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 ANNUAL RESULTS

## BUSINESS REVIEW

The Board of Directors of Shanghai Industrial Holdings Limited (the "**Company**") is pleased to announce the audited annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2012. During the year, the Group recorded profits attributable to shareholders of HK$3,438 million, representing an increase of 4.0%, after excluding disposal gains from the disposal of an equity interest in Four Seasons Hotel Shanghai in 2011. Revenue for the year amounted to HK$19,287 million, representing a year-on-year increase of 28.8%.

In view of the volatile market resulted from global political and economic instability, a decline in China's economic growth as well as control regulations on real estate and impacts of toll road policies during the year, the Group has taken proactive measures to overcome difficulties arising from the situation. Under the leadership of the Board of Directors and our management executives, the Group has made considerable efforts to enhance business management, strengthen internal control and optimize asset structure, resulting in the continued growth of the different segments of our business. Smooth progress was made in the expansion of our core businesses and asset operation as well as in the continued optimization of our financial structure. During the year, changes were made in the management of the Company and several major subsidiary enterprises, including further achievement of a younger management team. Remarkable results were achieved for various major tasks undertaken by the Group and annual targets for the year were met as scheduled.

The Board of Directors has recommended a final dividend of HK58 cents (2011: HK58 cents) per share for 2012. Together with the interim dividend of HK50 cents (2011: HK50 cents) per share paid during the year, total dividends for the year amounted to HK108 cents (2011: HK108 cents) per share.

## Infrastructure Facilities

During the year, the infrastructure facilities business recorded profits amounted to HK$978 million, representing an increase of 4.2% over last year, accounting for approximately 26.5% of the Group's Net Business Profit*. Currently, investments in the Group's infrastructure facilities business mainly included toll roads and water services, which are spread over 35 cities across mainland China. Looking ahead, we will increase our investments in renewable energy, which shall become a new growth area under the Group's business development strategy. Meanwhile, the Group will strive to develop itself into a major investor and operator in China's infrastructure and environmental services and to become a leading enterprise in the field of environmental investments in the future.

**Toll Roads**

During the year, the Group's toll income has been affected to a certain extent by adjustments that have been made on the base toll rates for highways and the first ever toll exemption policy for small passenger cars on major holidays implemented after the end of the second quarter as well as toll-exemptions that have been introduced for fresh agricultural products. The impact from the adjustments on traffic flow and revenue remains mild while the corresponding increase in traffic flow caused by the reduction in base toll rates partially offset the decline in income. For this reason, the new policies are not expected to create a significant impact on our toll roads business. In relation to such policies, special arrangements related to operation security have been set up to ensure orderly operation of the Group's toll roads. During the year, smooth traffic operations were actively implemented during holidays for the Group's three expressways to ensure orderly traffic flows, and road facilities maintenance was improved to effectively enhance road operations and maintenance. This has greatly reduced the negative impact from the policies.

***Jing-Hu Expressway (Shanghai Section)***

Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd. recorded a net profit of HK$327 million for the year, increasing year-on-year by 10.4%. Benefiting from natural growth in the total number of private cars in the community, toll revenue and traffic flow of the Jing-Hu Expressway (Shanghai Section) increased year-on-year by 3.4% and 6.6% to HK$596 million and 36.20 million vehicle journeys respectively, despite impact from the new policies.

Through the adoption of incentive mechanism, toll collection efficiency continued to improve and average road capacity per hour at road junctions during peak hours also increased by 8% over last year. During the year, the company successfully concluded a toll collection scheme with the government which will be implemented after the connection of Jiamin Elevated Expressway Bridge with the main route of Jing-Hu Expressway. Looking ahead in 2013, increased efforts will be made to carry out alteration works at Jiasong toll station of the Jing-Hu Expressway (Shanghai) Section and the Electronic Toll Collection (ETC) system Phase III Project.

### *Hu-Kun Expressway (Shanghai Section)*

Net Profit of Shanghai Luqiao Development Co., Ltd. ("**Luqiao Development**") for 2012 amounted to HK$365 million, an increase of 9.9% over last year. Toll revenue from Hu-Kun Expressway (Shanghai Section) for the year totaled HK$872 million, representing a record high and a year-on-year increase of 2.7%; traffic flow reached 39.28 million vehicle journeys, a year-on-year increase of approximately 11.3%.

