上海實業控股有限公司
SHANGHAI INDUSTRIAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 363)

ANNOUNCEMENT OF 2011 ANNUAL RESULTS

FINANCIAL HIGHLIGHTS

- Profits attributable to shareholders amounted to HK$4,088 million, representing an increase of 37.3%, after excluding disposal gain and profit contributions from the medicine business disposal of in 2010.
- Revenue for the year was HK$14,969 million, representing an increase of 3.7%.
- Profit contributions from the infrastructure facilities business amounted to HK$939 million, representing an increase of 14.3%.
- Profit contributions from the real estate business amounted to HK$2,463 million, representing an increase of 31.5%.
- Profit contributions from the consumer products business amounted to HK$907 million, representing an increase of 33.6%.
- A final dividend of HK58 cents per share (2011: HK58 cents per share) was proposed.

BUSINESS REVIEW

The Board of Directors of Shanghai Industrial Holdings Limited (the "**Company**") is pleased to announce that for the year ended 31 December 2011, the Company and its subsidiaries (the "**Group**") recorded profits attributable to shareholders of HK$4,088 million, representing an increase of 37.3%, after excluding disposal gain and profit contributions from the medicine business disposed of in 2010; revenue for the year stood at HK$14,969 million, up 3.7% over last year. During the year, our core businesses achieved steady growth and progress continued in the course of our restructuring and integration initiatives.

Infrastructure Facilities

During the year, profit contributions from the infrastructure facilities business amounted to HK$939 million, representing an increase of 14.3% and accounting for approximately 21.8% of the Group's Net Business Profit*.

Toll Roads

Jing-Hu Expressway (Shanghai Section)

Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd. recorded a net profit of HK$296 million for 2011, representing an increase of 3.4% over last year. Benefitting from steady increases in the total number of private cars in Shanghai, both toll revenue and traffic flow achieved growth, of which toll revenue for the year amounted to HK$577 million, representing an increase of 8.4%; traffic flow increased to 33.95 million vehicle journeys, representing an increase of 4.4%.

During the year, the company successfully passed the National Trunk Highway Maintenance and Management Inspection (National Inspection), and ensured smooth traffic operations during inclement weather conditions, holidays and crab seasons. In addition, countermeasures against traffic congestions at the Anting toll station continued to improve. Furthermore, all the 11 all-purpose lanes of the company have been converted into Electronic Toll Collection (ETC) lanes, bringing the total number of ETC lanes to 16 and considerably enhancing road capacity.

Hu-Kun Expressway (Shanghai Section)

Net profit of Shanghai Luqiao Development Co., Ltd. ("**Luqiao Development**") for the year amounted to HK$332 million, representing a year-on-year increase of 25.4%. With enhanced traffic flow, Hu-Kun Expressway (Shanghai Section) continued with its growth momentum with toll revenue hitting a new record of HK$849 million this year, representing an increase of 15.3% over last year. The expressway's total revenue has accounted for approximately 16.4% of the total revenue from Shanghai road networks, and continued to be ranked first in the city, with traffic flow of approximately 35.30 million vehicle journeys, an increase of 10.8%.

With an increase in the number of ETC users and additional ETC lanes operated at the gates of Songjiang and Xinqiao, revenue from ETC lanes increased steadily with better traffic flow, accounting for 10.30% of total toll revenues. The company successfully passed the National Inspection and was fully endorsed by the authority in the areas of overall road conditions, management standardization and toll station services, etc. Luqiao Development effectively reduced its finance expenses through the restructuring of its existing loans carried out in October 2011.

Hu-Yu Expressway (Shanghai Section)

Shanghai Shen-Yu Development Co., Ltd. ("**Shanghai Shen-Yu**") recorded a net profit for the year of HK$149 million, up 27.7% over last year. Toll revenue and traffic flow from Hu-Yu Expressway (Shanghai Section) reached HK$455 million and 30.95 million vehicle journeys, representing an increase of 11.0% and 11.7% respectively, mainly driven by sustained growth in the total number of vehicles and the number of tourists travelling to and from scenic attractions along the expressway.

During the year, smooth traffic operations were successfully accomplished during severe weather conditions and national holidays and management standards improved significantly through the successful completion of the National Inspection. During the year, the company actively implemented ETC works for increasing road capacity with the addition of a second dedicated-ETC lane at Xujing Toll Station. Meanwhile, the company's 10 all-purpose lanes have all been converted into dedicated ETC lanes, thereby boosting efficiency and traffic flow of ETC lanes. In May 2011, Shanghai Shen-Yu significantly reduced its finance costs through the restructuring of its existing loans.

Water Services

During the year, the Group entered into a strategic cooperation framework agreement with China Energy Conservation Investment Corporation ("**China Engery**"), a shareholder of General Water of China Co., Ltd. ("**General Water of China**") pursuant to which China Energy made a capital injection of approximately RMB103 million into General Water of China in July, resulting in an adjustment of the shareholdings between China Energy and the Group to 52.5% and 47.5% respectively. In August, China Energy acquired 21% equity interests in Asia Water Technology Ltd. ("**Asia Water**") from the Group for a consideration of HK$168 million. With the completion of these two transactions at the end of last year, the Group currently holds 54.62% equity interests in Asia Water.

Asia Water

In October 2011, the Group's entire equity interest in United Environment Co., Ltd. ("**United Environment**") was injected into Asia Water. Pursuant to the transaction, Asia Water (i) acquired 60.4% equity interests in United Environment held by the Group for a total consideration of RMB483.20 million, which shall be satisfied by way of a cash payment of RMB217.44 million and issue of new shares; and (ii) acquired a 15.1% equity interest in United Environment held by another shareholder of the company for a consideration of RMB120.80 million, which shall be satisfied in full by way of issue of new shares. With the completion of the transaction in late December, Asia Water then held 75.5% equity interest in United Environment, and with the consolidation of United Environment's results into its accounts following the acquisition, Asia Water's results for the year improved further. A provisional negative goodwill and provisional fair value gain resulting in the acquisition of a project company were also recorded. For the year 2011, the company recorded a net profit of RMB110 million and a revenue of RMB519 million, representing a year-on-year increase of four-fold and 84% respectively.

As the Group's water services business continued to grow, Asia Water will further expand the scale of its operations and strive for better performance. The company will also seek merger and acquisition opportunities for quality water assets, and take full advantage of its financing edge as a listing platform to support the company's future expansion. At the end of 2011, Asia Water owned 13 water supply plants, 18 sewage treatment plants, a total pipe network of 1,596 kilometers and a daily production capacity of 2,030,000 tonnes. In the first quarter of 2011, Asia Water completed a rights issue of 1,217,789,975 shares and raised a net proceed of approximately S$72 million. In July, Asia Water acquired a project company, which owns a 50% equity interest in a waste incineration power generation BOT project in Wenling City, China, for a total consideration of approximately RMB120 million. Pending payment of the third installment of the consideration, the transaction is expected to be completed during the first half of the year.

