. Currently, payment devices were installed at the Xujing toll station and toll station in the urban area of Qingpu. Related training and testing have been actively conducted.

The Group completed the acquisition of 23.0584% interest in Hangzhou Bay Bridge project at the end of last year. In line with the Group's development strategy for toll roads business, the acquisition has reinforced the asset portfolio of its infrastructure facilities business and is expected to further increase the operating profits of the segment. The traffic flow and toll revenue of the Hangzhou Bay Bridge recorded satisfactory growth during the first half of 2017, benefitting from the resumption of original toll levels and implementation of the favourable policy in Zhejiang province for ETC vehicles to pay toll according to actual routes, as well as higher holiday traffic and lesser impact from bad weather conditions such as fog and snow.

Water services

The Group has been expanding its water services business with the development of sewage treatment and solid waste projects in recent years. Strategies to increase its investment in water business will be continued this year to increase its water treatment capacity.

In January 2017, the Company entered into a subscription agreement with SI Environment for the subscription of 350,000,000 new ordinary shares in SI Environment at a placement price of S\$0.63 per share. The subscription was approved by the independent shareholders of SI Environment and the share placement was completed in May. Immediately following the completion of the transaction, the Company held approximately 45.95% of the enlarged issued capital of SI Environment, which remains a subsidiary of the Company. The subscription of the shares and the increase in shareholdings in SI Environment are considered to be in line with the Group's development strategy of expanding its infrastructure facilities business.

In addition, the Company, through its wholly-owned subsidiary, and Canvest Environmental, a company listed in Hong Kong, entered into an agreement in February 2017, pursuant to which it would subscribe for 300,000,000 new ordinary shares of Canvest Environmental at HK\$3.50 per share. The total investment sum is HK\$1,050 million and the transaction was completed. Considering that SI Environment already held 2.42% of Canvest Environmental's enlarged issued share capital, the Group held 15.28% of the company's enlarged issued share capital immediately following the completion of the transaction, and has nominated a non-executive director in Canvest Environmental. Both parties will work together for the strategic development of the waste-to-energy businesses.

In February of the same year, a wholly-owned subsidiary of the Company, acquired from an independent third party the entire interests in a company which held 3.75% shareholding interest in Longjiang Environmental for a consideration of RMB96 million, for further acquisition of such indirect shareholding interest in Longjiang Environmental. Together with the 95% shareholding interests in Longjiang Environmental already held by the Group, the shareholding has been increased to 98.75%. This enlarged shareholdings will enable the Group to further benefit from the positive earnings contribution brought by Longjiang Environmental. The transaction is in line with the Group's development strategy for investing its water services business in the northeastern region of the PRC, especially in the Heilongjiang province.

SI Environment

For the first half of 2017, SI Environment recorded a revenue of RMB1,995 million, representing a year-on-year growth of 78.2%. The increase in revenue was mainly attributable to newly constructed BOT projects which resulted in the increase of urban EPC revenue and the revenue contributions from newly acquired enterprises. Profit for the period increased by 25.9% year-on-year to RMB240 million, mainly due to profit contributions from newly constructed BOT projects and from newly acquired enterprises. Currently, the total daily water treatment capacity of the water services projects of SI Environment exceeds 10,000,000 tonnes.

In January, Longjiang Environmental acquired in cash a 100% equity interest of CITIC Envirotech Water Resource (Hegang) Co., Ltd. for RMB111.87 million. The company operates two sewage treatment plants and one water recycling project in Hegang City, Heilongjiang, PRC with a total designed daily capacity of 110,000 tonnes. Longjiang Environment will continue to acquire projects with growth potential when opportunities arise to expand the scale of its business.

In June, SI Environment signed a PPP Project Contract for Sewage Treatment Plant in Eastern Pinghu City, to participate in the construction, operation and management of sewage treatment facilities in Pinghu, Zhejiang and the provision of high quality and efficient operation and management services relating to the sewage treatment of the city. The contract items include, in particular, the upgrading and alteration of the original sewage treatment plant and expansion of the functional area of urban sewage water treatment, etc.

Subsequent to the half year end, SI Environment announced in August that its 92.15% subsidiary, Shanghai Fudan Water Engineering and Technology Co., Ltd., has been awarded a BOT sewage treatment Phase 3 project by the Housing and Urban Development Bureau in Yuyao, PRC, with a designed daily capacity of 75,000 tonnes for a concessionary period of 25 years. Water quality was Grade 1A standard.

Going forward, SI Environment will continue to expand its financing channels, expand the scale of its business through organic growth and external mergers and acquisitions as well as to optimize its internal management and control systems and enhance the company's brand and recognition.

General Water of China

The overall working principles for General Water of China in 2017 are to: sustain healthy development and to strengthen existing regional markets and deepen linkage and radiating effects in these areas. The company will also actively develop new domestic and foreign markets; further optimize its capital, profit and management structures. In addition, considerable efforts will be made to standardise management practices, promote quality and efficiency and accelerate the promotion and application of new technology. The company is committed to building up an excellent enterprise technology brand and to fully enhance its core competitiveness.

During the period, General Water of China continued to strengthen its regional markets and expand its existing regional linkage. In addition, arrangements were made to promote quality and efficiency throughout the whole system. Net profit for the period was HK\$118 million, which is almost the same level as the same period last year, and revenue was HK\$920 million, representing a year-on-year decrease of 8.8%. In March, General Water of China was awarded one of the Top 10 Most Influential Enterprises in China's Water Industry for the 14th consecutive year, ranking the fifth.

Details of the water development projects under the Group as at 30 June 2017 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	Auhui Sewage treatment plant project in Chemical Industrial Park, Hefei	Sewage treatment	30,000	60%	The project is in operation.
2	Auhui Sewage treatment engineering project in Xiatang Industrial Park, Hefei	Sewage treatment	20,000	60%	The project is under construction.
3	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.
4	Guangdong Sewage treatment plant BOT project in Dalang, Dongguan	Sewage treatment	100,000	75.5%	The project is in operation.
5	Guangdong Sewage treatment plant BOT project in Shayao, Shijie, Dongguan	Sewage treatment	60,000	75.5%	The project is in operation.

Business Review, Discussion and Analysis

	Province	Projects of SI Environment (continued)	Project type	Daily production capacity (tonnes)	Interest attributable to SI Environment	Project progress
6	Guangdong	Sewage treatment plant in Yantian, Fenggang, Dongguan	Sewage treatment	50,000	75.5%	The project is in operation.
7	Guangdong	Phase I and phase II of sewage treatment BOT project in Sanzhou, Changan, Dongguan	Sewage treatment	150,000	35.478%	The project is in operation.
8	Guangdong	Phase I, phase II and phase III of sewage 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.
9	Guangdong	Sewage treatment projects in Longgang, Shenzhen	Sewage treatment	280,000	91.203%	The project is in operation.
10	Guangdong	Water recycling plant project in Henggang, Shenzhen	Reclaimed water treatment	50,000	91.203%	The project is in operation.
11	Guangdong	Sewage treatment plant project in Banxuegang, Shenzhen	Sewage treatment	40,000	91.203%	The project is in operation.
12	Guangdong	Sewage treatment plant project in Guanlan, Shenzhen	Sewage treatment	260,000	54.722%	The project is in operation.
13	Guangdong	Sewage treatment emergency operation entrustment project in Guanlan River, Shenzhen	Sewage treatment	400,000	54.722%	The project is in operation.
14	Guangdong	Sewage treatment plant TOT project in Wuchuan, Zhanjiang	Sewage treatment	40,000	91.203%	The project is in operation.
15	Guangxi	City sewage treatment plant BOT project in Beiliu	Sewage treatment	40,000	75.5%	The project is in operation.
16	Heilongjiang	Sewage treatment plant TOT project in Anda	Sewage treatment	45,000	57.7109%	The project is in operation.
17	Heilongjiang	Sewage treatment plant TOT project in Baoging	Sewage treatment	20,000	57.9687%	The project is in operation.
18	Heilongjiang	City sewage treatment plant no. 2 project in Fujin	Sewage treatment	10,000	57.9687%	The project is under construction.
19	Heilongjiang	Sewage treatment plant BOT project in Fujin	Sewage treatment	15,000	57.1307%	The project is in operation.
20	Heilongjiang	Phase I of sewage treatment plant TOT project in Acheng, Haerbin	Sewage treatment	50,000	57.9687%	The project is in operation.
21	Heilongjiang	Phase II of sewage treatment plant BOT project in Acheng, Haerbin	Sewage treatment	50,000	57.9687%	The project is under construction.
22	Heilongjiang	Sewage treatment operation entrustment project in Hulan, Haerbin	Sewage treatment	20,000	57.9687%	The project is in operation.
23	Heilongjiang	Sewage treatment plant BOT project in Pingfang, Haerbin	Sewage treatment	150,000	57.3241%	The project is in operation.
24	Heilongjiang	Sewage treatment plant BOT project in Taiping, Haerbin	Sewage treatment	325,000	57.9687%	The project is in operation.
25	Heilongjiang	Sewage treatment plant TOT project in Wenchan, Haerbin	Sewage treatment	325,000	57.9687%	The project is in operation.
26	Heilongjiang	Upgrading BOT project in Wenchang, Haerbin	Sewage treatment	650,000	57.9687%	The project is in operation.
27	Heilongjiang	Sewage treatment plant BOT project in Xinyi, Haerbin	Sewage treatment	100,000	57.3241%	The project is in operation.
28	Heilongjiang	Sewage treatment plant BOT project in Heihe	Sewage treatment	25,000	57.5819%	The project is in operation.

	Province	Projects of SI Environment (continued)	Project type	Daily production capacity (tonnes)	Interest attributable to SI Environment	Project progress
29	Heilongjiang	Sewage treatment plant BOT project in Jixi	Sewage treatment	50,000	57.9687%	The project is in operation.
30	Heilongjiang	Phase II of sewage treatment plant BOT project in Jixi	Sewage treatment	50,000	57.9687%	The project is under construction.
31	Heilongjiang	Sewage treatment plant BOT project in eastern Jiamusi	Sewage treatment	60,000	56.3572%	The project is in operation.
32	Heilongjiang	Phase II of sewage treatment plant BOT project in eastern Jiamusi	Sewage treatment	40,000	56.3572%	The project is under construction.
33	Heilongjiang	Sewage treatment plant BOT project in western Jiamusi	Sewage treatment	50,000	56.3572%	The project is in operation.
34	Heilongjiang	Sewage treatment plant TOT project in Mudanjiang	Sewage treatment	100,000	57.9687%	The project is in operation.
35	Heilongjiang	Phase II of sewage treatment plant BOT project in Mudanjiang	Sewage treatment	100,000	57.9687%	The project is in operation.
36	Heilongjiang	Sewage treatment plant BOT project in Ningan	Sewage treatment	20,000	57.5389%	The project is in operation.
37	Heilongjiang	Sewage treatment plant TOT project in Shangzhi	Sewage treatment	40,000	57.9687%	The project is in operation.
38	Heilongjiang	Sewage treatment plant TOT project in Shuangyashan	Sewage treatment	50,000	57.9687%	<ul style="list-style-type: none"> Phase I of the Shuangyashan project is in operation. The phase I upgrading project is under construction.
39	Heilongjiang	Phase II of sewage treatment plant BOT project in Shuangyashan	Sewage treatment	50,000	57.9687%	The project is in operation.
40	Heilongjiang	Sewage treatment operation entrustment project in Youyi, Shuangyashan	Sewage treatment	10,000	57.9687%	The project is in operation.
41	Heilongjiang	Consolidated BOT project in Shaodong	Sewage treatment	50,000	57.1307%	<ul style="list-style-type: none"> Shaodong sewage treatment plant is in operation. The upgrading project is under construction.
42	Heilongjiang	Sewage treatment plant no. 2 in Shaodong	Sewage treatment	20,000	57.1307%	The project is under construction.
43	Heilongjiang	Water recycling consolidated project in Jiamusi	Reclaimed water treatment	40,000	56.3572%	The project is yet to commence construction.
44	Heilongjiang	Phase II of sewage treatment plant in western Jiamusi	Sewage treatment	50,000	56.3572%	The project is yet to commence operation.
45	Heilongjiang	Sewage treatment plant in western Hegang	Sewage treatment	50,000	57.9687%	The project is in operation.
46	Heilongjiang	Sewage treatment plant in eastern Hegang	Sewage treatment	30,000	57.9687%	The project is in operation.
47	Heilongjiang	Water recycling plant in Hegang	Reclaimed water treatment	30,000	57.9687%	The project is in operation.
48	Heilongjiang	Sewage treatment plant upgrading and alteration project in eastern Jiamusi	Sewage treatment	100,000	56.3572%	The project is under construction.
49	Heilongjiang	Sewage treatment plant in Fuyuan	Sewage treatment	10,000	57.9687%	The project is yet to commence operation.
50	Heilongjiang	Water recycling consolidated project in Shuangyashan	Reclaimed water treatment	40,000	29.5640%	The project is yet to commence construction.
51	Henan	Sewage treatment plant BOT project in Dongcheng, Luohe	Sewage treatment	20,000	75.5%	The project is in operation.

