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 2012 Interim Results

(Unaudited)

The Board of Directors of Shanghai Industrial Holdings Limited (the "**Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2012. During the first half of the year, profits attributable to shareholders amounted to HK$2,543 million, increased by 3.6%, after excluding the gain from the disposal of an equity interest in Four Seasons Hotel Shanghai during the same period last year; a revenue of HK$6,236 million, representing a year-on-year decrease of 16.3% was recorded, mainly due to the continued slowdown in real estate sales against China's related policies.

During the first half of the year, the Group maintained steady growth and satisfactory results for its core businesses against the worsening European debt crisis, declining global economic growth and China's continued tightening regulations and control policies. The overall satisfactory results have brought out the Group's edge in balancing its business mix and asset structure. The integration and merger of our business portfolio and asset structures continued to progress smoothly and this should help create greater value for the Group and generate better return to our shareholders in the future.

The Board of Directors has declared an interim dividend of HK50 cents (2011: HK50 cents) per share for the six months ended 30 June 2012 to shareholders whose names appear on the register of members of the Company on Friday, 14 September 2012. The interim dividend will be paid to shareholders on or about Friday, 28 September 2012.

BUSINESS REVIEW

Infrastructure Facilities

During the period, the infrastructure facilities business recorded profits amounted to HK$474 million, slightly dropped 2.4% over the same period last year, accounting for approximately 17.7% of the Group's Net Business Profit*. In response to the rapid development of the water-related environmental protection sector, the Group has been actively expanding its water services business. The toll roads business continued with its growth momentum in both toll revenue and traffic flow.

Toll Roads

Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd. recorded a net profit of HK$170 million for the period, increased year-on-year by 0.7%. Benefiting from natural growth in the total number of motor vehicles in the community, toll revenue and traffic flow of the Jing-Hu Expressway (Shanghai Section) increased by 7.9% and 6.4% to HK$294 million and 17.30 million vehicle journeys respectively. During the period, timely measures have been taken to tackle peak passenger flow during holidays and Formula One races as well as severe weather road conditions caused by snow and fog. In addition, service quality and toll collection efficiency have been effectively enhanced through organizing contests that motivated toll collectors.

Net profit of Shanghai Luqiao Development Co., Ltd. for the first half of 2012 was HK$179 million, increased by 6.5% over the same period last year. Toll revenue from Hu-Kun Expressway (Shanghai Section) for the period totaled HK$430 million, representing a record high and an increase of 4.1%; traffic flow continued to grow to a total of 18.75 million vehicle journeys, a year-on-year increase of 11.3%. During the period, counter measures have been actively taken against impacts caused by toll rate adjustments and traffic increase at certain road junctions; road operations management has also been strengthened through proper arrangements for emergency drills and security inspections, thereby enhancing road capacity and the quality of road services. Meanwhile, normal road operations were ensured with smooth traffic operations being successfully achieved during holidays and critical peak periods.

Shanghai Shen-Yu Development Co., Ltd. recorded a net profit for the period of HK$80.33 million, representing a year-on-year increase of 9.4%. Toll revenue and traffic flow from Hu-Yu Expressway (Shanghai Section) maintained satisfactory growth and increased year-on-year by 3.7% and 7.2% to HK$225 million and 14.84 million vehicle journeys respectively, mainly driven by continuing increases in the total number of vehicles and tourists travelling to and from scenic attractions along the expressway. During the period, toll collector contests were held to motivate toll collectors in the pursuit of delivering high quality services to road users. Mechanism against congested road sections and the quality of management have also been further enhanced.

Water Services

Asia Water Technology Limited ("**Asia Water**") realized a net profit of RMB44.70 million and a revenue of RMB336 million, increased year-on-year by 503.6% and 206.0% respectively. Following last year's injection of United Environment Co., Ltd. ("**United Environment**") into it, Asia Water announced in June the acquisition of a 69.378% equity interests in Nanfang Water Co., Ltd. ("**Nanfang Water**") for a total consideration of RMB409.3 million, settled by way of cash payment, issuance of new shares in Asia Water and incentive new shares in Asia Water linked to the performance of Nanfang Water. The Company further provided Asia Water a shareholder's loan of HK$370 million to facilitate this acquisition. The transaction was completed in July. Incorporated in 2002, Nanfang Water is a professional sewage treatment enterprise in southern China operating 17 sewage treatment and recycled water projects across five provinces -

Guangdong, Hunan, Jiangsu, Yunnan and Fujian, with a daily operating capacity of up to 1,165,000 tonnes. Upon completion of the acquisition, total daily operating capacity of Asia Water will be increased to nearly 3,300,000 tonnes.