General Water of China

As at the end of 2011, General Water of China had total assets of RMB5,483 million, comprising 23 water supply facilities and 16 sewage treatment plants as well as two reservoirs with a gross storage tank volume of 18,232 cubic meters and a pipe network of 2,300 kilometers in total. Daily production capacity for the company reached 5,159,000 tonnes. Revenue for the year stood at HK$1,239 million, a year-on-year increase of 18.7%, reflecting increased revenues across main business operations; net profit for the year amounted to HK$56.87 million, a decline of 56.1%, mainly due to a reduction in government subsidies received by the Suifenhe Project in 2011.

Taking advantage of its brand and scale, General Water of China has been recognized as the "Top 10 Most Influential Enterprises in China's Water Industry" for nine consecutive years. With promising prospects for the development of domestic water services business driven by the acceleration of the urbanization process in mainland China, the company will step up its efforts to strengthen profit contribution, seek core business collaboration, make continued investments in scientific research and bring in additional funds through capital operation. During the year, General Water of China acquired the Xiangyang water supply project, representing its first operation and management rights for a water project in Hubei Province. The acquisition offered an additional water supply capacity of 1,000,000 tonnes per day for the company. Regarding industrial wastewater, the company won a tender for two landfill leachates treatment projects with a total contract sum of RMB18.13 million.

Real Estate

In 2011, the real estate business recorded a profit of HK$2,463 million, up 31.5% over last year and accounting for approximately 57.2% of the Group's Net Business Profit*. Revenue for the year also rose 8.0% to HK$8,583 million due to increases in property sales proceeds recorded in the books of Shanghai Industrial Development Co., Ltd. ("**SI Development**"). During the year, the Group focused its efforts on integrating and upgrading the underlying assets of the business.

In February 2011, the Group entered into sale and purchase agreements with an enterprise under Chow Tai Fook Enterprises Ltd. for the disposal to it of a 90% equity interest in lots F and G of the Qingpu land and 77% equity interest in the Four Seasons Hotel Shanghai for a total consideration of RMB2.432 billion and HK$1.164 billion respectively. The transactions for the disposal of lot F and

Four Seasons Hotel Shanghai were completed in late June last year resulting in a disposal gain for the year of approximately HK$1.842 billion, effectively revitalizing our capital funds. The parties have pledged to enhance the project brand by jointly undertaking the development of the respective land lots and hotel operation. Lot G has been injected into the Group and it is expected that the transaction for the disposal thereof will be completed during the first half of this year.

In April 2011, the Company announced the injection into Shanghai Industrial Urban Development Group Ltd. ("**SI Urban Development**") of its 59% equity interest held in Shanghai Urban Development (Holdings) Co., Ltd. ("**Shanghai Urban Development**") together with an assignment of dividend receivable. The entire transaction was completed in mid-November 2011, boosting the Group's shareholding in SI Urban Development to approximately 70%. The transaction for the acquisition by the Group from its parent company of a 63.65% equity interest in SI Development was also completed in July last year. In addition to expanding the Group's land resources, the transaction also raised its profits for the year as a result of the consolidation of SI Development's full-year results together with last year's comparative figures (as restated) into its accounts according to merger accounting. A unified real estate business operating platform with a significant size and overall competitiveness will be gradually formed through asset restructuring in the future.

Land Reserve

SI Urban Development's total land reserve across the country after consolidation has been greatly enhanced, following the successful acquisition by it of a 59% equity interest in Shanghai Urban Development. More high-quality medium- and high-end residential properties were added to its portfolio. As at 31 December 2011, SI Urban Development had a total of 25 development projects located in the key cities of mainland China including Beijing, Sanhe, Shenyang, Tianjin, Shanghai, Kunshan, Wuxi, Xi'an, Chengdu, Chongqing, Changsha, Shenzhen and Zhuhai with a planned total gross floor area exceeding 17,000,000 square meters (including investment properties).

Currently, SI Development has a total of 20 real estate investment projects, most of which are located in Shanghai, Huzhou, Harbin, Qingdao, Quanzhou, Chongqing, Chengdu and Dali with a planned total gross floor area of 6,454,300 square meters (including investment properties) as at the end of December 2011. The successful acquisition of the equity interest of SI Development further expanded the land reserve of the Group.

In addition, the Group owns quality land resources in Qingpu District, Shanghai comprising, apart from the abovementioned lots F and G, lots A to E in the district which are currently owned directly by the Company or indirectly through SI Development. The land plots were all obtained at relatively low costs and are earmarked for the development of low density luxury residential blocks and villas that would offer great appreciation and profit potential. The Company is now actively implementing joint development plans for lots A to E with SI Development.

As at 31 December 2011, taking into account SI Urban Development's and SI Development's land reserve as well as lots A to F of the Qingpu land, the Group had a planned total gross floor area of 24,483,200 square meters. This has been increased to 24,683,900 square meters after the injection of lot G of the Qingpu land. A more solid foundation has now been laid for our real estate business through the business restructuring and asset revitalization last year. In the future, the Group will explore innovative development modes in response to industry conditions, implement further integration and enhance the benefits of business linkages.

Property Development and Investment

The full-year results of Shanghai Urban Development have been consolidated into SI Urban Development's accounts for the year according to merger accounting, following the acquisition of a 59% interest in the company. The scale of operation of SI Urban Development will be increased gradually to achieve synergy and growth in future earnings base. SI Urban Development's revenue for 2011 stood at HK$4,433 million, representing a decrease of 9.20%. After the consolidation, projects which delivered sold properties units during the year mainly included "Urban Cradle" in Shanghai, "Neo Water City" in Xi'an, "Laochengxiang" in Tianjin, "Park Avenue" in Chengdu, "Toscana" in Changsha, "Forest Garden" in Changsha, "Ivy Aroma Town" in Chongqing and "Youngman Point" in Beijing, accounting for a total gross floor area of 511,800 square meters. Rental income for the year amounted to HK$235 million, accounting for a total gross floor area of 280,300 square meters. As a result, the company reported loss attributable to shareholders of HK$478 million, representing a decrease in loss of HK$263 million over last year.