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Province	Projects of SI Environment (continued)	Project type	Daily production capacity (tonnes)	Interest attributable to SI Environment	Project progress
52 Henan	Sewage treatment project in southern Baihe, Nanyang	Sewage treatment	100,000	69.113%	The project is in operation.
53 Henan	Sewage treatment project in Xiaodian, Xinxiang	Sewage treatment	50,000	60%	The project is in operation.
54 Hubei	Sewage treatment project in Cihu, Huangshi	Sewage treatment	125,000	100%	The project is in operation.
55 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. The phase I upgrading project and phase II of the project are under construction.
56 Hubei	Sewage treatment project in Qianchuan, Wuhan	Sewage treatment	30,000	100%	The project is in operation.
57 Hubei	Sewage treatment project in Panlong, Wuhan	Sewage treatment	45,000	100%	Phase I and Phase II of the project are in operation.
58 Hubei	Sewage treatment project in the Wuhan New Town	Sewage treatment	60,000	100%	The project is in operation.
59 Hubei	Sewage treatment plant project in Wuhu, Wuhan	Sewage treatment	25,000	100%	The project is under construction.
60 Hubei	Sewage treatment plant project in southern Suizhou	Sewage treatment	50,000	92.15%	The project is under construction.
61 Hunan	Sewage treatment BOT project in Linwu, Chenzhou	Sewage treatment	10,000	18.241%	The project is in operation.
62 Hunan	Sewage treatment project in Chenzhou	Sewage treatment	120,000	91.203%	The project is in operation.
63 Hunan	Sewage treatment plant BOT project in Taohuajiang, Taojiang	Sewage treatment	20,000	75.5%	The project is in operation.
64 Hunan	Sewage treatment plant BOT project in the new zone of eastern Gaoxin, Yiyang	Sewage treatment	30,000	75.5%	The project is in operation.
65 Hunan	Sewage treatment plant BOT project in northern Yiyang	Sewage treatment	80,000	75.5%	<ul style="list-style-type: none"> Phase I of the project is in operation. Phase II of the project is under construction.
66 Inner Mongolia	Sewage treatment BOT project in Dazhuangyuan Roulian Plant, Xilinhot	Sewage treatment	3,500	57.9687%	The project is under construction.
67 Inner Mongolia	Sewage treatment plant BOT project in Xilinhot	Sewage treatment	40,000	57.9687%	The project is under construction.
68 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.
69 Jiangsu	Sewage treatment plant project in southern Shuyang	Sewage treatment	60,000	91.203%	The project is in operation.
70 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.
71 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.
72 Jiangxi	Sewage treatment project in Chongren Industrial Park, Fuzhou	Sewage treatment	10,000	60%	The project is under construction.
73 Jiangxi	Sewage treatment plant project in Yihuang Industrial Park, Fuzhou	Sewage treatment	5,000	60%	The project is in operation.
74 Jiangxi	Sewage treatment plant project in Yongxin Industrial and Development Zone, Ji'an	Sewage treatment	10,000	60%	The project is under construction.

	Province	Projects of SI Environment (continued)	Project type	Daily production capacity (tonnes)	Interest attributable to SI Environment	Project progress
75	Jiangxi	Phase I and phase II of sewage treatment plant project in Xiaolan Economic and Development Zone, Nanchang	Sewage treatment	80,000	60%	The project is in operation.
76	Jiangxi	Sewage treatment plant project in Wanzai Industrial Park, Yichun	Sewage treatment	5,000	60%	The project is in operation.
77	Liaoning	Sewage treatment plant in new zone of Puwan, Dalian	Sewage treatment	40,000	92.65%	<ul style="list-style-type: none"> • 20,000 tonnes of the project are in operation. • The remaining 20,000 tonnes are yet to commence construction.
78	Liaoning	Sewage treatment plant BOT project in Dalian Bay, Dalian	Sewage treatment	40,000	75.5%	The project is under construction.
79	Liaoning	Sewage treatment plant BOT project in Quanshui River, Dalian	Sewage treatment	105,000	75.5%	The project is yet to commence construction.
80	Liaoning	Sewage treatment plant in Coal Chemical Industrial Base, Fuxin	Sewage treatment	20,000	60%	The project is under construction.
81	Liaoning	Sewage treatment project in northern Economic and Technological Development Zone of Yingkou	Sewage treatment	30,000	60%	The project is under construction.
82	Ningxia Hu 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 under construction.
83	Ningxia Hu Autonomous Region	Sewage treatment plant BOT project in Binhe New Zone, Yinchuan	Sewage treatment	50,000	100%	The project is under construction.
84	Ningxia Hu 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.
85	Shandong	Sewage treatment plant TOT project in Dezhou	Sewage treatment	100,000	75.5%	The project is in operation.
86	Shandong	Sewage treatment plant BOT project in western Weifang	Sewage treatment	40,000	75.5%	The project is in operation.
87	Shandong	Sewage treatment plant BOT project in Weifang High Technology Industrial Development Zone	Sewage treatment	50,000	75.5%	The project is in operation.
88	Shandong	Sewage treatment plant reclaimed water treatment project in Weifang	Reclaimed water treatment	38,500	75.5%	The project is in operation.
89	Shandong	Sewage treatment plant project in Weifang	Sewage treatment	200,000	75.5%	The project is in operation.
90	Shandong	Sewage treatment plant franchise project in Shanting, Zaozhuang	Sewage treatment	20,000	75.5%	The project is in operation.
91	Shandong	Sewage treatment plant TOT + BOT project in Yicheng, Zaozhuang	Sewage treatment	40,000	75.5%	The project is in operation.
92	Shanghai	Sewage treatment plant no. 2 project in Qingpu, Shanghai	Sewage treatment	180,000	100%	<ul style="list-style-type: none"> • 120,000 tonnes of the project are in operation. • The remaining 60,000 tonnes are under construction.

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Province	Projects of SI Environment (continued)	Project type	Daily production capacity (tonnes)	Interest attributable to SI Environment	Project progress	
93	Shanghai	Phase I and phase II of sewage treatment BOT project in western Fengxian, Shanghai	Sewage treatment	200,000	73.72%	<ul style="list-style-type: none"> 150,000 tonnes of the project are in operation. The remaining 50,000 tonnes are under construction.
94	Zhejiang	Sewage treatment project in Dugiao 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.
95	Zhejiang	Sewage treatment plant BOT project in Xiaocaoe, Yuyao	Sewage treatment	150,000	69.113%	The project is in operation.
96	Zhejiang	Sewage pretreatment plant BOT project in Zhacai, Yuyao	Sewage treatment	3,000	69.113%	The project is in operation.
97	Zhejiang	Sewage treatment plant BOT project in Binhai, Huangjiabu, Ningbo	Sewage treatment	30,000	64.505%	The project is in operation.
98	Zhejiang	Water treatment plant project in the new zone of Hangzhou Bay, Cixi	Sewage treatment	90,000	64.505%	The project is in operation.
99	Zhejiang	Sewage treatment plant project in northern Cixi	Sewage treatment	100,000	59.898%	The project is in operation.

Total **8,178,000**

Province	Projects of SI Environment	Project type	Daily production capacity (tonnes)	Interest attributable to SI Environment	Project progress	
Water supply projects						
1	Heilongjiang	Water supply plant TOT project in Mudanjiang	Water supply	360,000	57.9623%	The project is in operation.
2	Heilongjiang	Water supply plant TOT project in Jiamusi	Water supply	360,000	57.9623%	The project is in operation.
3	Hubei	Water supply project in Tianmen	Water supply	200,000	100%	The project is in operation.
4	Hubei	Water supply project in Xinnong, Tianmen	Water supply	Not applicable	70%	The project is in operation.
5	Hubei	Water supply project in Huangpi, Wuhan	Water supply	220,000	100%	The project is in operation.
6	Hunan	Water supply project in Yiyang	Water supply	320,000	90%	The project is in operation.
7	Shandong	Water supply project in Hanting, Weifang	Water supply	60,000	26.183%	The project is in operation.
8	Shandong	Water supply project in Weifang	Water supply	320,000	51.34%	The project is in operation.
9	Shanxi	Water supply project in Lvliang	Water supply	55,000	100%	The project is in operation.

Total **1,895,000**

Total for water projects **10,073,000**

Province	Projects of SI Environment	Project type	Daily production capacity (tonnes)	Interest attributable to SI Environment	Project progress	
Waste incineration projects						
1	Shanghai	Waste incineration thermal power generation project in Pucheng	Waste incineration	1,050	50%	The project is in operation.
2	Shandong	Waste incineration power generation franchise BOT project in Wulian	Waste incineration	600	82.94%	The project is under construction.
3	Sichuan	Waste incineration thermal power generation project in Dazhou	Waste incineration	1,050	100%	<ul style="list-style-type: none"> • 700 tonnes/day of phase I of the project is in operation. • 350 tonnes/day of phase II of the project is yet to commence construction.
4	Zhejiang	Waste incineration thermal power generation project in Wenling	Waste incineration	1,100	50%	The project is in operation.
Total			3,800			

Province	Projects of SI Environment	Project type	Daily production capacity (tonnes)	Interest attributable to SI Environment	Project progress	
Sludge treatment projects						
1	Heilongjiang	Phase I and phase II of the sludge treatment project in Haerbin	Sludge treatment	1,000	57.9687%	<ul style="list-style-type: none"> • Phase I of the project is in operation. • Phase II of the project is under construction.
2	Heilongjiang	Sludge treatment project in Hehe	Sludge treatment	40	57.5819%	The project is under construction.
3	Heilongjiang	Sludge treatment project in Jiamusi	Sludge treatment	100	56.3572%	The project is under construction.
4	Heilongjiang	Sludge treatment project in Mudanjiang	Sludge treatment	150	57.9687%	The project is under construction.
5	Heilongjiang	Sludge treatment project in Ningan	Sludge treatment	40	57.5389%	The project is under construction.
6	Henan	Sludge treatment project in Xinxiang	Sludge treatment	300	69.113%	The project is in operation.
7	Henan	Sludge treatment project in Nanyang	Sludge treatment	300	69.113%	The project is under construction.
8	Hubei	Sludge treatment project in Hanxi	Sludge treatment	325	80%	The project is under construction.
Total			2,255			

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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	1,117,000	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 under construction.
9	Zhejiang	Sewage treatment project upgrading works entrustment project in the new zone of eastern Huzhou	Sewage treatment	50,000	Not applicable	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			2,352,000			
Water supply/water generation projects						
1	Auhui	Water supply project in Bengbu	Water supply	705,000	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 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	Zhejiang	Project on reservoir and water induction works in Tiger Lake, Huzhou	Water supply	200,000	100%	The project is in operation.
8	Zhejiang	GWC sewage treatment (water supply plant) project in Huzhou	Water supply	12,000	100%	The project is in operation.
Total			4,265,000			
Total for water projects			6,617,000			

New Business Arena

As at the first half of 2017, Shanghai Galaxy and its 85% owned subsidiary, Galaxy Energy, operated 11 photovoltaic power generation projects in the PRC, with total photovoltaic assets capacity reaching 560MW, representing an increase of 50MW from the same period last year. The companies currently rank amongst the top photovoltaic enterprises in the PRC. During the period, the total amount of on-grid electricity sold was approximately 352.3 million kWh, representing an increase of 24.7% over the same period last year. The photovoltaic business increased rapidly. While the project companies continued to pursue potential quality assets, efforts were also made to strengthen the management of the existing projects. A number of projects from Shanghai Galaxy and Galaxy Energy are applying for subsidies in renewable energy price, with the objective of enhancing the cash flow of the companies.