For the first half of 2012, General Water of China Co., Ltd. ("**General Water of China**") recorded a revenue of HK$795 million, increased by 50.7% over the same period last year; net profit increased year-on-year by 27.4% to HK$27.32 million. General Water of China is committed to expanding and strengthening its core businesses to achieve stable growth through diversified development, optimizing development strategies, determining profit mode, adjusting operating and assets structure and promoting innovative development. The company has now obtained domestic sewage (Class A) and industrial wastewater (Class A) operator accreditation, further strengthening its competitiveness and position in the industry. The project on reservoir works in Tiger Lake, Huzhou was successfully completed during the period.

With a main strategic direction of infrastructure business on the water-related environmental protection sector, the Group will focus on expanding its water business. Operating as a capital platform for the Group's water business, Asia Water is now taking active steps to expand its scope of business by means of asset acquisitions and water plant extensions. Water price is expected to continue to increase in the future as the pricing is gradually going market-oriented in China. Following the consolidation of United Environment into Asia Water and upon the completion of acquisition of Nanfang Water by Asia Water, the total daily operating capacity of Asia Water and General Water of China, both under the Group, is able to reach 8,450,000 tonnes, putting it in the forefront of the industry.

Real Estate

In view of China's related policies on the domestic real estate sector, the Group saw a continued slowdown in real estate sales during the period. The real estate business recorded a profit of HK$1,577 million for the period, declined by 27.3% and accounting for approximately 58.7% of the Group's Net Business Profit*. To improve overall profitability, active measures have been taken to integrate and upgrade existing real estate resources, to enhance synergy among the respective real estate enterprises, and to facilitate assets operation.

In April, the Company announced the signing of an amendment deed with Chow Tai Fook Group for the disposal of lot G in the Qingpu District, Shanghai, pursuant to which the parties agreed that the completion date for the original agreement would be moved forward by eight months and that the total consideration be adjusted accordingly for earlier payment of the consideration by the purchaser. The transaction was successfully completed in late April and by the end of June, partial proceeds of a total of approximately RMB551 million was received, boosting the Group's available funds for real estate development projects. Gain on disposal amounting to HK$1,132 million has been accounted for during the period.

For the first half of 2012, Shanghai Industrial Urban Development Group Limited ("**SI Urban Development**") recorded a revenue of HK$1,092 million; loss attributable to shareholders amounted to HK$309 million. The company is taking a prudent approach for the development of its real estate projects and is taking active steps to broaden sales channels. A great deal of effort has also been made to solidify the brand's presence of "SI Urban Development" as a real estate enterprise across the nation. Projects which delivered sold properties units during the period included Neo Water City, Xi'an, Urban Cradle, Shanghai and Park Avenue, Chengdu, accounting for a total gross floor area of approximately 145,000 square meters; contractual amount for the period stood at HK$2,100 million, accounting for a total gross floor area of 146,000 square meters, comprising mainly Urban Cradle, Shanghai, Neo Water City, Xi'an and Top City, Chongqing. The company is actively seeking strategic investors for the revitalization of its assets.

Shanghai Industrial Development Co., Ltd. ("**SI Development**") reported a revenue for the period of RMB1,869 million and a net profit of RMB523 million, increased by 7.7% and 129.8% respectively over the same period last year. During the period, the sale of 50% equity interests in the Tangdao Bay project in Qingdao was completed. At present, the Group is actively facilitating joint developments with SI Development in respect of lots A to E in the Qingpu District, Shanghai. Total ground floor area built under Phase I construction work upon lots A and B (Phase I of Belle Rive) together with Phase I construction work upon lot C (Phase I of Shanghai Bay) amounted to approximately 85,000 square meters. Sales for these projects have already begun. Construction work on lot D started late last year while lot E is yet to be developed. Sales of the respective lots are expected to deliver favorable profits to the Group in the future.

Consumer Products

During the period, profit contribution from the consumer products business increased 8.7% over the same period last year to HK$635 million, accounting for approximately 23.6% of the Group's Net Business Profit*.

Tobacco

Nanyang Brothers Tobacco Company Limited ("**Nanyang Tobacco**") maintained stable growth and continued to deliver steady profits and cash flows to the Group. Revenue for the period stood at HK$1,329 million and net profit amounted to HK$408 million, increased year-on-year by 8.4% and 13.7% respectively. Cumulative sales volume made during the period increased by 2.7%, with high value-added products sales volume increased by 9.8% and Double Happiness "Classic Deluxe" cigarettes grew by 22.53%. During the period, the company continued to actively implement its strategies for product upgrade and product mix adjustment and stayed committed to focusing on market expansion and brand excellence. Restructuring projects for cigarette packaging machine and tobacco production line were also initiated during the period to further enhance the company's production capacity and operating capability.