The sale of offices and serviced apartments for "Urban Development International Centre" in Wuxi, a project now under SI Urban Development, was officially launched in November 2011. Primely located in the Central Waterfront Lihu core area, a key development zone under the Business Plan of Wuxi in "12th Five-Year Plan", the project has a total gross floor area of about 200,000 square meters. During the year, a pioneering online approach was adopted for the sale of the "Yoooou.net" project and "Urban Cradle • Up County" project, generating successful results. In addition, the foundation stone laying ceremony for the "Xinzhuang Transport Hub", a project developed by Shanghai Urban Development in conjunction with other companies, was also held in the middle of last year. Being one of the four key transport hubs to be constructed under the Business Plan of Shanghai in "12th Five-Year Plan", the project is 20.7% held by Shanghai Urban Development, and is expected to be completed over a period of eight years. SI Urban Development recorded a presale amount of HK$3,300 million for the year from projects including "Urban Cradle" in Shanghai, "Neo Water City" in Xi'an, "Toscana" in Changsha, "Top City" in Chongqing, "Yoooou.net" in Kunshan, "Forest Garden" in Changsha and "Park Avenue" in Chengdu, accounting for a total gross floor area of approximately 237,000 square meters.

SI Development performed satisfactorily during the year with steady improvement in sales and profitability. The company reported total revenue for the year of RMB3,582 million and a net profit of RMB455 million. Sold projects for the year included "Longines Bay" in Harbin, "Rhine Town" in Tianjin, Shanghai Zhiying properties, "Shanghai Bay" in Zhujiajiao, Shanghai, "Sea Melody" in Dali, "Waterscape & Sky Garden" in Chongqing and "Belle Rive" in Shanghai, etc., accounting for a total gross floor area as recorded in the books of the company of approximately 300,000 square meters. Presale amount for 2011 stood at RMB3,850 million, accounting for a total gross floor area of 346,200 square meters. Rental income for SI Development recorded for the year amounted to HK$152 million, coming from existing investment properties that included Shanghai Industrial Building, Golden Bell Plaza and Gao Yang Commercial Centre, etc., accounting for a total gross floor area of approximately 257,500 square meters.

In September last year, two equity funds were successfully introduced by SI Development for its wholly-owned subsidiaries, which involved injection of capital totaling RMB1.3 billion for the development of lot A4 of Jingshan City project and International Beer City project in Qingdao respectively. In May of the same year, SI Development won an auction for a plot of land located in Shengli Village, Chenghua District, Chengdu with a land area of approximately 61,506 square meters at a price of about RMB696 million. In December 2011, the Company announced the disposal by SI Development of its remaining 50% equity interests in SI Ruiou for a consideration of approximately RMB1.183 billion. The transaction is expected to help optimize the company's asset portfolio and cash flow.

Shanghai Bay, a project invested by the Group in 2009, made a profit contribution of HK$120 million during the year. In July last year, the Company announced that a new agreement was reached with Glorious Property Holdings Ltd. ("**Glorious Property**") to supersede the original repurchase agreement pursuant to which the Group may dispose of the entire equity interest in a project outside of China to Glorious Property at an equivalent consideration of RMB2 billion. The transaction was completed on 1 December last year. In addition, the Group shared the loss recorded before the completion of the disposal of equity interest in the Four Seasons Hotel Shanghai of HK$10.43 million during the year.

Consumer Products

During the year, profit contribution from the consumer products business increased 33.6% over last year to HK$907 million, accounting for approximately 21.0% of the Group's Net Business Profit*.

Tobacco

Nanyang Brothers Tobacco Co., Ltd. ("**Nanyang Tobacco**") recorded satisfactory results, achieving high growth as soon as the year began and maintaining the momentum throughout the year. As the company continued to reap the benefits from the further optimization of its brand structure, revenue for the year reached HK$2,473 million, representing a year-on-year increase of 12.6%; net profit amounted to HK$610 million, representing an increase of 15.0%. "Double Happiness" cigarettes achieved an increase in total sales volume of 5.3% for the year. A cooperative project was initiated during the year in conjunction with a large PRC domestic tobacco company for the processing of "Double Happiness" cigarettes. This venture further promotes technological advancement for Nanyang Tobacco.

A number of projects involving a total investment of some HK$550 million has been completed by the company. These included projects for expanded tobacco, tobacco production line reconstruction (phase I), as well as projects for increasing the production capacity for exquisite cans and deluxe packages. Following the reconstruction, exquisite can production reached an annual output of 100,000 units together with the completion of setting automated auxiliary equipment. Construction work for the Yuen Long storage project was completed and is now available for use. In the year to come, Nanyang Tobacco will implement a solid long-term development strategy to focus its efforts on strengthening research and development, market expansion and technological transformation.

Printing

The Wing Fat Printing Co., Ltd. ("**Wing Fat Printing**") maintained stable business growth during the year. Satisfactory progress was made in the expansion of its cigarette and wine packaging business through actively securing orders from external markets. Sales in metal can and packaging printing for Nanyang Tobacco also saw sustained growth. In 2011, Wing Fat Printing recorded a revenue of HK$1,768 million, representing a decline of 37.9%, mainly due to a decline in operating revenue that resulted from the disposal of its containerboard business. Net profit for the year saw a substantial increase of 106% over last year to reach HK$320 million.

In January 2011, the Company announced the disposal of its entire 78.13% equity interest in Hebei Yongxin Paper Co., Ltd. ("**Hebei Yongxin Paper**") with a consideration of RMB564 million, thereby withdrawing completely from the containerboard business, in order to focus its resources on the development of the more profitable packaging printing business. The transaction was completed in May 2011 from which Wing Fat Printing obtained a disposal gain of HK$162 million. Looking ahead, the company will strive to secure orders for its packaging printing business from external markets in order to sustain stable business growth.

PROSPECTS

Through restructuring and integration plans as well as revitalization of its assets, the Group has laid a solid foundation for its real estate business. Despite challenges ahead, such as mainland's real estate control policy and the volatility of the capital markets in Europe and the Unites States, the Group will continue to consolidate and upgrade its real estate business platforms, including SI Development and SI Urban Development. By creating synergy and capitalizing on its competitive strength, the Group is confident of being able to generate higher returns from its real estate business.

As for toll roads and water services, the Group will continue to pursue acquisitions and mergers to expand the scale of its investments, with the intention to grow and strengthen the two core businesses through capital operations and to obtain full brand benefits and economies of scale to conform with the Group's strategic positioning.

In the coming year, Nanyang Tobacco and Wing Fat Printing will continue to optimize its operation and product mix to increase production capacity. Equipment and technology will be further upgraded to improve production and operational efficiencies. All these efforts will help continue to contribute strong and stable earnings to the Group.