REAL ESTATE

During the period, the real estate segment recorded a profit of HK\$362 million, representing a year-on-year increase of 2.6% and accounting for 21.0% of the Group's Net Business Profit. SI Urban Development has recorded additional gains arising from the disposal of a 35% interest in the "U Center" project in Shanghai by last year, and excluding this factor, the profit of the Group's real estate segment for the period would actually have increased HK\$354 million year-on-year.

SI Development

SI Development recorded a revenue of RMB2,358 million for the period, representing an increase of 6.0% over the same period last year, which was mainly brought about by property sales booked for a number of projects. Net profit for the period amounted to RMB228 million, representing an increase of 12.4% over the same period last year. Contract sales for the period amounted to RMB2,427 million, arising from such projects as Sea Garden in Jiading, Shanghai, Sea Palace in Quanzhou and Hi-Shanghai in Hangzhou with a gross floor area of 138,800 square meters. Property sales booked for the period were RMB1,637 million, which mainly included International Beer City in Qingdao, United 88 in Changning, Shanghai, Flos Granti in Jinshan, Shanghai and Lake Villa in Suzhou, representing a gross floor area of 70,235 square meters. Rental income for the first half of the year amounted to HK\$132 million.

The company's core business achieved a major breakthrough in sales last year with satisfactory results due to business upgrading and new business development efforts and continued optimisation of the company's business structure. As a result of prudent analysis of the macro-economy and current conditions of the industry and having balanced short-term business goals and long-term development plans, SI Development proposed to distribute cash dividends of RMB0.38 (tax inclusive) for every 10 shares held by shareholders. The total cash dividends distributed amounted to approximately RMB70.09 million and the related resolutions were passed by shareholders at an annual general meeting held in May 2017.

In June, a wholly-owned subsidiary of SI Development won the bid for the purchase of land use rights for the land lot "Sudi 2017-WG-10" in Suzhou, Jiangsu at a price consideration of RMB2,196.60 million. The parcel of land is located in Mudu Town, Wuzhong District, Suzhou with a site area of 40,816.9 square meters and a plot ratio of 2.2, for residential use.

In the same month, Cowork Internet was invited to inject 100% equity interest of its wholly-owned subsidiary, Cowork Technology, into Weplus Technology, a 45% associated company of SI Development, for an increase of registered capital amounting RMB41,058,919. With the completion of the capital increase, Weplus Technology will hold the entire equity interest of Cowork Technology and Cowork Internet will hold 26% equity interest of Weplus Technology, while the equity interest of Weplus Technology held by SI Development will be diluted to 28.4956%. The successful completion of the transaction is expected to lay a strong foundation for the establishment of a platform by Weplus Technology in the area of resource matching, service upgrading and space sharing in the shared-office sector. With the new arrangement, Weplus Technology is able to strategically penetrate the Southern China market, involving a presence in 15 major cities and occupying 47 spaces across the country. Commanding a leading position in the industry in terms of the number of cities and spaces, the company will further strengthen its management capability and expand the size of its non-rental business. The transaction marks a step forward for SI Development in the exploration of the shared office business and represents an effective pilot programme for the company. Continued support will be given to Weplus Technology for the development and expansion of its business in accordance with market principles.

Subsequent to the half year end, SI Development introduced Mori Building Shanghai, a subsidiary of a top property development enterprise in Japan, to contribute an additional capital of approximately RMB128.08 million to Shanghai Hongsheng, a 49% associated company of SI Development, representing a 10% equity interest of Shanghai Hongsheng, in July. Following the completion of the capital increase, the equity interest of SI Development in Shanghai Hongsheng will be diluted to 44.1%. In addition to optimizing the funding structure of Shanghai Hongsheng, the transaction will also enable Shanghai Hongsheng to benefit from the extensive experience of its new shareholder in the area of urban redevelopment and town management. Such resources are expected to help the company to step up the development and construction progress of the Honghou North Bund project and to enhance the quality of project construction and operation. The partnership is also expected to foster Sino-foreign cooperation in urban redevelopment and town management, which will enhance subsequent strategic cooperation with accumulated experience.

SI Urban Development

SI Urban Development recorded a revenue of HK\$4,222 million for the first half of 2017, representing an increase of 71.8% as compared with the same period last year. Profits attributable to shareholders amounted to HK\$323 million, representing an increase of 3.4%. The company recorded considerable gains arising from completion of the disposal of 35% interest in the "U Center" project in Shanghai last year, while there was no such

one-off disposal gain recorded during the period. Excluding this factor, profits attributable to shareholders would actually have increased by HK\$503 million year-on-year. Rental income for the first half of the year amounted to HK\$310 million.

During the period, SI Urban Development continued to adhere to the strategy of strengthening its operation in the Yangtze River Delta and other developed cities and to stepping up its marketing efforts in Shanghai, a major city in which the company expects to establish a strategic presence. Contract sales amounted to RMB4,645 million, reaching 50% of the sales target set in the beginning of the year, and mainly included Urban Cradle and Grand Mansion in Shanghai and Originally in Xi'an, accounting for a gross floor area of 274,000 square meters. During the period, sales amounted to HK\$3,790 million, accounting for a gross floor area of 135,000 square meters and mainly included Urban Cradle and Grand Mansion in Shanghai and Originally in Xi'an.

TODTOWN is a landmark integrated metro superstructure development in the mainland under SI Urban Development. Located at the sub-center of Shanghai and adjacent to key railways, the project was jointly developed by SI Urban Development, Sun Hung Kai Properties Limited and the Shanghai government, and represents one of the key projects of the company in 2017. The residential portion of TODTOWN Phase I is ready for launch. With the successive completion of Binjiang U Center and the commercial portion of TODTOWN, the ongoing modification and upgrading of ShanghaiMart, as well as other rental properties, the investment properties portfolio of SI Urban Development will be further strengthened, generating stable rental returns for the company.

Subsequent to the half year end, SI Urban Development won the bid for the land use rights for a land premium of RMB2,220 million in August. The land is located at Minhang District, Shanghai, next to a large park and is a metro superstructure project along Metro Line No. 12, with a total site area of approximately 34,000 square meters for commercial and office use. The site is expected to be developed into a low-density commercial complex with a total gross floor area of approximately 118,000 square meters. The transaction will further establish the presence of SI Urban Development in the neighbourhood of Shanghai and consolidate its brand image as one of the leading real estate developers in Shanghai.

Looking forward, SI Urban Development will seize market opportunities to increase its land bank while speeding up the development and marketing of its projects. Leveraging on the strength of its traditional core business, the company will also diversify into other related fields and integrate the development of its real estate business with intelligent services and the smart cities concept.

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Set out below is a summary of the major property development projects of the Group as at 30 June 2017:

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	Residential and commercial	90%	5,468	70,566	-	-	Completed
2	Chenghua District, Chengdu	Hi-Shanghai	Commercial and residential	100%	61,506	254,885	8,592	151,664	Completed
3	Beibei District, Chongqing	Hi-Shanghai	Residential and commercial	100%	30,845	74,935	24,590	-	2019
4	Yuhang District, Hangzhou	Hi-Shanghai (Phase I)	Residential and commercial	85%	74,864	230,484	21,893	-	2019
5	Yuhang District, Hangzhou	Hi-Shanghai (Phase II)	Residential and commercial	100%	59,640	198,203	-	-	2019
6	Wuxing District, Huzhou	Shanghai Bay	Residential	100%	85,555	96,085	2,559	76,966	Completed
7	Wuxing District, Huzhou	SIIC Garden Hotel	Hotel and Commercial	100%	116,458	47,177	-	-	Completed
8	Wuxing District, Huzhou	Hurun Commercial Plaza	Commercial	100%	13,661	27,322	-	-	Under planning
9	Wuxing District, Huzhou	Lot HD35-2E of eastern new zone	Residential and commercial	100%	115,647	180,212	-	-	2020
10	Shilaoren National Tourist Resort, Qingdao	International Beer City	Composite	100%	227,675	783,500	829	282,292	2014 to 2018, in phases
11	Fengze District, Quanzhou	Sea Palace	Residential and commercial	49%	381,795	1,952,825	31,211	-	2017 to 2021, in phases
12	Changning District, Shanghai	United 88	Residential	100%	30,175	124,891	-	111,637	Completed
13	Jiading District, Shanghai	Sea Garden	Commercial	100%	16,520	123,308	-	-	Completed
14	Jiading District, Shanghai	Essence of Shanghai	Residential and commercial	100%	58,949	163,351	21,777	-	2019
15	Jing'an District, Shanghai	Territory Shanghai	Residential	100%	32,512	114,737	-	76,768	2017
16	Jinshan District, Shanghai	Flos Granti	Residential	100%	135,144	214,143	4,881	181,192	Completed
17	Qingpu District, Shanghai	Belle Rive	Villa	51%	315,073	59,577	3,726	11,963	2014 to 2017, in phases
18	Qingpu District, Shanghai	Shanghai Bay	Residential	51%	808,572	621,662	2,199	96,156	2011 to 2017, in phases

	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
19	Qingpu District, Shanghai	He Villa/Sea County	Residential	51%	162,708	121,683	9,942 (car park)	31,925	Completed
20	Qingpu District, Shanghai	Shanghai International Art Centre	Composite	100%	194,956	120,363	755	76,052	Completed
21	Paojiang New Zone, Shaoxing	International Chinese City	Residential and commercial	96.42%	156,452	265,554	580	138,899	2017
22	Wuzhong District, Suzhou	Lake Villa	Residential	70%	285,185	283,377	5,325	262,720	Completed
Sub-total					3,402,351	6,204,399			

	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	-	454,563	Completed
2	Chaoyang District, Beijing	Youngman Point	Residential and commercial	100%	112,700	348,664	770	259,113	2007 to 2021, in phases
3	Haidian District, Beijing	West Diaoyutai	Residential	90%	42,541	250,930	-	172,069	2007 to 2021, in phases
4	Wancheng District, Changsha	Forest Sea	Residential and commercial	67%	679,620	1,032,534	28,776	299,039	2007 to 2025, in phases
5	Jiulongpo District, Chongqing	Top City	Residential, commercial and office	100%	120,014	786,233	-	376,095	Completed
6	Langqi Island, Fuzhou	Sweet Sea	Residential and commercial	26%	387,693	1,046,898	156,627	277,036	2018 to 2021, in phases
7	Huajiao Town, Kunshan	Yooouu.net	Commercial and office	30.7%	34,223	129,498	346	62,297	Completed
8	Zhoushi Town, Kushan	Royal Villa	Residential	53.1%	205,017	267,701	515	204,857	2007 to 2017, in phases
9	Minhang District, Shanghai	Urban Cradle	Residential and commercial	53.1%	908,950	1,136,468	25,202	763,513	2007 to 2017, in phases
10	Minhang District, Shanghai	Shanghai Jing City	Residential and commercial	59%	301,908	772,885	13,999	558,969	2012 to 2018, in phases
11	Minhang District, Shanghai	TODTOWN	Residential, commercial, hotel, office and apartment office	20.7%	117,825	605,000	-	-	2018 to 2022, in phases
12	Minhang District, Shanghai	Contemporary Art Villa	Residential	100%	116,308	71,822	-	31,705	2018 to 2020, in phases

Business Review, Discussion and Analysis

City	Projects of SI Urban Development (continued)	Type of property	Interest attributable to SI Urban Development	Approximate site area (square meters)	Planned total GFA (square meters)	Pre-sold during the period (square meters)	Total GFA sold (square meters)	Expected date of completion	
13	Minhang District, Shanghai	Contemporary Splendour Villa	Residential	100%	120,512	111,562	-	-	2018 to 2020, in phases
14	Songjiang District, Shanghai	Shanghai Youth City	Commercial and office	100%	57,944	212,130	-	139,840	Completed
15	Heping District, Shenyang	Shenyang•U Centre	Commercial, office and serviced apartment	80%	22,651	228,768	5,136	10,634	2015 to 2018, in phases
16	Futian District, Shenzhen	China Phoenix Tower	Residential, commercial and office	91%	11,038	106,190	-	78,343	Completed
17	Nankai District, Tianjian	Laochengxiang	Residential, commercial and office	100%	244,252	752,883	6,359	578,266	2006 to 2019, in phases
18	Binghu District, Wuxi	Urban Development International Center	Commercial, hotel, office and serviced apartment	59%	24,041	193,368	1,172	41,937	Completed
19	Chanba Ecotope, Xi'an	Originally	Residential, commercial and hotel	71.5%	2,101,967	3,899,867	173,330	2,175,673	2008 to 2019 in phases,
Sub-total					5,730,703	12,477,234			