Printing

In the first half of 2012, The Wing Fat Printing Company, Limited ("**Wing Fat Printing**") recorded a revenue of HK$503 million, declined by 58.4%, resulting from a corresponding decrease in total sales due to the disposal of its containerboard business in May last year. During the period, stronger growth was seen in the external sales of metal can and internal sales to Nanyang Tobacco. In June, Wing Fat Printing disposed of all its 70% equity interests in Chengdu Wing Fat Printing Co., Ltd. ("**Chengdu Wingfat Printing**"), mainly for disposing land assets held under the company, while existing wine packaging operations were transferred to a newly-established company, Wing Fat Printing (Sichuan) Co., Ltd. The transaction has realized total proceeds of RMB231 million and generated a disposal gain of HK$172 million. Net profit for the period fell slightly by 0.8% over the same period last year to HK$243 million. Looking ahead, the company will actively explore packaging business for electronic products and medicines and continue to expand its exquisite wine box packaging operation while striving to develop its can production line to secure more market orders.

PROSPECTS

Looking into the second half of 2012, it is still hard to stay optimistic about the domestic and international markets as well as the policy environment. The Group will take proactive and effective initiatives on its real estate business depending on market situations, striving to achieve better sales and meeting development targets and to further enhance assets operation and improve operational efficiency.

Regarding the infrastructure facilities business, the water services segment is committed to improve profitability and continue to pursue acquisitions, and by capital operations, to expand and strengthen the business. The toll roads segment will continue to ensure steady improvement with quality management and stable performance while seeking opportunities to expand the scale of its assets.

Nanyang Tobacco and Wing Fat Printing will continue to carry out product mix and assets optimization to improve production and operational efficiencies, with a view to contributing stronger 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 August 2012

**Net profit excluding net corporate expenses*

INTERIM DIVIDEND

The Board of Directors has resolved to pay an interim dividend of HK50 cents (2011: HK50 cents) per share for the six months ended 30 June 2012, which will be payable on or about Friday, 28 September 2012 to shareholders whose names appear on the register of members of the Company on Friday, 14 September 2012.

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 from Thursday, 13 September 2012 to Friday, 14 September 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, 12 September 2012.

REVIEW OF INTERIM RESULTS

The audit committee has reviewed the Company's unaudited consolidated interim results for the six months ended 30 June 2012.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code (the "**CG Code**") during the period from 1 April 2012 to 30 June 2012 contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of the Hong Kong Limited (the "**Stock Exchange**"), except for the deviations from A.6.7 and E.1.2 of the CG Code as described below. An independent non-executive director, also being the chairman of the Nomination Committee, Remuneration Committee and the Audit Committee, was unable to attend the annual general meeting and extraordinary general meeting of the Company both held on 25 May 2012 due to an overseas business engagement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

PUBLICATION OF THE INTERIM REPORT

The 2012 interim report will be despatched to shareholders in mid September 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 comprises six Executive Directors, namely, Mr. Teng Yi Long, Mr. Zhou Jie, Mr. Lu Ming Fang, Mr. Lu Shen, 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.

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Notes	Six months ended 30.6.2012	30.6.2011
		HK$'000	HK$'000
		(unaudited)	(unaudited and restated)
Revenue	3	**6,235,796**	7,451,555
Cost of sales		**(3,887,817)**	(4,409,967)
Gross profit		**2,347,979**	3,041,588
Net investment income		**244,964**	190,814
Other income		**898,852**	902,825
Selling and distribution costs		**(304,279)**	(437,504)
Administrative and other expenses		**(659,197)**	(835,578)
Finance costs		**(432,458)**	(431,399)
Share of results of jointly controlled entities		**21,877**	30,567
Share of results of associates		**4,475**	20,551
Gain from bargain purchase of interests in subsidiaries		**-**	37,718
Gain on disposal of Feng Shun		**1,276,515**	-
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		**311,288**	950,808
Profit before taxation		**3,710,016**	4,731,978
Income tax expense	4	**(688,360)**	(1,353,000)
Profit for the period	5	**3,021,656**	3,378,978
Profit for the period attributable to			
- Owners of the Company		**2,543,179**	3,171,909
- Non-controlling interests		**478,477**	207,069
		3,021,656	3,378,978
Earnings per share	7		
		HK$	HK$
- Basic		**2.355**	2.938
- Diluted		**2.354**	2.938

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Six months ended	
	30.6.2012	30.6.2011
	HK$'000	HK$'000
	(unaudited)	(unaudited and restated)
Profit for the period	**3,021,656**	3,378,978
Other comprehensive (expense) income		
Exchange differences arising on translation of foreign operations		
- subsidiaries	**(444,002)**	846,304
- jointly controlled entities	**(11,028)**	23,024
- associates	**(19,040)**	10,917
Fair value adjustment on available-for-sale investments		
- subsidiaries	**1,194**	(24,872)
- a jointly controlled entity	**(11,060)**	-
Fair value gain on hedging instruments in cash flow hedges	**-**	2,458
Reclassification of hedging reserve upon termination of hedging relationship	**-**	8,254
Reclassification of translation reserve upon disposals of interests in subsidiaries/the disposal group held for sale	**(8,963)**	(177,736)
Other comprehensive (expense) income for the period	**(492,899)**	688,349
Total comprehensive income for the period	**2,528,757**	4,067,327
Total comprehensive income for the period attributable to		
- Owners of the Company	**2,256,694**	3,554,078
- Non-controlling interests	**272,063**	513,249
	2,528,757	4,067,327