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

Teng Yi Long
Chairman

Hong Kong, 30 March 2012

**Net profit excluding net corporate expenses*

FINAL DIVIDEND

The Board of Directors has recommended a final dividend of HK58 cents per share (2010: HK58 cents per share). Together with the interim dividend of HK50 cents per share (2010: HK50 cents per share), the total dividend for the year ended 31 December 2011 amounted to HK108 cents per share (2010: HK108 cents per share).

Subject to approval by the Shareholders at the Annual General Meeting, the final dividend will be paid on or about Tuesday, 12 June 2012 to shareholders whose names appear on the register of members of the Company on Friday, 1 June 2012.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held at the Conference Room of the Company at 26th Floor, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong on Friday, 25 May 2012 at 3:00 p.m (the "**Annual General Meeting**"). Notice of the meeting will be despatched to the shareholders in mid April 2012 and will be made available at the HKExnews website of The Hong Kong Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") at *www.hkexnews.hk* and the website of the Company at *www.sihl.com.hk* accordingly.

CLOSURE OF REGISTER OF MEMBERS

Annual General Meeting

For the purpose of determining Shareholders' eligibility to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Wednesday, 23 May 2012 to Friday, 25 May 2012, both days inclusive, during which period no transfer of shares will be effected. As such, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong by 4:30 p.m. on Tuesday, 22 May 2012.

Final Dividend

For the purpose of determining Shareholders' entitlement to the final dividend, the register of members of the Company will be closed from Thursday, 31 May 2012 to Friday, 1 June 2012, both days inclusive, during which period no transfer of shares will be effected. As such, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong by 4:30 p.m. on Wednesday, 30 May 2012.

REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed the Company's consolidated annual results for the year ended 31 December 2011.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") throughout the year ended 31 December 2011.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

PUBLICATION OF THE ANNUAL REPORT

The Annual Report 2011 will be despatched to the Shareholders in mid April 2012 and will be made available at the HKExnews website of the Stock Exchange at *www.hkexnews.hk* and the website of the Company at *www.sihl.com.hk* accordingly.

BOARD OF DIRECTORS

As at the date of this announcement, the Board of Directors of the Company comprises seven Executive Directors, namely Mr. Teng Yi Long, Mr. Cai Yu Tian, Mr. Lu Ming Fang, Mr. Zhou Jie, Mr. Qian Shi Zheng, Mr. Zhou Jun and Mr. Qian Yi; three Independent Non-Executive Directors, namely, Dr. Lo Ka Shui, Prof. Woo Chia-Wei and Mr. Leung Pak To, Francis.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	**2011**	2010
		HK$'000	HK$'000
			(restated)
Continuing operations			
Revenue	*3*	**14,969,132**	14,435,231
Cost of sales		**(9,660,357)**	(9,993,473)
Gross profit		**5,308,775**	4,441,758
Net investment income		**448,652**	756,023
Other income		**1,035,509**	1,618,540
Selling and distribution costs		**(882,100)**	(919,645)
Administrative and other expenses		**(1,569,589)**	(1,509,714)
Finance costs		**(1,078,804)**	(541,440)
Share of results of jointly controlled entities		**19,960**	383,952
Share of results of associates		**36,587**	45,392
Gain from bargain purchase of interests in subsidiaries		**73,671**	361,060
Gain on disposal of interests in subsidiaries holding property interests		**1,261,588**	-
Net gain on disposal of interests in other subsidiaries, jointly controlled entities and associates		**1,773,231**	136,137
Impairment loss on available-for-sale investments		**(110,474)**	(284,224)
Profit before taxation		**6,317,006**	4,487,839
Income tax expense	*4*	**(2,037,463)**	(865,784)
Profit for the year from continuing operations	*5*	**4,279,543**	3,622,055
Discontinued operations			
Profit for the year from discontinued operations		**-**	3,269,339
Profit for the year		**4,279,543**	6,891,394
Profit for the year attributable to			
- Owners of the Company		**4,088,468**	6,205,034
- Non-controlling interests		**191,075**	686,360
		4,279,543	6,891,394

	Note	**2011**	2010
		HK$	HK$
			(restated)
Earnings per share	*7*		
From continuing and discontinued operations			
- Basic		**3.79**	5.75
- Diluted		**3.79**	5.75
From continuing operations			
- Basic		**3.79**	2.76
- Diluted		**3.79**	2.76

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

	2011	2010
	HK$'000	HK$'000
		(restated)
Profit for the year	**4,279,543**	6,891,394
Other comprehensive income		
Exchange differences arising on translation of foreign operations		
- subsidiaries	**885,321**	1,724,949
- jointly controlled entities	**78,373**	44,785
- associates	**54,986**	33,324
Fair value adjustment on available-for-sale investments		
- subsidiaries	**(130,387)**	(57,792)
- an associate	**-**	69,965
Impairment loss on available-for-sale investments	**110,474**	194,524
Fair value gain on hedging instruments in cash flow hedges	**2,458**	4,301
Reclassification of hedging reserve upon termination of hedging relationship	**8,254**	-
Reclassification of other comprehensive income upon disposals / deemed partial disposal of		
- interests in subsidiaries/the disposal group held for sale	**(348,023)**	(344,668)
- interests in jointly controlled entities	**(22,855)**	-
Other comprehensive income for the year	**638,601**	1,669,388
Total comprehensive income for the year	**4,918,144**	8,560,782
Total comprehensive income attributable to:		
- Owners of the Company	**4,370,978**	7,040,172
- Non-controlling interests	**547,166**	1,520,610
	4,918,144	8,560,782