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	59,577	3,726	11,963	2014 to 2017, in phase
2	Qingpu District, Shanghai	Shanghai Bay	Residential	49%	808,572	621,662	2,199	96,156	2011 to 2017, in phases
3	Qingpu District, Shanghai	He Villa/Sea County	Residential	49%	162,708	121,683	9,942 (car park)	31,925	Completed
Sub-total					1,286,353¹	802,922¹			
Total					10,419,407¹	19,484,555¹			

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	Wuxing District, Huzhou	Lot BLD35-2 of eastern new zone	Residential	100%	68,471	188,295	2021
2	Hongkou District, Shanghai	Lot HK324-01 of Tilanqiao Road	Commercial	49%	23,037	221,047	2021
3	Qingpu District, Shanghai	Zhujiajiao Lot D2	Residential and commercial	51%	349,168	289,568	2020
4	Wuzhong District, Suzhou	Sudi Lot 2017-WG-10	Residential	100%	40,817	112,246	2020
Sub-total					481,493	811,156	

	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	Xuhui Binjiang, Shanghai	Binjiang U Center	Office and commercial	35.4%	77,371	525,888	2019 to 2021, in phases
Sub-total					77,371	525,888	

	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	Zhujiajiao Lot D2	Residential and commercial	49%	349,168	289,568	2020
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	665,472¹	
Total					1,659,839¹	2,002,516¹	

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%	769
2	Qingdao Economic Development Zone	Dali Plaza	Commercial	76%	21,495
3	Laoshan District, Qingdao	SIIC Centre	Office	100%	11,434
4	Changning District, Shanghai	Super Ocean Finance Center	Office	100%	2,321
5	Changning District, Shanghai	United 88	Commercial	100%	37,503
			Office	100%	29,852
6	Hongkou District, Shanghai	Gao Yang Commercial Centre	Office	100%	26,668
7	Hongkou District, Shanghai	Gao Yang Hotel	Office	100%	3,847
8	Huangpu District, Shanghai	Golden Bell Plaza	Office	100%	12,270
			Office	90%	49,006 (car park included)
9	Huangpu District, Shanghai	Huangpu Estate	Commercial	100%	20,918 (car park included)
10	Huangpu District, Shanghai	No. 108 Haichao Road	Commercial	100%	474
11	Jing'an District, Shanghai	Territory Shanghai	Commercial	100%	2,948 (car park included)
12	Pudong New District, Shanghai	No. 1111 Shangchuan Road	Industrial	100%	40,208
13	Pudong New District, Shanghai	Huashen Building	Office	100%	344
14	Xuhui District, Shanghai	Shanghai Industrial Investment Building	Office	100%	10,089
			Office	74%	23,035 (car park included)
15	Xuhui District, Shanghai	Yonglong Building	Office	100%	798
16	Yangpu District, Shanghai	Hi-Shanghai	Commercial	100%	44,027 (car park included)
17	Zhabei District, Shanghai	No. 235 Zhongshan Road North (portion)	Office	100%	1,434
18	Xiqing District, Tianjin	Rhine Town	Commercial	100%	5,961
Sub-total					345,401

	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	Jiulongpo District, Chongqing	Top City	Commercial and parking lot	100%	251,847 ²
3	Changning District, Shanghai	ShanghaiMart	Exhibition, transaction market, office building and parking lot	51%	284,651
4	Minhang District, Shanghai	Contemporary Art Villa	Villa	100%	43,976 ²
5	Songjiang District, Shanghai	Shanghai Youth City	Commercial	100%	16,349 ²
6	Xuhui District, Shanghai	Urban Development International Tower	Office building	59%	45,239
7	Xuhui District, Shanghai	YOYO Tower	Commercial	59%	13,839
8	Futian District, Shenzhen	China Phoenix Tower	Office building	91%	1,048 ²
9	Shanghai and Tianjin	Others	Commercial, office building and parking lot	59%	9,249
Sub-total					685,966
Total					1,031,367

Notes:

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

CONSUMER PRODUCTS

For the first half of 2017, the consumer products business contributed a profit of HK\$545 million to the Group, representing an increase of 9.3% over the same period last year and accounting for 31.7% of the Group's Net Business Profit. Despite a decline in consumption in the tobacco market and against a macro-environment of smoking control, Nanyang Tobacco recorded a growth in profit with respective increases in gross profit margin due to successful controls in material and manufacturing costs. For Wing Fat Printing, the implementation of the key project for its moulded fiber products business since the latter half of last year has made it an important source of profit for the company. Meanwhile, the traditional printing and packaging business remained stable in general.

Tobacco

Through enhanced product structure and cost control, Nanyang Tobacco achieved after tax profit of HK\$485 million for the first half of 2017, representing an increase of 2.2% year-on-year; revenue was HK\$1,532 million, a decrease of 3.0% over the same period last year. Manufacture and sales in the cigarette market have been difficult due to heavier consumption tax and restrictions in tobacco advertisement imposed in the mainland. On top of that, the inventory in the industry has yet to be absorbed and different tax returns attestations were required for duty free market sales.

In view of the negative external environment, Nanyang Tobacco took counter measures during the period to deal with the situation, including (1) actively expanded its sales outlets: “Double Happiness” was sold in 76 countries and regions, of which the number of duty free sales outlets was 244, with the addition of two sales outlets in the first half of the year; (2) broadened the range of products: as the economic and trade cooperation between China and India further strengthened, the company increased its supply at the request of customers and also increased the types of products for sale, including hard-packs and “Peony Deluxe”, “Hong Kong Memorial (canned)” and “Double Happiness Premium” cigarette packages; (3) explored new markets: striving to complete the development of the Bulgaria market during the period; and (4) increased brand publicity and promotion: training staff to boost promotion efforts, and strengthening the display of its flagship product “Southern Brotherhood” at the Hong Kong International Airport duty free shop to increase consumers’ awareness of the cigarette package and product features.

Printing

Wing Fat Printing recorded a revenue of HK\$578 million for the first half of 2017, representing a rise of 27.9% over the same period last year. This was mainly attributable to the year-on-year increase in profit contribution brought by the new moulded fiber products business. During the period, the cigarette packaging business was still under the pressure such as destocking as well as bids and tenders and reduction of prices. Notwithstanding this, the business has stabilized after rapid declines in the previous year. The wine-packaging business continued to show signs of recovery amidst an environment of recovery in the wine industry. The drastic increase in material price also posed challenges to the company during the period. The positive trend of the moulded fiber goods business in the second half of last year has continued while diversified product mix and new business development are expected to be new drivers for future development.

Wing Fat Printing recorded a net profit of HK\$63.65 million for the period, representing a significant increase of 172.3% over the same period last year. The increase was mainly brought about by contributions from its moulded fiber products business, a key project of the company that has become an important source of profit since its operation in the latter half of last year. Meanwhile, the traditional printing and packaging business remained stable in general.

Financial Review

KEY FIGURES

	2017	2016 (restated)	Change %
Unaudited Six months ended 30 June			
Results			
Revenue (HK\$'000)	12,141,119	9,228,568	31.6
Profit attributable to owners of the Company (HK\$'000)	1,620,946	1,537,931	5.4
Earnings per share – basic (HK\$)	1.492	1.416	5.4
Dividend per share			
– interim (HK cents)	46	36	
– special (HK cents)	–	10	
Dividend payout ratio	30.8%	32.5%	
Interest cover (note(a))	6.8 times	7.1 times	

	Unaudited 30 June	Audited 31 December	Change %
Financial Position			
Total assets (HK\$'000)	158,888,135	151,248,175	5.1
Equity attributable to owners of the Company (HK\$'000)	38,969,264	36,916,289	5.6
Net assets per share (HK\$)	35.84	33.98	5.5
Net debt ratio (note (b))	43.35%	38.42%	
Gearing ratio (note (c))	43.08%	42.53%	
Number of shares in issue (shares)	1,087,211,600	1,086,565,600	

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

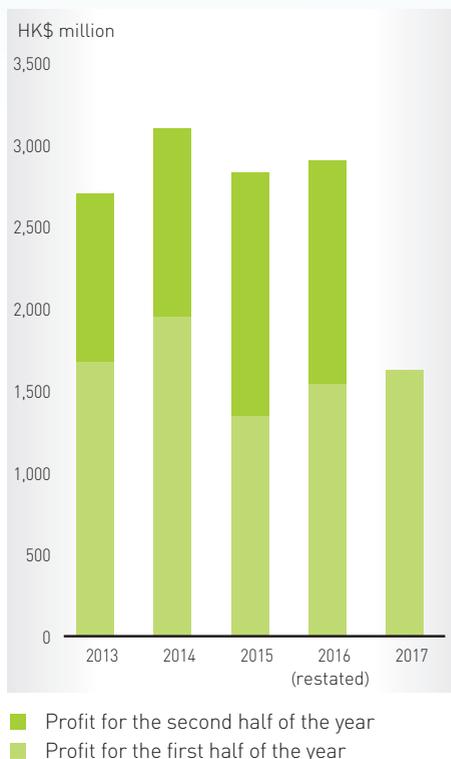
Note (c): interest-bearing loans/equity attributable to owners of the Company + non-controlling interests + interest-bearing loans

Note: The Company has adopted the Accounting Guideline 5 "Merger Accounting for Common Control Combinations" to account for its acquisitions of Yield Express Limited from SIIC. The comparative figures for 2016 contained in this Financial Review had been restated accordingly.

I ANALYSIS OF FINANCIAL RESULTS

1 Profit attributable to owners of the Company

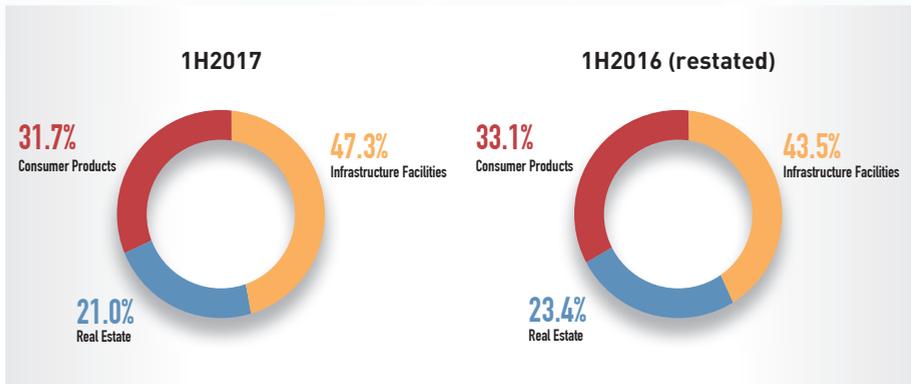
For the six months ended 30 June 2017, the Group recorded a profit attributable to owners of the Company of HK\$1,620.95 million, an increase of HK\$83.02 million or approximately 5.4% as compared to the same period of 2016.



2 Profit Contribution from Each Business

The profit contributed by each business in the Group during the first half of 2017 and the comparative figures of the corresponding period last year was summarized as follows:

	2017 Unaudited Six months ended 30 June HK\$'000	2016 (restated) Six months ended 30 June HK\$'000	Change %
Infrastructure Facilities	813,185	654,794	24.2
Real Estate	361,785	352,651	2.6
Consumer Products	544,586	498,300	9.3
	1,719,556	1,505,745	14.2



Net profit from the infrastructure facilities business for the period was approximately HK\$813.19 million, accounting for 47.3% of Net Business Profit, and representing a year-on-year increase of 24.2%. For toll road business, save for the reduction of traffic flow during the period due to the resumption of toll collection in the Xujing to Jiasong section of the Hu-Yu Expressway (Shanghai Section), the traffic flow of the other two expressways recorded a growth of 6.7% and 8.6%. The growth was attributable to a number of factors, including normal weather conditions in the first half of the year, a higher number of travellers during holidays and stable increase in small passenger cars. Despite the approximately 5% depreciation of the Renminbi which offset part of the increase in toll revenue, the results of toll road operation achieved a year-on-year increase of 19.6%, benefiting from the fair value gain of Wufangzhai, which has become an associate after further acquisition of shares in it by Hu-Ning Expressway and a significant increase in profit contribution was recorded from Shanghai Galaxy. In addition, profit contribution from Hangzhou Bay Bridge project also increased by HK\$12.23 million year-on-year as merger accounting was adopted following the completion of the acquisition of 23.0584% interests at the end of 2016.