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2012

	Notes	**30.6.2012**	31.12.2011
		HK$'000	HK$'000
		(unaudited)	(audited and restated)
Non-Current Assets			
Investment properties		**9,303,403**	9,472,442
Property, plant and equipment		**3,155,955**	3,190,652
Prepaid lease payments – non-current portion		**126,591**	131,557
Toll road operating rights		**13,958,035**	14,388,904
Other intangible assets		**1,053,320**	1,157,760
Interests in jointly controlled entities		**1,780,512**	1,741,484
Interests in associates		**2,037,876**	2,062,822
Investments		**769,545**	625,486
Receivables under service concession arrangements – non-current portion		**2,009,851**	2,073,464
Consideration receivables		**1,304,728**	582,384
Deposits paid on acquisition of subsidiaries		**85,303**	-
Deposits paid on acquisition of property, plant and equipment		**31,725**	18,030
Restricted bank deposits		**80,419**	86,446
Deferred tax assets		**273,779**	288,210
		35,971,042	35,819,641
Current Assets			
Inventories		**54,304,598**	54,176,104
Trade and other receivables	*8*	**5,099,767**	4,649,865
Prepaid lease payments – current portion		**4,428**	4,566
Investments		**475,266**	856,311
Receivables under service concession arrangements – current portion		**83,203**	67,536
Amounts due from customers for contract work		**75,369**	38,298
Prepaid taxation		**485,873**	475,258
Pledged bank deposits		**67,122**	333,594
Short-term bank deposits		**1,583,212**	1,402,294
Bank balances and cash		**15,932,265**	16,529,835
		78,111,103	78,533,661
Assets classified as held for sale		**-**	1,461,315
		78,111,103	79,994,976
Current Liabilities			
Trade and other payables	*9*	**9,664,473**	12,356,913
Customer deposits from sales of properties		**11,948,230**	12,991,344
Amounts due to customers for contract work		**66,143**	64,058
Derivative financial instrument - warrants		**-**	3
Taxation payable		**3,321,568**	3,393,521
Bank and other borrowings		**16,776,082**	14,929,558
		41,776,496	43,735,397
Net Current Assets		**36,334,607**	36,259,579
Total Assets less Current Liabilities		**72,305,649**	72,079,220

	30.6.2012	31.12.2011
	HK$'000	HK$'000
	(unaudited)	(audited and restated)
Capital and Reserves		
Share capital	**107,997**	107,979
Share premium and reserves	**31,408,257**	29,954,389
Equity attributable to owners of the Company	**31,516,254**	30,062,368
Non-controlling interests	**14,809,224**	15,411,667
Total Equity	**46,325,478**	45,474,035
Non-Current Liabilities		
Provision for major overhauls	**71,394**	74,047
Senior notes	**2,893,806**	3,042,928
Bank and other borrowings	**17,492,925**	17,942,347
Deferred tax liabilities	**5,522,046**	5,545,863
	25,980,171	26,605,185
Total Equity and Non-Current Liabilities	**72,305,649**	72,079,220

Notes:

(1) REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements for the six months ended 30 June 2012 are unaudited, but have been reviewed 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 (the "**HKICPA**"), by Deloitte Touche Tohmatsu, whose report on review of condensed consolidated financial statements is included in the interim report to be sent to shareholders.

(2) BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by 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 "**Listing Rules**").

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.

(i) Application of Amendments to HKFRSs

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the current period are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

In the current period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA:

- amendments to HKFRS 7 "Financial Instruments: Disclosures - Transfers of Financial Assets"; and
- amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets"

Amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets"

Under the amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets", investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group's investment property portfolios and concluded that certain of the Group's investment properties in the PRC are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, and that the presumption set out in the amendments to HKAS 12 is not rebutted.

As a result of the application of the amendments to HKAS 12, the Group recognises further deferred taxes on changes in fair value of the investment properties in relation to PRC Land Appreciation Tax ("**PRC LAT**"), which is the additional tax to be charged if a property in the PRC is recovered through sale. Previously, the Group recognised deferred taxes on changes in fair value of investment properties only on the basis that the entire carrying amounts of the properties were to be recovered through use.