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2011

	Notes	**31.12.2011**	31.12.2010	1.1.2010
		HK$'000	HK$'000	HK$'000
			(restated)	(restated)
Non-Current Assets				
Investment properties		**9,472,442**	8,283,343	5,104,113
Property, plant and equipment		**3,190,652**	3,003,956	4,668,003
Prepaid lease payments – non-current portion		**131,557**	386,496	339,689
Toll road operating rights		**14,388,904**	14,289,125	12,858,011
Other intangible assets		**1,157,760**	560,922	120,222
Goodwill		**-**	-	19,453
Interests in jointly controlled entities		**1,741,484**	1,204,498	1,230,312
Interests in associates		**2,062,822**	585,335	299,154
Investments		**625,486**	3,318,483	3,416,866
Receivables under service concession arrangements – non-current portion		**2,073,464**	897,284	-
Consideration receivables		**582,384**	-	-
Deposits paid on acquisition of property, plant and equipment		**18,030**	55,092	149,111
Restricted bank deposits		**86,446**	76,476	73,376
Deferred tax assets		**288,210**	153,346	97,434
		35,819,641	32,814,356	28,375,744
Current Assets				
Inventories		**54,176,104**	50,238,521	25,851,703
Trade and other receivables	*8*	**4,649,865**	4,009,727	4,145,299
Prepaid lease payments – current portion		**4,566**	13,737	11,896
Investments		**856,311**	144,710	158,759
Receivables under service concession arrangements – current portion		**67,536**	224,821	-
Amounts due from customers for contract work		**38,298**	-	-
Prepaid taxation		**475,258**	542,971	83,486
Pledged bank deposits		**333,594**	108,862	911,828
Short-term bank deposits		**1,402,294**	3,060,563	262,234
Bank balances and cash		**16,529,835**	14,271,809	11,271,480
		78,533,661	72,615,721	42,696,685
Assets classified as held for sale		**1,461,315**	4,015,959	7,415,922
		79,994,976	76,631,680	50,112,607
Current Liabilities				
Trade and other payables	*9*	**12,356,913**	19,450,097	18,724,144
Customer deposits from sales of properties		**12,991,344**	12,819,794	3,847,747
Amounts due to customers for contract work		**64,058**	-	-
Convertible notes		**-**	2,607	-
Derivative financial instrument - warrants		**3**	16,600	-
Taxation payable		**3,393,521**	2,974,506	1,182,553
Bank and other borrowings		**14,929,558**	11,556,425	4,693,652
		43,735,397	46,820,029	28,448,096
Liabilities associated with assets classified as held for sale		**-**	2,836,229	1,922,716
		43,735,397	49,656,258	30,370,812
Net Current Assets		**36,259,579**	26,975,422	19,741,795
Total Assets less Current Liabilities		**72,079,220**	59,789,778	48,117,539

	31.12.2011	31.12.2010	1.1.2010
	HK$'000	HK$'000	HK$'000
		(restated)	(restated)
Capital and Reserves			
Share capital	**107,979**	107,979	107,977
Share premium and reserves	**30,703,365**	25,451,505	19,625,469
Equity attributable to owners of the Company	**30,811,344**	25,559,484	19,733,446
Non-controlling interests	**15,848,980**	13,241,252	9,823,109
Total Equity	**46,660,324**	38,800,736	29,556,555
Non-Current Liabilities			
Provision for major overhauls	**74,047**	74,579	-
Senior notes	**3,042,928**	3,071,744	-
Bank and other borrowings	**17,942,347**	13,866,442	15,962,818
Deferred tax liabilities	**4,359,574**	3,976,277	2,598,166
	25,418,896	20,989,042	18,560,984
Total Equity and Non-Current Liabilities	**72,079,220**	59,789,778	48,117,539

Notes:

(1) GENERAL

The financial information contained in this results announcement does not constitute the Group's statutory financial statements for the year ended 31 December 2011 but is derived from those financial statements.

Scope of work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2011 as set out in the results announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the results announcement.

(2) BASIS OF PREPARATION AND RESTATEMENTS

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA. The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

(i) Merger Accounting and Restatements

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

In the current year, the Group completed the acquisition of approximately 63.65% equity interest in SI Development from SIIC Shanghai (Holdings) Co., Ltd. ("**SIIC Shanghai**"), an indirect wholly-owned subsidiary of Shanghai Industrial Investment (Holdings) Company Limited.

In applying AG 5 to the acquisition of SI Development, the consolidated statements of financial position of the Group as at 1 January 2010 and 31 December 2010 have been restated to include the assets and liabilities of SI Development and its subsidiaries (collectively referred to as "**SI Development Group**") as if they were within the Group on that date. The consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2010 have also been restated to include the results and cash flows of SI Development Group as if this acquisition had been completed on 1 January 2010.

(ii) Application of New and Revised HKFRSs

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA.

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) - Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKAS 24 Related Party Disclosures (as revised in 2009)

HKAS 24 (as revised in 2009) has been revised on the following two aspects:

(a) HKAS 24 (as revised in 2009) has changed the definition of a related party but the application has no material impact to the Group.

(b) In addition, HKAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities whilst the previous version of HKAS 24 did not contain specific exemption for government-related entities. The Company and its subsidiaries are government-related entities as defined in HKAS 24 (as revised in 2009). Under HKAS 24 (as revised in 2009), the Group has been exempted from making the disclosures required by paragraph 18 of HKAS 24 (as revised in 2009) in relation to related party transactions and outstanding balances (including commitments) with (a) the PRC government that ultimately has control over the Group and (b) other entities that are controlled, jointly controlled, or significantly influenced by the PRC government. Rather, in respect of these transactions and balances, HKAS 24 (as revised in 2009) requires the Group to disclose (a) the nature and amount of each individually significant transaction, and (b) a qualitative or quantitative indication of the extent of transactions that are collectively, but not individually, significant.

HKAS 24 (as revised in 2009) requires retrospective application. The application of HKAS 24 (as revised in 2009) has had no impact on the Group's financial performance and positions for the current and prior years.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 7	Disclosures - Transfers of Financial Assets[1]
	Disclosures - Offsetting Financial Assets and Financial Liabilities[2]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax - Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2015
[4] Effective for annual periods beginning on or after 1 January 2012
[5] Effective for annual periods beginning on or after 1 July 2012
[6] Effective for annual periods beginning on or after 1 January 2014

(3) SEGMENT INFORMATION

Segment revenues and results

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

For the year ended 31 December 2011

Continuing operations

	Infrastructure facilities	**Real estate**	**Consumer products**	**Consolidated**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
REVENUE				
Segment revenue - external sales	**2,453,826**	**8,583,251**	**3,932,055**	**14,969,132**
Segment profit	**1,300,615**	**2,107,105**	**934,001**	**4,341,721**
Net unallocated corporate expense				**(474)**
Finance costs				**(1,078,804)**
Share of results of jointly controlled entities				**19,960**
Share of results of associates				**36,587**
Gain from bargain purchase of interests in subsidiaries				**73,671**
Gain on disposal of interests in subsidiaries holding property interests				**1,261,588**
Net gain on disposal of interests in other subsidiaries, jointly controlled entities and associates				**1,773,231**
Impairment loss on available-for-sale investments				**(110,474)**
Profit before taxation (continuing operations)				**6,317,006**

For the year ended 31 December 2010 (restated)

Continuing operations

	Infrastructure facilities	Real estate	Consumer products	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE				
Segment revenue - external sales	1,687,270	7,950,094	4,797,867	14,435,231
Segment profit	971,996	2,455,473	913,277	4,340,746
Net unallocated corporate income				46,216
Finance costs				(541,440)
Share of results of jointly controlled entities				383,952
Share of results of associates				45,392
Gain from bargain purchase of interests in subsidiaries				361,060
Net gain on disposal of interests in other subsidiaries, jointly controlled entities and associates				136,137
Impairment loss on available-for-sale investments				(284,224)
Profit before taxation (continuing operations)				4,487,839