For the water services business, an increase in profit of 39.8% was recorded, mainly due to the 25.9% increase in profit attributable to shareholders of SI Environment driven by profit contribution from newly acquired projects. During the period, the profit contribution of SI Environment increased 36.3% year-on-year, which was attributable to the increase in shareholdings in SI Environment by 9.38%. The result of General Water of China remained stable, while its profit contribution slightly decreased 0.5% year-on-year due to the impact of an approximately 5% depreciation of the Renminbi. Canvest Environmental, a company listed in Hong Kong which has become an associate after additional investments from the Group, contributed a profit of HK\$16.50 million during the period.

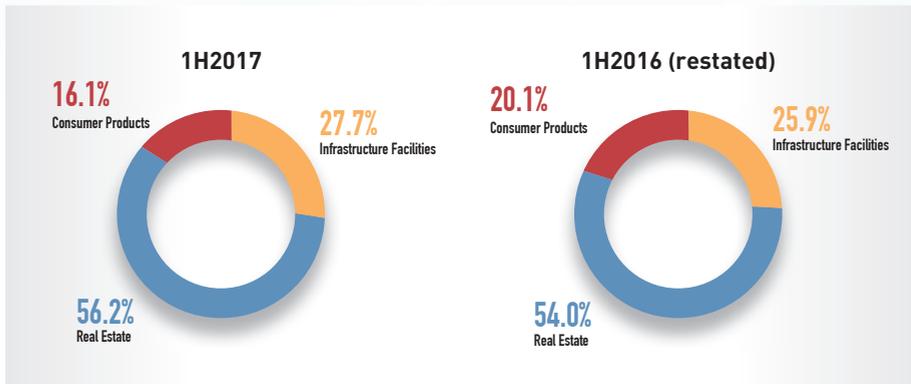
The real estate business recorded a profit of approximately HK\$361.79 million, accounting for 21.0% of Net Business Profit, and representing an increase of approximately HK\$9.13 million over the same period of 2016. A profit after taxation of approximately HK\$344.57 million recorded for the same period last year arising from SI Urban Development's exit in partnership interests of the Green Carbon Fund, which holds 35% equity interests in the "U Center" project. Excluding this factor, net profit would actually have increased HK\$353.70 million year-on-year. During the period, property sales booked by SI Urban Development increased significantly as compared to the same period last year, resulting in an increase in operating profit. SI Development's business remained stable and its profit attributable to shareholders increased 12.4%.

The consumer products business recorded a net profit of HK\$544.59 million for the period, accounting for 31.7% of Net Business Profit, and representing a year-on-year increase of 9.3%. The business of Nanyang Tobacco remained stable. Despite a decline in revenue of 3.0% during the period, it recorded an increase of net profit by HK\$10.33 million or 2.2% through tighter controls in material costs and manufacturing expenses. Wing Fat Printing contributed a net profit of HK\$59.65 million for the period, representing a significant year-on-year increase of 151.7%. The increase was recorded as the new moulded fiber packaging business which the company has embarked on has grown from the construction stage last year to a stage of profit contribution during the period. The increase was also due to the stabilizing of the traditional printing and packaging business.

3 Revenue

The Group's revenue by principal activities for the first half of 2017 and the comparatives of the same period last year was summarized as follows:

	2017 Unaudited Six months ended 30 June HK\$'000	2016 HK\$'000	Change %
Infrastructure Facilities	3,357,638	2,386,529	40.7
Real Estate	6,828,966	4,985,975	37.0
Consumer Products	1,954,515	1,856,064	5.3
	12,141,119	9,228,568	31.6



In the first half of 2017, revenue amounted to approximately HK\$12,141.12 million, representing a year-on-year increase of 31.6%, mainly due to the significant increase in property sales of SI Urban Development as compared to the same period last year.

The year-on-year increase in revenue of the infrastructure facilities business was attributable to the increase in revenue of SI Environment by approximately HK\$907.44 million as it started to consolidate the sales of Longjiang Environmental upon completion of the acquisition of additional interests in October 2016, plus a year-on-year increase in construction income.

The increase in revenue of the real estate business was attributable to the significant increase in property sales booked by SI Urban Development as compared to the same period last year.

Sales of Wing Fat Printing increased during the period mainly due to growth in the new moulded fibre packaging business as compared to the same period last year. Therefore, the revenue from the consumer products business increased slightly by approximately 5.3%.

4 Profit before Taxation

(1) Gross profit margin

Compared to the same period of 2016, gross profit margin increased by 7.1 percentage points during the period, mainly due to an increase in the proportion of property sales booked with higher profit margins in the real estate business for the period, while SI Environment benefited from contribution from newly acquired projects with higher profit margins in the infrastructure facilities business, which in turn resulted in an increase of approximately 1.7 percentage points in the overall gross profit margin of the infrastructure facilities business. Meanwhile, the gross profit margin for the consumer products business remained stable.

(2) Other income, gains and losses

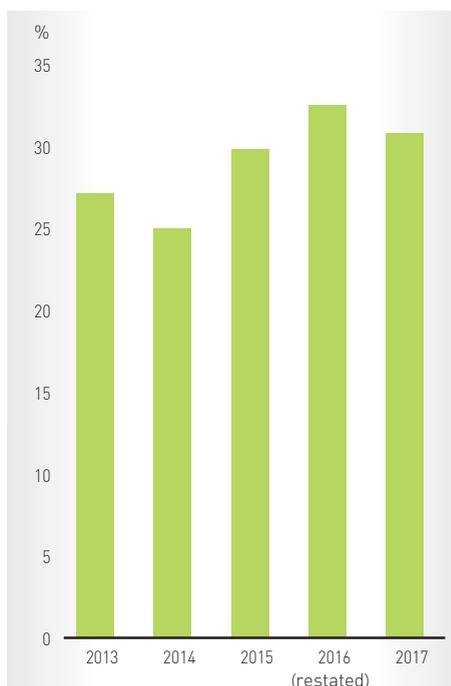
During the period, other income, gains and losses increased as compared to the same period last year, mainly due to the booking of a foreign exchange loss from the depreciation of the Renminbi for the same period last year.

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

The gain for the same period last year was mainly attributable to the profit before taxation of HK\$1,114.16 million from exiting the partnership interests in the Green Carbon Fund which holds 35% equity interests in the "U Center" project, while there was no disposal gain during the period.

5 Dividend

The Board of Directors of the Group has resolved to declare an interim dividend of HK46 cents, which is the same as compared with the interim dividend and special dividend totaling HK46 cents per share for 2016. The interim dividend payout ratio is 30.8% (2016 interim: 32.5%).



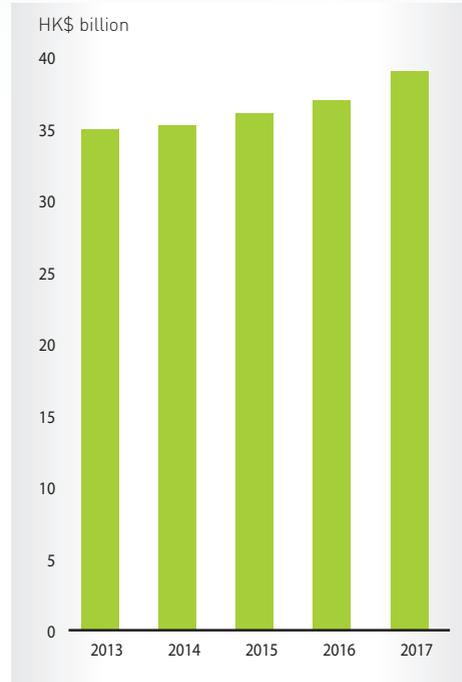
■ Interim dividend payout ratio

II FINANCIAL POSITION OF THE GROUP

1 Capital and Equity attributable to owners of the Company

The Company had a total of 1,087,211,600 shares in issue as at 30 June 2017, which was increased by 646,000 shares as compared with 1,086,565,600 shares in issue as at the end of 2016. The increase is attributable to the exercise of share options by employees during the period.

Equities attributable to owners of the Company reached HK\$38,969.26 million as at 30 June 2017, and the increase was attributable to the net profit for the first half of the year after deducting the dividend actually paid during the period.



■ Equity attributable to owners of the Company

2 Indebtedness

(1) Borrowings

SIHL Finance Limited, a wholly-owned subsidiary of the Company, signed a HK\$2.4 billion or US dollar equivalent dual-currency club loan for a term of 5 years in March 2017.

As at 30 June 2017, the total borrowings of the Group including bank borrowings, other borrowings and convertible bonds amounted to approximately HK\$49,709.41 million (31 December 2016: HK\$46,235.88 million), of which 67.5% (31 December 2016: 67.9%) was unsecured credit facilities. The proportions of US dollars, Renminbi and HK dollars of total borrowings were 3%, 80% and 17% (31 December 2016: 3%, 84% and 13%) 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\$11,617,052,000 (31 December 2016: HK\$11,585,060,000);
- (b) leasehold land and buildings with an aggregate carrying value of HK\$147,270,000 (31 December 2016: HK\$906,567,000);

- (c) plant and machineries with an aggregate carrying value of HK\$18,663,000 (31 December 2016: HK\$20,218,000);
- (d) one (31 December 2016: one) toll road operating right with a carrying value of HK\$2,401,036,000 (31 December 2016: HK\$2,415,929,000);
- (e) receivables under service concession arrangements with an aggregate carrying value of HK\$9,473,395,000 (31 December 2016: HK\$9,179,515,000);
- (f) properties under development held for sale with an aggregate carrying value of HK\$1,546,627,000 (31 December 2016: HK\$5,644,075,000);
- (g) properties held for sale with an aggregate carrying value of HK\$16,233,000 as at 31 December 2016 (30 June 2017: Nil);
- (h) trade receivables with an aggregate carrying value of HK\$54,722,000 (31 December 2016: HK\$63,968,000); and
- (i) bank deposits with an aggregate carrying value of HK\$465,914,000 (31 December 2016: HK\$430,853,000).

(3) Contingent liabilities

As at 30 June 2017, the guarantees given to banks by the Group in respect of banking facilities utilised by an entity controlled by State-owned Assets Supervision and Administration Commission of Shanghai Xuhui District, property buyers and joint ventures amounted to approximately HK\$168.09 million, HK\$5,397.92 million and HK\$2,709.36 million (31 December 2016: HK\$163.02 million, HK\$4,926.28 million and HK\$1,779.63 million) respectively.

3 Capital Commitments

As at 30 June 2017, the Group had capital commitments mainly contracted for business development and investments in fixed assets of HK\$8,784.12 million (31 December 2016: HK\$5,831.65 million). The Group had sufficient internal resources and/or through loan markets for the finance of its capital expenditures.

4 Bank Balances and Short-term Investments

As at 30 June 2017, bank balances and short-term investments held by the Group amounted to HK\$32,814.91 million (31 December 2016: HK\$32,053.02 million) and HK\$536.80 million (31 December 2016: HK\$226.97 million) respectively. The proportions of US dollars and other currencies, Renminbi and HK dollars of bank balances were 3%, 84% and 13% (31 December 2016: 3%, 88% and 9%) 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 development, 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. 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 condensed consolidated statement of financial position are net of allowances for doubtful receivables. An allowance for impairment is made according to the Group's accounting policy or where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows.

With respect to the credit risk of the Group's treasury operations, 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.

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF SHANGHAI INDUSTRIAL HOLDINGS LIMITED

(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Shanghai Industrial Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 41 to 70, which comprise the condensed consolidated statement of financial position as of 30 June 2017, 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.