The amendments to HKAS 12 have been applied retrospectively, resulting in the Group's deferred tax liabilities being increased by HK$1,186,289,000 as at 31 December 2011, with the corresponding adjustment being recognised in retained profits, various reserves and non-controlling interests. In addition, the application of the amendments has resulted in a decrease in income tax expense (and hence an increase in profit) for the six months ended 30 June 2012 by HK$7,688,000 and an increase in income tax expense (and hence a decrease in profit) for the six months ended 30 June 2011 by HK$77,079,000.

The application of amendments to HKFRS 7 "Financial Instruments: Disclosures - Transfers of Financial Assets" in the current period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

(ii) Merger Accounting and Restatements

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 July 2011, the Group completed the acquisition of approximately 63.65% equity interest in SI Development from SIIC Shanghai (Holdings) Co., Ltd., an indirect wholly owned subsidiary of SIIC.

The Group applied AG 5 to the acquisition of SI Development in the year ended 31 December 2011. As a result, the condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the six months ended 30 June 2011 were restated to include the results and cash flows of SI Development and its subsidiaries (collectively referred to as "**SI Development Group**") as if they were within the Group at the beginning of that period.

(3) SEGMENT INFORMATION

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

Six months ended 30 June 2012

	Infrastructure facilities	**Real estate**	**Consumer products**	**Consolidated**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
SEGMENT REVENUE				
External sales	**1,326,259**	**3,239,617**	**1,669,920**	**6,235,796**
Segment profit	**704,890**	**1,246,498**	**577,897**	**2,529,285**
Non-segment items:				
Net unallocated corporate expense				**(966)**
Finance costs				**(432,458)**
Share of results of jointly controlled entities				**21,877**
Share of results of associates				**4,475**
Gain on disposal of Feng Shun				**1,276,515**
Net gain on disposal of interests in other subsidiaries, jointly controlled entities and associates				**311,288**
Profit before taxation				**3,710,016**

Six months ended 30 June 2011 (restated)

	Infrastructure facilities	Real estate	Consumer products	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000
SEGMENT REVENUE				
External sales	1,092,022	4,080,265	2,279,268	7,451,555
Segment profit	617,315	1,675,192	553,104	2,845,611
Non-segment items:				
Net unallocated corporate income				16,534
Finance costs				(431,399)
Share of results of jointly controlled entities				30,567
Share of results of associates				20,551
Gain from bargain purchase of interests in subsidiaries				37,718
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				950,808
Profit before taxation				4,731,978

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

	30.6.2012	31.12.2011
	HK$'000	HK$'000
Infrastructure facilities	**19,715,071**	20,290,026
Real estate	**75,544,803**	76,161,800
Consumer products	**5,335,782**	4,840,245
Total segment assets	**100,595,656**	101,292,071
Other unallocated assets	**13,486,489**	14,522,546
Total assets	**114,082,145**	115,814,617

(4) INCOME TAX EXPENSE

	Six months ended	
	30.6.2012	30.6.2011
	HK$'000	HK$'000
		(restated)
Current tax		
- Hong Kong	**112,521**	77,798
- PRC LAT	**210,338**	424,774
- PRC Enterprise income tax ("**PRC EIT**") (including PRC withholding tax of HK$120,986,000 (six months ended 30 June 2011: HK$60,217,000))	**549,851**	882,559
	872,710	1,385,131
(Over)underprovision in prior periods		
- Hong Kong	**(1,798)**	9
- PRC EIT (note)	**(149,066)**	16,529
	(150,864)	16,538
Deferred taxation for the current period	**(33,486)**	(48,669)
	688,360	1,353,000

note: The Group recognised an overprovision of PRC EIT during the current period upon completion of tax clearance procedures by certain PRC subsidiaries with the respective tax authorities.

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

The Group's major subsidiaries in the PRC are subject to PRC EIT at 25%. Certain PRC subsidiaries were taxed at a lower rate on a transitional basis.

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including cost of land use rights, borrowing costs and all qualified property development expenditures.

(5) PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2012	30.6.2011
	HK$'000	HK$'000
		(restated)
Profit for the period has been arrived at after charging (crediting) the following items:		
Amortisation of toll road operating rights (included in cost of sales)	**292,135**	251,963
Amortisation of other intangible assets:		
- included in cost of sales	**20,169**	15,431
- included in administrative and other expenses	**-**	833
Depreciation of property, plant and equipment	**136,749**	175,352
Release of prepaid lease payments	**2,220**	7,776
Change in fair value of investment properties	**8,271**	(489,536)
Dividend income from investments (included in net investment income)	**(4,852)**	(1,110)
(Gain) loss on disposal of property, plant and equipment	**(4,330)**	139
Interest income (included in net investment income)	**(162,787)**	(86,148)
Change in fair value of financial assets at fair value through profit or loss (included in net investment income)	**(43,003)**	(53,949)
Net foreign exchange loss (gain)	**45,326**	(168,959)
Reversal of impairment loss on other receivables	**(587,079)**	-
Compensation income (include in other income)	**(178,703)**	(91,000)
Compensation to customers as a result of late delivery of properties	**5,463**	102,412
Share of PRC EIT of jointly controlled entities (included in share of results of jointly controlled entities)	**7,108**	15,883
Share of PRC EIT of associates (included in share of results of associates)	**3,844**	1,259