(4) INCOME TAX EXPENSE

	2011	2010
	HK$'000	HK$'000
		(restated)
Continuing operations		
Current tax		
- Hong Kong	**154,323**	122,365
- PRC Land appreciation tax ("**PRC LAT**")	**650,405**	418,061
- PRC Enterprise income tax ("**PRC EIT**") (including PRC withholding tax of HK$15,285,000 (2010: HK$30,215,000))	**1,180,540**	474,515
	1,985,268	1,014,941
Under(over)provision in prior years		
- Hong Kong	**22,113**	25,210
- PRC LAT (note)	**-**	(74,878)
- PRC EIT	**(14,812)**	32,312
	7,301	(17,356)
Deferred taxation for the year (including PRC withholding tax of HK$59,847,000 (2010: HK$553,000))	**44,894**	(131,801)
	2,037,463	865,784

Note: During the year ended 31 December 2010, a group entity completed the tax clearance of a property project in Beijing which resulted in an overprovision of LAT of HK$74,878,000 and an underprovision of related PRC EIT of HK$18,720,000.

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

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. For companies that were qualified under old law or regulations for incentive tax rate of 15%, the tax rate would progressively increase from 18% in year 2008 to 20%, 22%, 24% and 25% in years 2009, 2010, 2011 and 2012, respectively. For a subsidiary that was still entitled to certain exemption and reliefs ("**Tax Benefit**") from PRC EIT, the EIT Law allowed that subsidiary to continue to enjoy the Tax Benefit. The relevant tax rate for that subsidiary in the year 2011 is 12% and will increase to 12.5% in the year 2012 and to 25% thereafter.

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.

(5) PROFIT FOR THE YEAR

	2011	2010
	HK$'000	HK$'000
		(restated)
Continuing operations		
Profit for the year has been arrived at after charging:		
Amortisation of toll road operating rights (included in cost of sales)	**532,601**	469,680
Amortisation of other intangible assets		
- included in cost of sales	**24,662**	3,612
- included in administrative and other expenses	**1,095**	1,201
Depreciation of property, plant and equipment	**269,889**	320,471
Release of prepaid lease payments	**10,634**	13,492
Compensation to customers as a result of late delivery of properties	**132,832**	16,837
Impairment loss on bad and doubtful debts	**65,514**	20,324
Impairment loss on interests in associates	**-**	57,434
Impairment loss on properties held for sale	**57,742**	-
Impairment loss on property, plant and equipment	**-**	4,056
Impairment loss on other intangible assets	**8,285**	-
Impairment loss on goodwill relating to a subsidiary	**-**	5,730
Decrease in fair value of investment properties (included in administrative and other expenses)	**-**	15,714
Loss on disposal of property, plant and equipment	**1,315**	19,663
Research and development costs	**8,019**	3,842
Share of PRC EIT of jointly controlled entities (included in share of results of jointly controlled entities)	**17,359**	10,639
Share of PRC EIT of associates (included in share of results of associates)	**29**	16,892
Settlement of litigations	**44,267**	-
and after crediting other income as follows:		
Fair value gain on transfer of properties held for sale to investment properties	**152,212**	-
Increase in fair value of investment properties	**453,791**	-
Net foreign exchange gains	**281,354**	149,210
Reversal of impairment loss on bad and doubtful debts	**10,890**	15,782
Reversal of impairment loss on properties under development held for sale	**-**	319,258
Reversal of impairment loss on the payment for acquisition of PRC property projects	**-**	165,557
Reversal of compensation expenses	**-**	483,715

(6) DIVIDENDS

	2011	2010
	HK$'000	HK$'000
Dividends recognised as distribution during the year:		
2011 interim dividend of HK50 cents (2010: 2010 interim dividend of HK50 cents) per share	**539,893**	539,883
2010 final dividend of HK58 cents (2010: 2009 final dividend of HK60 cents) per share	**626,275**	647,859
	1,166,168	1,187,742

The final dividend of HK58 cents in respect of the year ended 31 December 2011 (2010: final dividend of HK58 cents in respect of the year ended 31 December 2010) per share, amounting to approximately HK$626.3 million (2010: HK$626.3 million) in total, has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

(7) EARNINGS PER SHARE

For continuing and discontinued operations

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

	2011	2010
	HK$'000	HK$'000
		(restated)
Earnings:		
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**4,088,468**	6,205,034

	2011	2010
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,079,785,000**	1,079,767,795
Effect of dilutive potential ordinary shares - share options of the Company	**-**	8
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,079,785,000**	1,079,767,803

The computation of diluted earnings per share does not assume:

(i) the exercise of the Company's outstanding options if the exercise price of those options was higher than the average market price for the corresponding period;

(ii) the conversion of convertible notes outstanding issued by SI Urban Development since they are anti-dilutive;

(iii) the exercise of options/warrants issued by SI Urban Development because the options/warrants are anti-dilutive; and

(iv) the exercise of options issued by Asia Water since they are anti-dilutive.

For continuing operations

The calculation of the basic and diluted earnings per share for continuing operations attributable to owners of the Company is based on the following data:

	2011	2010
	HK$'000	HK$'000
		(restated)
Earnings figures are calculated as follows:		
Profit for the year attributable to owners of the Company	**4,088,468**	6,205,034
Less: profit for the year from discontinued operations attributable to owners of the Company	**-**	(28,285)
gain on disposal from discontinued operations	**-**	(3,198,489)
Earnings for the purpose of basic and diluted earnings per share for continuing operations	**4,088,468**	2,978,260

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

For discontinued operations

Basic and diluted earnings per share for the discontinued operations for the year ended 31 December 2010 was HK$2.99 per share, calculated based on the profit for the year from the discontinued operations attributable to owners of the Company and gain on disposal from discontinued operations of HK$3,226,774,000 and the denominators detailed above for basic and diluted earnings per share.

(8) TRADE AND OTHER RECEIVABLES

	31.12.2011 **HK$'000**	31.12.2010 HK$'000 (restated)	1.1.2010 HK$'000 (restated)
Trade receivables	**736,929**	401,592	523,470
Less: allowance for doubtful debts	**(61,159)**	(6,682)	(11,800)
	675,770	394,910	511,670
Other receivables	**3,974,095**	3,614,817	3,633,629
Total trade and other receivables	**4,649,865**	4,009,727	4,145,299

The Group generally allows credit periods ranging from 30 days to 180 days to its trade customers, other than property buyers. For property sales, due to the nature of business, the Group generally grants no credit period to property buyers. The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period. The analysis includes those classified as part of a disposal group.