CONCLUSION

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



Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 August 2017

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2017

	NOTES	Six months ended 30 June	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited and restated)
Revenue	4	12,141,119	9,228,568
Cost of sales		(6,597,774)	(5,662,286)
Gross profit		5,543,345	3,566,282
Net investment income		313,079	361,652
Other income, gains and losses		458,720	231,277
Selling and distribution costs		(523,362)	(418,825)
Administrative and other expenses		(810,602)	(886,420)
Finance costs		(869,917)	(668,791)
Share of results of joint ventures		135,915	128,462
Share of results of associates		46,116	41,494
Gain on disposal of assets through disposal of interest in a subsidiary	17	-	1,114,163
Profit before taxation		4,293,294	3,469,294
Income tax expense	5	(1,702,768)	(1,041,439)
Profit for the period	6	2,590,526	2,427,855
Profit for the period attributable to			
– Owners of the Company		1,620,946	1,537,931
– Non-controlling interests		969,580	889,924
		2,590,526	2,427,855
Earnings per share	8	HK\$	HK\$
– Basic		1.492	1.416
– Diluted		1.491	1.381

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited and restated)
Profit for the period	2,590,526	2,427,855
Other comprehensive income (expense)		
<i>Items that may be subsequently reclassified to profit or loss</i>		
Exchange differences arising on translation of foreign operations		
– subsidiaries	1,581,673	(1,273,421)
– joint ventures	125,727	(27,928)
– associates	119,591	(24,425)
Fair value change on available-for-sale investments held by subsidiaries	25,344	(18,498)
Release of reserve upon deemed disposal of available-for-sale investments	(40,401)	–
Other comprehensive income (expense) for the period	1,811,934	(1,344,272)
Total comprehensive income for the period	4,402,460	1,083,583
Total comprehensive income for the period attributable to		
– Owners of the Company	2,594,378	705,055
– Non-controlling interests	1,808,082	378,528
	4,402,460	1,083,583

Condensed Consolidated Statement of Financial Position

At 30 June 2017

	NOTES	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Non-Current Assets			
Investment properties	9	19,530,151	18,619,278
Property, plant and equipment	9	4,404,058	4,388,915
Prepaid lease payments – non-current portion		246,977	243,135
Toll road operating rights		9,725,510	9,812,934
Goodwill		832,521	809,347
Other intangible assets	9	7,594,798	7,325,733
Interests in joint ventures		3,729,239	3,467,597
Interests in associates	10	5,082,760	3,378,695
Investments		799,089	1,170,084
Receivables under service concession arrangements – non-current portion		13,646,905	12,489,936
Deposits paid on acquisition of a subsidiary/property, plant and equipment		224,441	139,974
Other non-current receivables		60,557	58,732
Deferred tax assets		253,255	458,621
		66,130,261	62,362,981
Current Assets			
Inventories	11	46,928,898	45,899,422
Trade and other receivables	12	10,485,658	9,242,575
Prepaid lease payments – current portion		5,473	5,293
Investments		536,804	226,967
Receivables under service concession arrangements – current portion		276,898	244,374
Amounts due from customers for contract work		843,854	710,079
Prepaid taxation		865,376	503,469
Pledged bank deposits		465,914	430,853
Short-term bank deposits		288,004	309,705
Bank balances and cash		32,060,995	31,312,457
		92,757,874	88,885,194

Condensed Consolidated Statement of Financial Position

At 30 June 2017

	NOTES	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Current Liabilities			
Trade and other payables	13	14,905,235	14,665,883
Customer deposits from sales of properties	14	16,770,690	14,776,557
Amounts due to customers for contract work		24,541	23,879
Taxation payable		2,725,223	4,207,441
Bank and other borrowings	15	9,441,747	8,553,493
Convertible bonds		33,082	32,722
		43,900,518	42,259,975
Net Current Assets		48,857,356	46,625,219
Total Assets less Current Liabilities		114,987,617	108,988,200
Capital and Reserves			
Share capital		13,649,839	13,633,449
Reserves		25,319,425	23,282,840
Equity attributable to owners of the Company		38,969,264	36,916,289
Non-controlling interests		26,719,827	25,556,228
Total Equity		65,689,091	62,472,517
Non-Current Liabilities			
Provision for major overhauls		83,181	82,077
Bank and other borrowings	15	40,167,312	37,595,994
Deferred tax liabilities		9,048,033	8,837,612
		49,298,526	46,515,683
Total Equity and Non-Current Liabilities		114,987,617	108,988,200

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	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 ii)	Investment revaluation reserve HK\$ '000	Translation reserve HK\$ '000	PRC statutory reserves HK\$ '000 (Note iii)	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)	13,615,689	27,883	104,956	54,855	820,117	(5,777,185)	373,565	1,563,502	1,324,209	23,923,843	34,031,634	49,367	19,212,249	19,261,616	55,293,250
Profit for the period, as restated	-	-	-	-	-	-	-	-	1,537,931	1,537,931	-	889,924	889,924	889,924	2,427,855
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	(757,165)	-	-	(757,165)	-	(516,256)	(516,256)	(1,273,421)	-
- subsidiaries, as restated	-	-	-	-	-	-	(27,928)	-	-	(27,928)	-	-	-	(27,928)	-
- joint ventures	-	-	-	-	-	-	(24,425)	-	-	(24,425)	-	-	-	(24,425)	-
- associates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fair value change on available-for-sale investments held by subsidiaries	-	-	-	-	-	-	(23,358)	-	-	(23,358)	-	4,860	4,860	(18,498)	-
Total comprehensive (expense) income for the period, as restated	-	-	-	-	-	-	(23,358)	(809,518)	-	1,537,931	705,055	-	378,528	378,528	1,083,583
Transfers, as restated	-	-	-	-	-	-	-	50,666	(50,666)	-	-	-	-	-	-
Capital contributions by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	54,651	54,651	54,651	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	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	-	-	-	-	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 7)	-	-	-	-	-	-	-	-	(488,633)	(488,633)	-	-	-	(488,633)	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(112,037)	(112,037)	(112,037)	-
Redemption of convertible bonds	-	-	(100,848)	-	-	-	-	-	-	34,014	(66,834)	-	-	(66,834)	-
Repurchase of convertible bonds	-	-	(3,169)	-	-	-	-	-	-	4,650	1,481	-	-	1,481	-
Transfer upon forfeiture of share options of a listed subsidiary	-	-	-	-	-	-	-	-	-	815	815	(1,163)	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 and restated)	13,615,689	27,883	939	54,855	2,070,710	(5,777,185)	350,207	748,666	1,374,875	24,965,674	37,432,513	48,202	22,927,213	22,975,415	60,407,928

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	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 (Note iv)	Translation reserve HK\$'000	PRC statutory reserves HK\$'000 (Note v)	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 2017 (audited)	13,633,449	1,928	939	54,855	2,034,247	(5,777,185)	382,026	(587,644)	1,558,409	25,615,285	36,916,289	48,202	25,508,026	25,556,228	62,472,517
Profit for the period	-	-	-	-	-	-	-	-	1,620,946	1,620,946	-	969,580	969,580	2,590,526	
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
- subsidiaries	-	-	-	-	-	-	-	754,284	-	754,284	-	827,389	827,389	1,581,673	
- joint ventures	-	-	-	-	-	-	-	125,727	-	125,727	-	-	-	125,727	
- associates	-	-	-	-	-	-	-	119,591	-	119,591	-	-	-	119,591	
Fair value change on available-for-sale investments held by subsidiaries	-	-	-	-	-	-	14,231	-	-	14,231	-	11,113	11,113	25,344	
Release of reserve upon deemed disposal of available-for-sale investments	-	-	-	-	-	-	(40,401)	-	-	(40,401)	-	-	-	(40,401)	
Total comprehensive (expense) income for the period	-	-	-	-	-	-	(26,170)	999,602	-	1,620,946	2,594,378	-	1,808,082	1,808,082	4,402,460
Issue of shares upon exercise of share options	16,390	(1,093)	-	-	-	-	-	-	-	15,297	-	-	-	15,297	
Lapse of share options	-	(835)	-	-	-	-	-	-	835	-	-	-	-	-	
Transfers	-	-	-	-	-	-	-	115,737	(115,737)	-	-	-	-	-	
Capital contributions by non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	20,205	20,205	20,205	
Capital injection in a listed subsidiary upon share placement (Note vi)	-	-	-	-	(56,244)	-	-	-	-	(56,244)	-	56,244	56,244	-	
Acquisition of additional interest in a subsidiary (Note vii)	-	-	-	-	-	-	-	-	-	-	-	(251,272)	(251,272)	(251,272)	
Repurchase of shares by a listed subsidiary	-	-	-	-	(337)	-	-	-	-	(337)	-	(144)	(144)	(481)	
Dividends paid (note 7)	-	-	-	-	-	-	-	-	(500,117)	(500,117)	-	-	-	(500,117)	
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(469,518)	(469,518)	(469,518)	
At 30 June 2017 (unaudited)	13,649,839	-	939	54,855	1,977,664	(5,777,185)	355,856	411,938	1,674,146	26,621,212	38,969,264	48,202	26,671,625	26,719,827	65,689,091

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

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 was 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.

- (vi) On 5 May 2017, a non-wholly owned listed subsidiary of the Group, SIIC Environment Holdings Limited ("SIIC Environment"), completed a share placing of 350,000,000 new shares at a placement price of Singapore dollar ("S\$") 0.63 (equivalent to approximately HK\$3.49) per placement share to the Company. Upon the completion of share placing, the Company indirectly holds an aggregate of 1,197,688,226 shares in SI Environment, and the Group's shareholding in SIIC Environment increased from 37.57% to 45.95%.

The Group accounts for the above share placing as an equity transaction and the change of the Group's interest in SIIC Environment's net assets amounting to approximately HK\$56 million was charged to other reserve.

- (vii) During the six months ended 30 June 2017, the Company, through a wholly owned subsidiary and a newly acquired subsidiary, acquired total additional interest of 8.75% in 龍江環保集團股份有限公司 (Longjiang Environmental Protection Group Co., Ltd) ("Longjiang Environmental Protection") at an aggregate consideration of HK\$251 million, which is approximate to the change in its non-controlling interest. The group accounted for the acquisition as an equity transaction and the respective amount is charged to share of net assets of Longjiang Environmental Protection attributable to non-controlling interest.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	NOTES	Six months ended 30 June	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited and restated)
Net cash from operating activities		939,109	1,116,992
Net cash (used in) from investing activities:			
Acquisition of interests in associates	10	(1,234,082)	-
Purchase of property, plant and equipment		(128,734)	(298,528)
Acquisition of subsidiaries	16	(125,390)	(133,417)
(Increase) decrease in deposits paid on acquisition of property, plant and equipment		(80,116)	408,069
Development cost paid for investment properties		(68,153)	-
Purchase of available-for-sale investments		(294)	(13,069)
Proceeds from disposal of interest in a subsidiary	12	339,290	-
Interest received		281,894	357,581
Proceeds from disposal of available-for-sale investments		11,573	-
Decrease in pledged/short-term bank deposits		9,660	715,529
Dividend income received from available-for-sale investments		1,929	3,694
Deposits received upon disposal of assets held for sale		-	700,198
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)
Other investing cash flows		(89,997)	2,519
		(1,082,420)	1,515,383

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited and restated)
Net cash from (used in) financing activities:		
Bank and other borrowings raised	8,353,680	14,223,714
Capital contributions by non-controlling interests	20,205	54,651
Proceeds from issue of shares upon exercise of share options	15,297	-
Repayment of bank and other borrowings	(6,131,296)	(17,605,034)
Interest paid	(869,557)	(667,539)
Dividends paid	(500,117)	(488,633)
Dividends paid to non-controlling interests	(469,518)	(112,037)
Acquisition of additional interests in a subsidiary	(251,272)	-
Repurchase of shares by a listed subsidiary	(481)	-
Redemption of convertible bonds	-	(3,541,408)
Repurchase of convertible bonds	-	(109,080)
Acquisition of additional interest in a listed subsidiary	-	(89,922)
Proceeds from shares placement by a listed subsidiary, net of direct transaction costs	-	4,414,804
Issuance of listed bonds	-	1,188,072
Other financing cash flows	-	(2,856)
	166,941	(2,735,268)
Net increase (decrease) in cash and cash equivalents	23,630	(102,893)
Cash and cash equivalents at 1 January	31,312,457	26,810,766
Effect of foreign exchange rate changes	724,908	(1,757,946)
Cash and cash equivalents at 30 June	32,060,995	24,949,927
Represented by:		
Bank balances and cash	32,060,995	24,845,694
Bank balances and cash classified as assets held for sale	-	104,233
	32,060,995	24,949,927

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

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 2016 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 2016 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.

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, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of Annual Improvements to HKFRSs 2014-2016 Cycle

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

2. PRINCIPAL ACCOUNTING POLICIES (continued)

The application of the amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements but the application may have impact on disclosures in the consolidated financial statements for the year ending 31 December 2017.

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 September 2016, the Group, through a wholly owned subsidiary, S.I. Infrastructure Holdings Limited, completed the acquisition of 100% equity interest in Yield Express Limited (“Yield Express”) from SIIC and transferred a related shareholder’s loan, at a total cash consideration of HK\$1,803,000,000.