(6) DIVIDENDS

	Six months ended	
	30.6.2012	30.6.2011
	HK$'000	HK$'000
2011 final dividend declared and paid of HK58 cents (six months ended 30.6.2011: 2010 final dividend paid of HK58 cents) per share	**626,381**	626,275

Subsequent to the end of the reporting period, the directors have determined that an interim dividend of HK50 cents (2011: HK50 cents) per share will be paid to the shareholders of the Company whose names appear on the Company's register of members on 14 September 2012.

(7) EARNINGS PER SHARE

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

	Six months ended	
	30.6.2012	30.6.2011
	HK$'000	HK$'000 (restated)
Earnings:		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	**2,543,179**	3,171,909
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,079,913,014**	1,079,785,000
Effect of dilutive potential ordinary shares - share options of the Company	**475,677**	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,080,388,691**	1,079,785,000

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 price for the corresponding period;

(ii) the exercise of options/warrants issued by SI Urban Development, a listed subsidiary of the Company, because they are anti-dilutive; and

(iii) the exercise of options issued by Asia Water, a listed subsidiary of the Company, since they are anti-dilutive.

(8) TRADE AND OTHER RECEIVABLES

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

The following is an analysis of trade receivables by age, net of allowance for doubtful debts, presented based on the invoice date.

	30.6.2012	31.12.2011
	HK$'000	HK$'000
Within 30 days	**356,276**	294,326
Within 31 – 60 days	**157,332**	98,662
Within 61 – 90 days	**83,511**	86,388
Within 91 – 180 days	**69,660**	73,006
Within 181 – 365 days	**94,846**	105,122
Over 365 days	**30,341**	18,266
	791,966	675,770

(9) TRADE AND OTHER PAYABLES

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

	30.6.2012	31.12.2011
	HK$'000	HK$'000
Within 30 days	**847,045**	639,021
Within 31 – 60 days	**141,148**	174,055
Within 61 – 90 days	**65,432**	9,198
Within 91 – 180 days	**70,320**	29,933
Within 181 – 365 days	**171,030**	682,343
Over 365 days	**513,087**	422,646
	1,808,062	1,957,196

FINANCIAL REVIEW

I. Analysis of Financial Results

1. Revenue

Revenue for the first half of 2012 decreased by 16.3% from the same period last year to approximately HK$6,235.80 million, mainly due to a decrease in property sales booked in respect of the real estate business as compared to the same period last year and a year-on-year decrease in revenue of the consumer products business as a result of the completion of the disposal by Wing Fat Printing of its containerboard operation during the same period last year. The decrease, however, was partly offset by the consolidation of the six months revenue of Asia Water during the period following the completion of the acquisition of an additional equity interest in the company in the second quarter of last year.

The year-on-year increase in revenue of the infrastructure facilities business was mainly due to the natural growth in toll revenue achieved by the three expressways, and that the six months revenue of Asia Water was consolidated during the period following the acquisition of a controlling stake in the company in the second quarter of last year.

The real estate business recorded a decrease in sales of approximately 46% due to the small number of residential property units booked by SI Urban Development during the first half of the year. However, the decrease in revenue of the real estate business was partly offset by a 11.7% increase in the sales amount booked by SI Development during the period as compared to the same period last year.

Regarding the revenue of the consumer products business, Nanyang Tobacco maintained stable growth, which was offset by a significant year-on-year decrease in sales of Wing Fat Printing as a result of the completion of the disposal of its containerboard operation during the same period last year.

2. Profit Contribution from Each Business

Net profit from the infrastructure facilities business for the period was approximately HK$474.35 million, accounting for 17.7% of Net Business Profit and representing a moderate year-on-year decrease of 2.4%. After excluding the one-off gain from bargain purchase of approximately HK$37.72 million recorded from 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 Ltd. ("**SI Infrastructure**") equity interest held in Asia Water that the Group began to consolidate the results of Asia Water, net profit actually increased by HK$26.13 million year-on-year, mainly driven by the natural growth in toll revenue achieved by the three expressways as well as the profit contribution after the completion of several equity restructurings of Asia Water.