	31.12.2011 **HK$'000**	31.12.2010 HK$'000 (restated)
Within 30 days	**294,326**	385,161
Within 31 – 60 days	**98,662**	163,755
Within 61 – 90 days	**86,388**	65,603
Within 91 – 180 days	**73,006**	30,649
Within 181 – 365 days	**105,122**	14,006
Over 365 days	**18,266**	9,360
	675,770	668,534

(9) TRADE AND OTHER PAYABLES

	31.12.2011	31.12.2010	1.1.2010
	HK$'000	HK$'000	HK$'000
		(restated)	(restated)
Trade payables	**1,957,196**	1,179,536	1,627,222
Consideration payables	**389,487**	6,507,931	6,157,669
Other payables	**10,010,230**	11,762,630	10,939,253
Total trade and other payables	**12,356,913**	19,450,097	18,724,144

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period. The analysis includes those classified as part of a disposal group.

	31.12.2011	31.12.2010
	HK$'000	HK$'000
		(restated)
Within 30 days	**639,021**	586,698
Within 31 – 60 days	**174,055**	50,883
Within 61 – 90 days	**9,198**	14,773
Within 91 – 180 days	**29,933**	20,155
Within 181 – 365 days	**682,343**	336,683
Over 365 days	**422,646**	306,197
	1,957,196	1,315,389

FINANCIAL REVIEW

I. Analysis of Financial Results

1. Revenue

Revenue for 2011 increased by 3.7% from last year to approximately HK$14,969.13 million mainly due to the infrastructure facilities business benefited from growth in revenue contribution from the newly consolidated United Environment and Asia Water, and the increase in property sales booked in respect of the real estate business as compared to last year. The increase is partly offset by the year-on-year decrease in revenue of consumer products business due to the decrease in sales of Wing Fat Printing as a result of the completion of its disposal of Hebei Yongxin Paper during the year.

The year-on-year increase in revenue of the infrastructure facilities business was mainly due to a considerable increase in toll revenue of Hu-Kun Expressway as the alteration and expansion works were completed, and that revenue for the year of United Environment was consolidated upon completion of its acquisition in November 2010 and revenue of Asia Water was also consolidated starting from the second quarter as a controlling stake was obtained.

The property sales booked by SI Development from eight projects during the year has brought about an approximately HK$2,300 million increase in sales over last year for the real estate business. Sales also came from the property sales booked by SI Urban Development for the year from a small number of remaining units under seven projects including units of West Diaoyutai and Youngman Point in Beijing, units of Laochengxiang in Tianjin, units of Neo Water City in Xian, units of Park Avenue in Chengdu, units of Top City in Chongqing and units of Forest Garden in Hunan. However, the increase in revenue of real estate business was offset by the drop in property sales booked by Shanghai Urban Development during the year, a small number of remaining residential property units under four projects were booked which included units of Lot D Lounge City, units of Lot B Yuxi villa and remaining units of Lot E of Urban Cradle; units of Kunshan Royal Villa; units of Changsha Toscana as well as units of the newly launched project Chongqing Ivy Aroma Town.

Regarding the revenue of consumer products business, Nanyang Tobacco maintained stable growth, which was offset by a decrease in sales of Wing Fat Printing as a result of the completion of its disposal of Hebei Yongxin Paper during the year.

2. Profit Contribution from Each Business

Net profit from the infrastructure facilities business was approximately HK$938.63 million during the year, accounting for 21.8% of Net Business Profit and representing a year-on-year increase of 14.3%. The profit increase was mainly driven by the natural growth in traffic flow recorded by Hu-Kun Expressway and Hu-Yu Expressway as well as the profit contribution from last year's newly invested United Environment.

A number of restructuring was made in the water business during the year, including the effective increase of the Group's equity interest held in Asia Water in light of the termination of the agreement on General Water of China's repurchase of S.I. Infrastructure Holdings Limited's ("**SI Infrastructure**") equity interest held in Asia Water, and the Group began to consolidate the results of Asia Water and a one-time gain from bargain purchase of approximately HK$37.72 million was recorded; Asia Water completed an additional acquisition of interests in the sewage treatment project in Hanxi, Wuhan from 37% to 80% in November, and recorded bargain purchase and fair value gain of approximately HK$31.43 million; and the capital contribution of General Water of China by China Energy Conservation at premium price, which diluted the Company's interest in General Water of China to 47.5% and an equity interest dilution gain of approximately HK$17.86 million was recorded. The increase in profit was partially offset by a one-time gain from bargain purchase of approximately HK$76.00 million recorded by Asia Water in last year.

The real estate business recorded a profit of approximately HK$2,463.34 million, accounting for 57.2% of Net Business Profit and representing a significant increase of HK$590.33 million or 31.5% as compared to the same period last year. The increase was mainly due to a gain of HK$1,125.33 million on the disposal of 90% equity interest in Lot F of Qingpu land, a gain of HK$716.99 million on the disposal of 77% equity interest in Four Seasons Hotel Shanghai and a gain of HK$170.29 million on the disposal of the equity interest in Shanghai Bay project during the year. In addition, a revaluation gain on investment properties of approximately HK$214.59 million was also recorded. Although the attributable profit of SI Development for the year was included in accordance with merger accounting after the completion of its acquisition on 4 July 2011, and such profit included a compensation for the preliminary stage of Quanzhou project and a gain on equity interest dilution of Qingdao project of HK$305.45 million in total, while in last year, SI Development recorded reversal of impairment loss of HK$652.51 million for Quanzhou project and profit of HK$83.14 million for disposal of Haiji Real Estate (海際房地產), a project company, resulting in a year-on-year decrease of HK$308.75 million in the profit contribution from SI Development. The increase in profit of the real estate business was offset by a year-on-year decrease in profit contribution from Shanghai Urban Development due to the small amount of property sales booked coupled with a decrease in investment income contributed by the investment in Shanghai Bay project and the tax expense of approximately HK$103.18 million arising from the injection of 59% equity interest of Shanghai Urban Development to SI Urban Development.

The consumer products business recorded a net profit of HK$906.65 million during the year, accounting for 21.0% of Net Business Profit. Net profit recorded an increase of HK$228.22 million, representing an increase of 33.6% year-on-year, mainly due to the fact that Nanyang Tobacco recorded a year-on-year increase of 5.3% in sales volume, an increase of 7.0% in average selling price per case, and an increase of 12.6% in net sales through continuous product mix and price adjustments during the period. While the cost of production has been increasing, the price increase in tobacco leaves and raw materials was partially offset by cost control measures and gross margin was maintained at the same level as last year of 45.5% which resulted in a significant year-on-year rise of HK$79.47 million in net profit. During the year, Wing Fat Printing maintained stable development in its packaging printing business and recorded an attributable gain of approximately HK$150 million upon completion of the disposal of its containerboard operation.