Yield Express, through its wholly owned subsidiaries, holds approximately 23.0584% equity interest in 寧波市杭州灣大橋發展有限公司 (“Hangzhou Bay Bridge”), which principally engages in the investment, operation and management of the bridge and its ancillary facilities.

The Group already applied AG 5 to the acquisition of Yield Express in the consolidated financial statements for the year ended 31 December 2016. 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 2016 were restated to include the financial performance and cash flows of the Yield Express and its subsidiaries (collectively referred to as the “Yield Express Group”) as if they were within the Group at 1 January 2016 (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). The impact on the condensed consolidated statement of financial position at 1 January 2016 has been set out in the consolidated financial statements for the year ended 31 December 2016.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

3. MERGER ACCOUNTING (continued)

The effects of acquisition of the Yield Express Group using merger accounting on the condensed consolidated statement of profit or loss for the six months ended 30 June 2016 are as follows:

	HK\$ '000 (unaudited and originally stated)	Business combination of entities under common control HK\$'000	HK\$ '000 (unaudited and restated)
Revenue	9,228,568	–	9,228,568
Cost of sales	(5,662,286)	–	(5,662,286)
Gross profit	3,566,282	–	3,566,282
Net investment income	361,281	371	361,652
Other income, gains and losses	231,280	(3)	231,277
Selling and distribution costs	(418,825)	–	(418,825)
Administrative and other expenses	(886,414)	(6)	(886,420)
Finance costs	(668,791)	–	(668,791)
Share of results of joint ventures	128,462	–	128,462
Share of results of associates	6,825	34,669	41,494
Gain on disposal of assets through disposal of interest in a subsidiary	1,114,163	–	1,114,163
Profit before taxation	3,434,263	35,031	3,469,294
Income tax expense	(1,038,515)	(2,924)	(1,041,439)
Profit for the period	2,395,748	32,107	2,427,855
Profit for the period attributable to			
– Owners of the Company	1,505,824	32,107	1,537,931
– Non-controlling interests	889,924	–	889,924
	2,395,748	32,107	2,427,855
Earnings per share	HK\$ (unaudited and originally stated)	HK\$	HK\$ (unaudited and restated)
– Basic	1.387	0.029	1.416
– Diluted	1.352	0.029	1.381

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

3. MERGER ACCOUNTING (continued)

The effects of acquisition of the Yield Express Group using merger accounting on the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2016 are as follows:

	HK\$'000 (unaudited and originally stated)	Business combination of entities under common control HK\$'000	HK\$'000 (unaudited and restated)
Profit for the period	2,395,748	32,107	2,427,855
Other comprehensive expense for the period	(1,302,543)	(41,729)	(1,344,272)
Total comprehensive (expense) income for the period	1,093,205	(9,622)	1,083,583
Total comprehensive (expense) income for the period attributable to			
- Owners of the Company	714,677	(9,622)	705,055
- Non-controlling interests	378,528	-	378,528
	1,093,205	(9,622)	1,083,583

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.

For the six months ended 30 June 2017

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 2017 (unaudited)

	Infrastructure facilities HK\$'000	Real estate HK\$'000	Consumer products HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
REVENUE					
Segment revenue – external sales	3,357,638	6,828,966	1,954,515	-	12,141,119
Segment operating profit (loss)	1,453,946	2,872,156	661,726	(6,648)	4,981,180
Finance costs	(290,213)	(555,107)	(1,918)	(22,679)	(869,917)
Share of results of joint ventures	136,012	(97)	-	-	135,915
Share of results of associates	64,266	(20,451)	2,301	-	46,116
Segment profit (loss) before taxation	1,364,011	2,296,501	662,109	(29,327)	4,293,294
Income tax expense	(287,722)	(1,237,452)	(108,311)	(69,283)	(1,702,768)
Segment profit (loss) after taxation	1,076,289	1,059,049	553,798	(98,610)	2,590,526
Less: profit attributable to non-controlling interests	(263,104)	(697,264)	(9,212)	-	(969,580)
Segment profit (loss) after taxation attributable to owners of the Company	813,185	361,785	544,586	(98,610)	1,620,946

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

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

Six months ended 30 June 2016 (unaudited and restated)

	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	(6,851)	2,853,966
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	56,430	(14,738)	(198)	-	41,494
Gain on disposal of assets through disposal of interest in a subsidiary	-	1,114,163	-	-	1,114,163
Segment profit (loss) before taxation	1,058,683	1,823,025	605,101	(17,515)	3,469,294
Income tax (expense) credit	(217,448)	(769,902)	(103,790)	49,701	(1,041,439)
Segment profit after taxation	841,235	1,053,123	501,311	32,186	2,427,855
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	654,794	352,651	498,300	32,186	1,537,931

For the six months ended 30 June 2017

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 2017 (unaudited)

	Infrastructure facilities HK\$'000	Real estate HK\$'000	Consumer products HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Segment assets	46,242,626	101,549,181	6,568,093	4,528,235	158,888,135
Segment liabilities	16,315,006	65,121,142	861,375	10,901,521	93,199,044

At 31 December 2016 (audited)

	Infrastructure facilities HK\$'000	Real estate HK\$'000	Consumer products HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Segment assets	42,239,453	99,269,022	7,011,509	2,728,191	151,248,175
Segment liabilities	14,914,247	64,397,622	859,800	8,603,989	88,775,658

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited and restated)
Current tax		
– Hong Kong	100,861	99,153
– PRC Land Appreciation Tax ("LAT")	733,434	312,563
– PRC Enterprise Income Tax ("EIT") (including PRC withholding tax of HK\$117,059,000 (six months ended 30 June 2016: HK\$45,328,000))	726,452	749,164
	1,560,747	1,160,880
(Over)underprovision in prior periods		
– Hong Kong	(200)	154
– PRC LAT (Note i)	–	(5,517)
– PRC EIT (Note ii)	(27,505)	(36,550)
	(27,705)	(41,913)
Deferred taxation for the current period	169,726	(77,528)
	1,702,768	1,041,439

Notes:

- (i) The Group recognised an overprovision of PRC LAT during the six months ended 30 June 2016 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 six months ended 30 June 2016 and 2017 upon completion of tax clearance procedures by certain PRC subsidiaries with the respective tax authorities.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

5. 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 one (six months ended 30 June 2016: two) PRC subsidiary which is qualified as a High New Technology Enterprise and enjoys 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.

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited and 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)	385,530	390,402
Amortisation of other intangible assets (included in cost of sales)	155,625	81,892
Depreciation of property, plant and equipment	191,900	164,661
Release of prepaid lease payments	3,634	6,232
Net increase in fair value of investment properties (included in other income)	(55,776)	(78,262)
Dividend income from investments (included in net investment income)	(1,929)	(3,694)
Net loss on disposal of property, plant and equipment	511	445
Interest income (included in net investment income)	(282,205)	(357,952)
(Increase) decrease in fair value of financial assets at fair value through profit or loss (included in net investment income)	(28,180)	846
Net foreign exchange (gain) loss	(18,188)	156,334
Share of PRC EIT of joint ventures (included in share of results of joint ventures)	50,207	43,284
Share of PRC EIT of associates (included in share of results of associates)	18,980	22,568

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

7. DIVIDENDS

	Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
2016 final dividend paid of HK46 cents (six months ended 30 June 2016: 2015 final dividend paid of HK45 cents) per share	500,117	488,633

Subsequent to the end of the reporting period, the directors of the Company have determined that an interim dividend of HK46 cents (six months ended 30 June 2016: an interim dividend of HK36 cents and a special dividend of HK10 cents) per share will be paid to the shareholders of the Company whose names appear on the Company's register of members on 19 September 2017.

8. 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	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited and restated)
Earnings:		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	1,620,946	1,537,931
Effect of dilutive potential ordinary shares – interest on convertible bonds, net of tax	301	1,045
Earnings for the purpose of diluted earnings per share	1,621,247	1,538,976
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,086,767,313	1,085,850,600
Effect of dilutive potential ordinary shares – convertible bonds	880,573	28,535,141
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,087,647,886	1,114,385,741

8. 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.

9. 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 Cushman & Wakefield Limited ("DTZ"), a firm of independent qualified professional valuers not connected with the Group. DTZ is a member of the 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 investment approach, where appropriate. During the current interim period, the Group recognised net increase in fair value of investment properties of approximately HK\$56 million in profit or loss (six months ended 30 June 2016: net increase in fair values of approximately HK\$78 million).

During the current interim period, the Group incurred costs for construction in progress of approximately HK\$48 million (six months ended 30 June 2016: HK\$14 million) and acquired other property, plant and equipment at an aggregate cost of approximately HK\$81 million (six months ended 30 June 2016: HK\$284 million) for the purpose of expanding the Group's operations and businesses.

In addition, the Group acquired other intangible assets of approximately HK\$196 million, of which an amount of approximately HK\$6 million (six months ended 30 June 2016: HK\$640 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 17 during the current interim period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

10. INTERESTS IN ASSOCIATES

During the current interim period, the Company through one of its indirect wholly-owned subsidiary, subscribed 300,000,000 new shares of Canvest Environmental Protection Group Company Limited (“Canvest Environmental”), a company listed on the Stock Exchange, a former 2.30% owned available-for-sale investment, at a price of HK\$3.5 per share, amounting to HK\$1,050 million. Upon the completion of the subscription, the Group holds 14.52% equity interest and is able to exercise significant influence over Canvest Environmental as the Group is the second largest shareholder and has appointed a director to the board of Canvest Environmental, and Canvest Environmental is accounted for as an associate using the equity method accordingly. Canvest Environmental is engaged in the provision of municipal solid waste handling services and operation and management of waste-to-energy plants in the PRC.

In addition, the Company, through its another indirectly wholly owned subsidiary, acquired 11.27% additional equity interest in 浙江五芳齋實業股份有限公司 (Zhejiang Wufangzhai Industrial Co., Ltd.) (“Wufangzhai”), a former 12.70% owned available-for-sale investment, from Shanghai Galaxy Investment Co., Ltd, a joint venture of the Group and a wholly owned subsidiary of SIIC, at a consideration of RMB162,764,700 (equivalent to HK\$184,082,000). Upon completion of the acquisition, Wufangzhai is accounted for as an associate and owned by the Group as to 23.97%. Wufangzhai is principally engaged in the production and sale of glutinous rice dumplings, chain food services and the rice industry in the PRC.

11. INVENTORIES

Inventories mainly represent properties under development held for sale. Included in the amount is HK\$20,075,196,000 (31 December 2016: HK\$18,519,645,000) which is not expected to be realised within one year.

For the six months ended 30 June 2017

12. TRADE AND OTHER RECEIVABLES

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

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Within 30 days	482,888	511,349
Within 31-60 days	290,194	255,866
Within 61-90 days	163,673	324,616
Within 91-180 days	226,428	170,387
Within 181-365 days	520,573	158,327
Over 365 days	379,671	267,315
	2,063,427	1,687,860

Included in other receivables as at 30 June 2017 were amounts of HK\$3,874,549,000 (31 December 2016: HK\$3,572,465,000) due from certain associates of which amounts of HK\$3,655,851,000 (31 December 2016: HK\$3,360,317,000) carried fixed interest at prevailing market interest rates.

As at 31 December 2016, included in the other receivables was a consideration receivable of RMB300,000,000 (equivalent to HK\$348,838,000) in respect of disposal of assets through disposal of interests in subsidiaries in prior period (30 June 2017: Nil).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

13. TRADE AND OTHER PAYABLES

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

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Within 30 days	687,702	869,497
Within 31-60 days	347,669	391,452
Within 61-90 days	206,671	256,090
Within 91-180 days	539,597	603,626
Within 181-365 days	1,080,493	868,971
Over 365 days	828,404	1,096,221
	3,690,536	4,085,857

Included in other payables as at 30 June 2017 were (a) amounts of HK\$471,899,000 (31 December 2016: HK\$352,715,000) 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\$172,692,000 and HK\$57,564,000 (31 December 2016: HK\$118,356,000) carrying interest at a fixed rate of 9% (31 December 2016: 15%) per annum and repayable on 21 June 2018 and 30 June 2018, respectively (31 December 2016: 27 June 2017), (b) amounts of HK\$1,215,000 (31 December 2016: HK\$1,086,000) due to certain fellow subsidiaries, which are unsecured, non-interest bearing and have no fixed terms of repayment, (c) an amount of HK\$142,138,000 (31 December 2016: Nil) due to a non-controlling shareholder, which is unsecured, non-interest bearing and repayable on demand and (d) accrued expenditure on properties under development of HK\$2,675,761,000 (31 December 2016: HK\$2,861,832,000).