The real estate business recorded a profit of approximately HK$1,577.12 million, accounting for 58.7% of Net Business Profit and representing a decrease of HK$593.10 million as compared to the same period last year, mainly due to non-recurrence of a net gain of HK$716.99 million on the disposal of 77% equity interest in Four Seasons Hotel Shanghai and a profit contribution of HK$64.46 million from the Shanghai Bay project during the same period last year. SI Urban Development turned profits into losses and recorded an increase in attributable loss to HK$191.89 million for the period, due to the small amount of property sales booked during this period coupled with the significant increase in investment income contributed by fair value change in investment properties during the same period last year. An increase in SI Development's revenue for the period of approximately HK$224.11 million as compared to the same period last year; coupled with a reversal of impairment loss from the sale of the Beijing Gongti project completed during the period as well as a profit booked upon the completion of the sale of the Tangdao Bay project, the net profit of SI Development attributable to the Group is HK$643.77 million which partly offset the decrease in profit of the real estate business.

The consumer products business recorded a net profit of HK$635.20 million for the period, accounting for 23.6% of Net Business Profit. Net profit increased year-on-year by HK$50.62 million or 8.7%, mainly due to the fact that Nanyang Tobacco recorded a year-on-year increase of 5.6% in average selling price per case and an increase of 8.4% in net sales through continuous product mix and price adjustments during the period, notwithstanding a moderate increase of 2.7% in sales volume as compared to the same period last year. In face of rising production costs, price increases in tobacco leaves and raw materials were partially offset by cost control measures with gross margin being increased by 3 percentage points over the same period last year to reach 52.4% which resulted in a year-on-year growth of HK$49.10 million in overall profit. During the period, Wing Fat Printing's packaging printing business was affected by the rise in material costs resulting in 3.2% gross margin drop year-on-year. Nevertheless, the attributable gain of approximately HK$151.03 million from the disposal of its containerboard operation during the same period last year and part of the operating profit decline were offset by an attributable gain of approximately HK$161.11 million recorded upon the completion of the disposal of its entire 70% equity interest in Chengdu Wingfat Printing during the first half of the year.

3. Profit before Taxation

(1) Gross profit margin

Gross profit margin for the period was 37.7%, a decrease of 3.1 percentage points as compared to 40.8% for the same period last year. The decrease in gross profit margin was mainly due to the property sales booked in respect of the real estate business for the period were mostly lower gross margin commodity housing.

(2) Net investment income

Investment income increased as compared to the same period last year mainly due to an increase in interest income for the period as compared to the same period last year.

(3) Other income

Other income for the period mainly comprised of a reversal of impairment loss of HK$587.08 million for property projects while that of the same period last year was mainly attributable to the gains from change in fair value of investment properties of approximately HK$489.54 million.

(4) *Gain on disposal of interests in subsidiaries holding property interests and net gain on disposal of interests in other subsidiaries, jointly controlled entities and associates and gain on disposal of Feng Shun*

During the period, the Group completed the disposal of 90% equity interest in Lot G of Qingpu land and recorded a pre-tax disposal gain of approximately HK$1,276.52 million. During the period, the Group also completed the disposals of the Tangdao Bay project and the entire 70% equity interest in Chengdu Wingfat Printing and recorded pre-tax disposal gains totaling HK$311.29 million. During the same period last year, the Group completed the disposal of 90% equity interest in Lot F of Qingpu land, 77% equity interest in Four Seasons Hotel Shanghai, the Quanzhou project, and the entire 78.13% equity interest in Hebei Yongxin Paper Co., Ltd. etc. and recorded pre-tax disposal gains totaling HK$2,212.40 million.

(5) *Gain from bargain purchase of interests in subsidiaries*

During the same period last 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.

4. Dividends

The Group continues to adopt a stable dividend payout policy. The Board of Directors has determined to declare an interim dividend of HK50 cents per share, maintaining the same interim dividend of HK50 cents per share in 2011.

II. Financial Position of the Group

1. Capital and Equity attributable to Owners of the Company

The Group had a total of 1,079,968,000 shares in issue as at 30 June 2012, which was increased by 183,000 shares as compared with 1,079,785,000 shares in issue as at the end of 2011. The increase is mainly attributable to the exercise of share options by employees during the period.

The equity attributable to owners of the Company reached HK$31,516.25 million as at 30 June 2012, which was attributable to the net profits after deducting the dividend actually paid during the period.

2. Indebtedness

(1) Borrowings

During the period, the Group through a wholly-owned subsidiary, SIHL Finance Limited concluded a bilateral bank loan facility of HK$700 million, which will be applied to repay a multi-lateral term and revolving loan of HK$4.9 billion due in 2012. In addition, in this July, the Company also concluded a revolving loan facility of US$20 million (or its equivalent in HK$) for the Group's reserved working capital.

As at 30 June 2012, the total borrowings of the Group including bank borrowings, other borrowings and senior notes amounted to approximately HK$38,343.65 million (31 December 2011: HK$37,102.45 million), of which 70.4% (31 December 2011: 68.4%) was unsecured credit facilities.