The disposal of the medicine business was completed in mid-February 2010. A disposal gain of HK$3,198.49 million and a one month’s attributable profit of HK$28.28 million were recorded respectively in the same period last year.

3. Profit before Taxation

(1) Gross profit margin

Gross profit margin for the year was 35.5%, an increase of 4.7 percentage points as compared to 30.8% for last year. The increase in gross profit margin was mainly due to the property sales booked in respect of the real estate business for the year were higher gross margin commodity housing.

(2) Net investment income

Investment income decreased as compared to the same period last year mainly due to the fact that Shanghai Bay project contributed an investment income of only approximately HK$119.72 million for the year.

(3) Other income

Other income increased as compared to the same period last year mainly attributable to the gains from change in fair value of investment properties of approximately HK$600 million.

(4) Share of results of jointly controlled entities

The Group's share of results of jointly controlled entities dropped significantly mainly due to the share of significant profit of approximately HK$232.00 million from property sales booked by a jointly controlled property development company in last year, and the non-recurrence share of gain from bargain purchase of approximately HK$76 million booked upon completion of the acquisition of equity interest in Asia Water last year.

(5) Gain on disposal of interests in subsidiaries holding property interests and net gain on disposal of interests in other subsidiaries and associates

During the year, the Group completed the disposal of 90% equity interest in Lot F of Qingpu land and recorded a pre-tax disposal gain of approximately HK$1,261.59 million. During the year, the Group completed the disposals of 77% equity interest in Four Seasons Hotel Shanghai, 100% equity interest in Quanzhou project, 50% equity interest in Qingdao project, 100% equity interest in Shanghai Bay project and the entire 78.13% equity interest in Hebei Yongxin Paper etc and recorded pre-tax disposal gains totaling HK1,773.23 million.

(6) Gain from bargain purchase of interests in subsidiaries and impairment loss on available-for-sale investments

During the year, due to the termination of the agreement on General Water of China's repurchase of SI Infrastructure's equity interest held in Asia Water, the Group's equity interest held in Asia Water was increased to a controlling stake and a gain from bargain purchase of approximately HK$37.72 million was recorded; and Asia Water also recorded a gain from bargain purchase of approximately HK$35.95 million arising from its acquiring additional equity interest in the sewage treatment project in Hanxi, Wuhan whereas the Group completed the acquisition of 45.02% equity interest in SI Urban Development and recorded a gain from bargain purchase of HK$361.06 million in last year. Impairment loss was provided with reference to the fair value of the available-for-sale investments.

4 Dividends

The Group continued to adopt a stable dividend payout policy. the Board of Directors has proposed to declare a final dividend of HK58 cents per share, together with an interim dividend of HK50 cents per share, the total dividend amounts to HK108 cents per share for 2011, maintain the same total dividend amounts of 2010.

II. Financial Position of the Group

1. Capital and Equity attributable to Owners of the Company

The Group had a total of 1,079,785,000 shares in issue as at 31 December 2011, which was the same as the number of shares as at the end of 2010.

The equity attributable to owners of the Company reached HK$30,811.34 million as at 31 December 2011, which was attributable to the net profits after deducting the dividend actually paid during the year.

2. Indebtedness

(1) Borrowings

The Group obtained two syndication loan facilities of a total of HK$5.20 billion in last year through a wholly-owned subsidiary, SIHL Finance Limited ("**SIHL Finance**"). Both loan facilities were drawn during the year and applied to refinance the existing debts. During the year, SIHL Finance concluded two bilateral bank loan facilities for a total of HK$2.1 billion, and both facilities will be applied to repay a multi-lateral term and revolving loan of HK$4.9 billion due in 2012. In addition, during the year, the Company concluded two bilateral bank loan facilities of RMB1.35 billion for its subsidiary's debt refinancing. The loan facilities were both drawn during the year and applied to refinance the existing debts.

As at 31 December 2011, the total borrowings of the Group including bank borrowings, other borrowings, senior notes and convertible notes amounted to approximately HK$37,102.45 million (31 December 2010: HK$34,289.62 million), of which 68.4% (31 December 2010: 70.0%) was unsecured credit facilities.

(2) Pledge of assets

As at 31 December 2011, the following assets were pledged by the Group in order to secure general credit facilities granted to the Group:

(a) investment properties with an aggregate carrying value of HK$6,221,268,000 (31.12.2010: HK$4,501,498,000, as restated);

(b) leasehold land and buildings with an aggregate carrying value of HK$128,455,000 (31.12.2010: HK$363,528,000, as restated);

(c) plant and machineries with an aggregate carrying value of HK$194,102,000 (31.12.2010: HK$66,130,000);

(d) two toll road operating rights of HK$10,708,600,000 (31.12.2010: HK$10,594,414,000);

(e) receivables under service concession arrangements with an aggregate carrying value of HK$94,070,000 (31.12.2010: HK$175,560,000);

(f) properties under development held for sale with an aggregate carrying value of HK$7,712,800,000 (31.12.2010: HK$5,808,127,000, as restated);

(g) properties held for sale with an aggregate carrying value of HK$30,545,000 (31.12.2010: HK$144,569,000, as restated);

(h) trade receivables with an aggregate carrying value of HK$132,363,000 (31.12.2010: Nil); and

(i) bank deposits with an aggregate carrying value of HK$333,594,000 (31.12.2010: HK$108,862,000).

(3) Contingent liabilities

As at 31 December 2011, the guarantees given to banks by the Group in respect of banking facilities utilised by an entity controlled by Xuhui District State Owned Asset Administrative Committee, a former subsidiary and property buyers amounted to approximately HK$266.27million, HK$61.64million and HK$2,954.70million (31 December 2010: HK$549.66 million, nil and HK$4,044.56 million) respectively.

3. Capital Commitments

As at 31 December 2011, the Group had capital commitments mainly contracted for business development and investments in fixed assets of HK$6,174.94 million (31 December 2010: HK$12,965.20 million). The Group had sufficient internal resources or through loan market channel to finance its capital expenditures.

4. Bank Deposits and Short-term Investments

As at 31 December 2011, bank balances and short-term investments held by the Group amounted to HK$18,265.72 million (31 December 2010: HK$17,441.23 million) and HK$856.31 million (31 December 2010: HK$144.71 million) respectively. The proportions of US dollars, Renminbi and HK dollars were 16%, 66% and 18% (31 December 2010: 5%, 69% and 26%) respectively. Short-term investments mainly consisted of investments such as bonds, Hong Kong and PRC listed shares.

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