For the six months ended 30 June 2017

14. CUSTOMER DEPOSITS FROM SALES OF PROPERTIES

These represent proceeds received on property sales that have not been recognised as revenue in accordance with the Group's revenue recognition policy. An amount of approximately HK\$71 million (31 December 2016: HK\$58 million) is expected to be recognised as revenue after more than one year.

15. BANK AND OTHER BORROWINGS

During the current interim period, the Group (i) obtained new borrowings in the amount of approximately HK\$8,354 million (six months ended 30 June 2016: HK\$14,224 million) and (ii) repaid borrowings of approximately HK\$6,131 million (six months ended 30 June 2016: HK\$17,605 million).

The borrowings carry interest at market rates and are repayable within one to eight years (31 December 2016: one to eight years).

16. ACQUISITION OF A SUBSIDIARY

In January 2017, SIIC Environment, a listed subsidiary of the Group, through its 57.97% owned subsidiary, Longjiang Environmental Protection, completed the acquisition of 100% equity interest in 鶴崗龍江環保水務有限公司 (Longjiang Environmental Water Resource (Hegang) Co., Ltd) (previously named as Citic Envirotech Water Resource (Hegang) Co., Ltd) ("Hegang Longjiang") at a total purchase consideration of RMB111,870,000 (equivalent to HK\$126,521,000). Hegang Longjiang is principally involved in the operation of two waste water treatment plants and one reclaimed water project in the PRC.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

16. ACQUISITION OF A SUBSIDIARY (continued)

	HK\$'000 (unaudited)
Consideration transferred	
Cash	126,521
Fair value of assets acquired and liabilities recognised at the date of acquisition (determined on a provisional basis) are as follows:	
Other intangible assets	5,961
Receivables under service concession arrangements	197,853
Trade and other receivables	67,485
Bank balances and cash	1,131
Trade and other payables	(143,967)
Deferred tax liabilities	(1,942)
	126,521
Goodwill arising on acquisition	
Consideration transferred	126,521
Less: net assets acquired	(126,521)
	-
Net cash outflow arising on acquisition	
Cash consideration paid	126,521
Less: bank balances and cash acquired	(1,131)
	(125,390)

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 purchase price allocation exercise in respect of the above acquisition has not yet been finalised on the date when these condensed consolidated financial statements are issued.

Included in the profit for the period ended 30 June 2017 were revenue of HK\$10,701,000 and profit of HK\$2,378,000, attributable to the additional business generated by Hegang Longjiang.

No proforma information for the acquisition of Hegang Longjiang is prepared as the acquisition was completed in January 2017 and the directors of the Company are of the opinion that Hegang Longjiang had no significant contribution to the Group's revenue or financial performance for the one month period in January 2017.

17. DISPOSAL OF ASSETS THROUGH DISPOSAL OF INTEREST IN A SUBSIDIARY

During the six months ended 30 June 2016, the Group disposed of an exclusive right for a designated portion of the "U Center" project held by Shanghai Urban Development Group Longcheng Properties Co., Ltd., a non-wholly owned subsidiary of SI Urban Development, through disposal of its entire partnership interest in Urban Development Green Carbon (Tianjin) Equity Investment Fund for a consideration of RMB1,668,000,000 (equivalent to HK\$1,991,880,000). Details of the above disposal are set out in the Group's annual financial statements for the year ended 31 December 2016.

Further details of the disposed subsidiary are set out below:

	HK\$'000 (unaudited)
Consideration	
Deposit received as at 31 December 2015	1,633,628
Consideration receivable	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)
	877,717
Gain on disposal of assets through disposal of a subsidiary	
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 2017

18. CAPITAL COMMITMENTS

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Capital expenditure contracted for but not provided in these condensed consolidated financial statements in respect of		
– acquisition of property, plant and equipment	17,392	19,009
– acquisition of prepaid lease payments	2,031,085	–
– additions in construction in progress	1,270,190	1,475,400
– additions in properties under development held for sale	5,410,189	4,283,648
– investment in an associate	55,261	53,595
	8,784,117	5,831,652

19. CONTINGENT LIABILITIES

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Guarantees given to banks in respect of banking facilities utilised by		
– property buyers	5,397,920	4,926,279
– an entity controlled by Xuhui SASAC	168,087	163,019
– joint ventures	2,709,357	1,779,633
	8,275,364	6,868,931

For the six months ended 30 June 2017

20. 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 2017 HK\$'000 (unaudited)	Fair value as at 31 December 2016 HK\$'000 (audited)	Fair value hierarchy	Valuation techniques and key inputs
Available-for-sale investments				
Listed equity securities	223,916	410,300	Level 1	Quoted bid prices in an active market
Investments held for trading				
Listed equity securities	215,440	185,572	Level 1	Quoted bid prices in an active market
Financial assets designated as at fair value through profit or loss				
Structured deposits				
– Equity linked notes	59,183	–	Level 2	Quoted prices in the over-the-counter markets
Corporate bonds	47,468	10,131	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 2017

21. 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	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Fellow subsidiaries	Interest paid by the Group	-	15,492
	Rentals and management fee paid by the Group on land and buildings	12,336	24,682
	Rentals received by the Group on land and buildings	5,324	5,968
	Loan provided by the Group	115,128	118,807
Joint venture	Interest income received by the Group	16,163	12,653
	Capital injection by the Group	-	178,211
Associates	Interest income received by the Group	65,411	78,806
	Rentals received by the Group on land and buildings	4,598	4,439
	Property agency fee paid by the Group	23,720	24,584
	Management fee paid by the Group	276	-
Non-controlling shareholders of subsidiaries	Interest paid by the Group	3,440	56
	Management fee paid by the Group	3,411	592
Entity controlled by an independent non-executive director of the Company	Rentals and management fee paid by the Group on land and buildings	3,024	3,116

In addition, a fellow subsidiary pledged a bank deposit amounting to RMB475 million (31 December 2016: RMB480 million) (equivalent to approximately HK\$547 million (31 December 2016: HK\$536 million)) to secure a bank loan granted to SI Development.

For the six months ended 30 June 2017

21. RELATED PARTY TRANSACTIONS (continued)**(ii) Compensation of key management personnel**

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

	Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Directors' fee and committee remuneration	1,005	845
Basic salaries and allowance	6,704	8,043
Bonuses	3,079	4,169
Retirement benefits scheme contributions	214	228
	11,002	13,285

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\$8,400 million (31 December 2016: HK\$6,000 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 20 March 2022. As at 30 June 2017, the extent of utilisation of such bank facilities amounted to approximately HK\$8,300 million (31 December 2016: HK\$6,000 million).

22. EVENT AFTER THE END OF THE REPORTING PERIOD

Subsequent to the end of the reporting period, SI Urban Development, a listed subsidiary of the Group successfully bid the land use rights for a piece of land in Shanghai of the PRC at a consideration of approximately RMB2,220 million (equivalent to approximately HK\$2,533 million) and the details are set out in SI Urban Development's announcement dated 2 August 2017.

Other Information

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2017, 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	Approximate percentage of the issued shares
Zhou Jun	Beneficial owner	Personal	195,000	0.02%

Note: All interests stated above represent long positions.

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

SI Urban Development

Name of Director	Capacity	Nature of interests	Number of outstanding share options (Note 2)	Approximate percentage of the issued shares
Zhou Jun ^(Note 3)	Beneficial owner	Personal	7,000,000	0.15%

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 Jun resigned as a director of SI Urban Development on 30 June 2017.

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 2017.

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 1.1.2017	Exercised during the period	Lapsed during the period	Outstanding at 30.6.2017
Category 1: Director						
Xu Bo	16.5.2012	23.69	600,000	(106,000)	(494,000)	-
Category 2: Employees						
	16.5.2012	23.69	540,000	(540,000)	-	-
Total for all categories			1,140,000	(646,000)	(494,000)	-

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

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

During the period, the weighted average closing price of the Company's shares immediately before the respective dates on which the share options were exercised is HK\$24.19.

(II) SIHL New Scheme

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

(III) SI Urban Development Scheme

The SI Urban Development Scheme was valid and effective for a period of 10 years commencing the date of its adoption and was expired on 11 December 2012. During the period, the movements in the share options to subscribe for the SI Urban Development's shares under the SI Urban Development Scheme were as follows:

	Date of grant	Exercise price per share HK\$	Number of shares issuable under the share options		
			Outstanding at 1.1.2017	Reclassified during the period	Outstanding at 30.6.2017
Category 1: an ex-director of SI Urban Development, who is also a Director of the Company					
Zhou Jun ^(Note)	24.9.2010	2.98	7,000,000	-	7,000,000
Category 2: Other directors of SI Urban Development					
	24.9.2010	2.98	22,000,000	(1,000,000)	21,000,000
Category 3: Employees of SI Urban Development					
	24.9.2010	2.98	12,750,000	(6,000,000)	6,750,000
Category 4: Others					
	24.9.2010	2.98	-	7,000,000	7,000,000
Total for all categories			41,750,000	-	41,750,000

Note: Mr. Zhou Jun resigned as a director of SI Urban Development on 30 June 2017.

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 ACQUIRE 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 2017, 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	640,900,748 (Note 1)	58.95%

Notes:

- SIIC through its subsidiaries, namely Shanghai Investment Holdings Limited, SIIC Capital (B.V.I.) Limited, Shanghai Industrial Financial (Holdings) Company Limited, SIIC Treasury (B.V.I.) Limited, SIIC CM Development Funds Limited and SIIC CM Development Limited held 519,409,748 shares, 80,000,000 shares, 32,581,000 shares, 5,895,000 shares, 3,005,000 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 2017.

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

Change in Directors' information since the date of the annual report 2016 up to the date of this report is set out below:

Mr. Zhou Jun

- resigned as an executive director of SI Urban Development on 30 June 2017.

Mr. Yuen Tin Fan

- resigned as an independent non-executive director of China Foods Limited on 29 August 2017.

EMPLOYEES AND REMUNERATION POLICIES

During the six months ended 30 June 2017, the number of employees is 18,176. 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 2017.

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.

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.

CONVERTIBLE BONDS

Tong Jie Limited, a wholly-owned subsidiary of the Company, issued zero coupon convertible bonds with a principal amount of HK\$3,900,000,000 (the "**Convertible Bonds**") to public investors in February 2013. Unless early redeemed, the Convertible Bonds will be redeemed at 105.11% of the principal amount on 18 February 2018. The bonds are guaranteed by the Company and listed on the Stock Exchange.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2017, SI Urban Development, a subsidiary of the Company, bought back a total of 300,000 of its own ordinary shares on the Stock Exchange for a total consideration of approximately HK\$481,000, and all these shares were cancelled.

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

Glossary of Terms

Term used	Brief description
Canvest Environmental	Canvest Environmental Protection Group Company Limited
Companies Ordinance	Companies Ordinance (Chapter 622 of the laws of Hong Kong)
Company	Shanghai Industrial Holdings Limited (HKSE stock code: 363)
Cowork Internet	Guangzhou Cowork Internet Technology Co., Ltd.
Cowork Technology	Guangzhou Cowork Technology Co., Ltd.
Director(s)	director(s) of the Company
Galaxy Energy	SIIC Aerospace Galaxy Energy (Shanghai) Co., Ltd.
General Water of China	General Water of China Co., Ltd.
Group	the Company and its subsidiaries
Hu-Ning Expressway	Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd.
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange
Longjiang Environmental	Longjiang Environmental Protection Group Co., Ltd.
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules
Mori Building Shanghai	Mori Building China (Shanghai) Co., Ltd.
Nanyang Tobacco	Nanyang Brothers Tobacco Company, Limited
Net Business Profit	Net profit excluding net corporate expenses
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 Hongsheng	Shanghai Hongsheng Investment Development Co., Ltd.

Glossary of Terms

Term used	Brief description
Shanghai Galaxy	Shanghai Galaxy Investment Co., Ltd.
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
SSE	Shanghai Stock Exchange
Stock Exchange or HKSE	The Stock Exchange of Hong Kong Limited
Weplus Technology	Weplus (Shanghai) Technology Co., Ltd.
Wing Fat Printing	The Wing Fat Printing Company, Limited
Wufangzhai	Zhejiang Wufangzhai Industrial Co., Ltd.