(2) Pledge of assets

As at 30 June 2012, the following assets were pledged by the Group to banks to secure general banking facilities granted by these banks to the Group:

(a) investment properties with an aggregate carrying value of HK$6,116,425,000 (31 December 2011: HK$6,221,268,000);

(b) leasehold land and buildings with an aggregate carrying value of HK$30,110,000 (31 December 2011: HK$128,455,000);

(c) plant and machineries with an aggregate carrying value of HK$49,046,000 (31 December 2011: HK$194,102,000);

(d) toll road operating rights of HK$3,359,927,000 (31 December 2011: HK$10,708,600,000);

(e) receivables under service concession arrangements with an aggregate carrying value of HK$1,403,426,000 (31 December 2011: HK$94,070,000);

(f) properties under development held for sale with an aggregate carrying value of HK$7,667,726,000 (31 December 2011: HK$7,712,800,000);

(g) bank deposits with an aggregate carrying value of HK$67,122,000 (31 December 2011: HK$333,594,000) ;

(h) properties held for sale with an aggregate carrying value of HK$30,545,000 as at 31 December 2011; and

(i) trade receivables with an aggregate carrying value of HK$132,363,000 as at 31 December 2011.

(3) Contingent liabilities

As at 30 June 2012, 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$263.67 million, nil and HK$2,378.09 million (31 December 2011: HK$266.27 million, HK$61.64 million and HK$2,954.70 million) respectively.

3. Capital Commitments

As at 30 June 2012, the Group had capital commitments mainly contracted for business development and investments in fixed assets of HK$6,642.71 million (31 December 2011: HK$6,174.94 million). The Group had sufficient internal resources or through loan market channel to finance its capital expenditures.

4. Bank Deposits and Short-term Investments

As at 30 June 2012, bank balances and short-term investments held by the Group amounted to HK$17,582.60 million (31 December 2011: HK$18,265.72 million) and HK$475.27 million (31 December 2011: HK$856.31 million) respectively. The proportions of US dollars and other currencies, Renminbi and HK dollars were 8%, 71% and 21% (31 December 2011: 16%, 66% and 18%) respectively. Short-term investments mainly consisted of investments such as bonds, Hong Kong and PRC listed shares.

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

III. Events After The End of the Interim Period

The following significant events happened after the end of the interim period:

(1) In July 2012, Asia Water, a non-wholly owned subsidiary of the Group, completed its acquisition of an indirect 69.378% equity interest in Nanfang Water which is principally engaged in the business of environmental protection in the PRC, including waste water and tap water treatments. The consideration for the acquisition is RMB364.3 million (equivalent to approximately HK$443.9 million), to be satisfied by cash of RMB218.3 million (equivalent to approximately HK$266 million) and the balance by issue of shares in Asia Water. On top of the consideration, Asia Water also agreed to pay an earn-out amount of RMB45 million (equivalent to approximately HK$55 million), to be settled by issue of shares in Asia Water and payable in three years' time if Nanfang Water achieves the agreed financial targets. Upon completion of the transaction, the Group's equity interest in Asia Water was diluted from 54.62% to 50.31%.

As at 30 June 2012, deposits of HK$85,303,000 were paid in respect of this acquisition and separately presented on the condensed consolidated statement of financial position.

(2) On July 25, 2012, a writ of summons was issued by a third party against SI Urban Development for non-payment of a sum of RMB128,096,000 (equivalent to approximately HK$156,367,000) which was alleged to be the outstanding consideration for its disposal of an entity to SI Urban Development in 2007. The consideration has been recorded in other payables since the completion of the acquisition by SI Urban Development in prior years. The writ also includes claims by the third party against SI Urban Development for liquidated damages of RMB218,017,000 (equivalent to approximately HK$266,134,000) up to 25 July 2012, to be compounded at a daily rate of RMB128,096 (equivalent to HK$156,367) thereafter until settlement.

The directors, after taking advice from the management of SI Urban Development which has consulted its legal advisors, are of the opinion that SI Urban Development has a genuine good defence for the case. SI Urban Development has taken legal action and is in the process of defending the case and no provision was made for the liquidated damages during the six months ended 30 June 2012.

(3) In July 2012, a non-wholly owned subsidiary of the Group in the PRC obtained an authorisation from the National Development and Reform Commission for issuance of corporate bond (the "**Bond**") with par value of RMB1,500,000,000 (equivalent to approximately HK$1,831,054,000). Upon issuance, the Bond will be listed and traded on Shanghai Stock Exchange. The proceeds from issuance of the Bond will be used to finance the development of affordable housing projects in Shanghai by that subsidiary.

Up to the date of approving these condensed consolidated financial statements, the Bond has been issued.