During the year, Luqiao Development has made considerable efforts to reduce costs and increase operational efficiency in order to control financial expenses and achieved satisfactory results. The company has also promoted the importance of safety production on a widespread scale in order to ensure the implementation of safety management in an orderly manner.

### *Hu-Yu Expressway (Shanghai Section)*

Shanghai Shen-Yu Development Co., Ltd. recorded a net profit for the year of HK$172 million, representing a year-on-year increase of 15.3%. Notwithstanding the economic slowdown in China and toll rates adjustments, toll revenue and traffic flow from Hu-Yu Expressway (Shanghai Section) for 2012 maintained its growth momentum and increased year-on-year by 0.2% and 8.2% to HK$456 million and 31.07 million vehicle journeys respectively.

During the year, contests were held to further improve road capacity at toll collection junctions and service quality at collection counters was continuously upgraded. As a result, the average road capacity per hour at all exit lanes at Xujing toll station during peak hours increased by 7.4% over last year. In 2013, major alteration works for Jiasong Toll Station on the Hu-Yu Expressway (Shanghai Section) expressway and the ETC system Phase III Project will be carried out.

## Water Services

The Group's water services business consists of two operating platforms, namely the Singapore-listed SIIC Environment Holdings Ltd. ("**SI Environment**") (formerly known as Asia Water Technology Ltd.) and General Water of China Co., Ltd. ("**General Water of China**"), a domestic water services company in the PRC. As at the date of this report, the two companies are owned 50.3% and 47.5% by the Group respectively with a combined total daily operating capacity of up to 8,570,000 tonnes, putting it in the forefront of the industry.

### *SI Environment*

Following an injection of a 75.5% equity interest from United Environment Co., Ltd. ("**United Environment**") last year, SI Environment announced in June 2012 the acquisition of a 69.378% equity interest in Nanfang Water Co., Ltd. ("**Nanfang Water**") for a total consideration of RMB409.3 million. The acquisition was settled by way of cash payment, issuance of new shares and subsequent issuance of performance-linked incentive new shares. To facilitate the acquisition, a shareholder's loan of HK$370 million was provided to SI Environment by the Company. With the completion of the transaction in July, the total daily operating capacity of SI Environment now exceeds 3,400,000 tonnes, with 40 projects (excluding solid waste disposal projects) operating in 12 provinces across mainland China.

Taking into account profit contributions from United Environment and Nanfang Water, SI Environment recorded a net profit of RMB131 million, representing a significant year-on-year increase of 119.3%, after excluding a provisional negative goodwill and provisional fair value gain recorded during the last financial year. Revenue stood at RMB800 million, an increase of 54.9% over last year. On 30 November 2012, SI Environment completed the transfer of its listing from Catalist to the Mainboard of the Singapore Stock Exchange. Depending on the capital market situation, SI Environment is actively planning for a dual-listing in Hong Kong in the coming year.

During the year, a 70% owned subsidiary of SI Environment entered into a BOT franchise agreement with the Dalian Municipal Government for the construction of three sewage treatment plants in Puwan New Zone in Dalian, Liaoning, China, with a total investment of RMB155 million and daily capacity of up to 580,000 tonnes on a long-term scale. In addition, the sewage treatment plant franchise project in Shanting District, Zaozhuang, Shandong and the sewage treatment plant phase II extension project in Yicheng District, Zaozhuang, Shandong both commenced operation in January 2012. Apart from this, a main project for the sewage treatment plant BOT project and water distribution plant in the new zone of eastern Gaoxin District, Yiyang, Hunan were completed, with operation commenced in September and March respectively. In December, Nanfang Water signed a TOT franchise agreement with the Wuchuan Municipal People's Government, Guangdong Province, China for the operation of a sewage treatment plant in Wuchuan City, with an investment amount of approximately RMB75.10 million and a prospective daily planned capacity of 40,000 tonnes.

***General Water of China***

As at 31 December 2012, General Water of China had total assets of RMB6,200 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 tonnes and a pipe network of 4,800 kilometers in total. Daily production capacity totaled 5,159,000 tonnes, of which daily water generating capacity and daily sewage treatment capacity amounted to 3,705,000 tonnes and 1,454,000 tonnes respectively. Revenue for the year stood at HK$1,597 million, representing an increase of 28.8% over last year; net profit amounted to HK$43.71 million, a year-on-year decline of HK$13.16 million, mainly due to a reduction in government subsidies received by the Suifenhe Project as compared to last year.

As for project development, General Water of China has been actively expanding its existing projects during the year while seeking merger and acquisition opportunities in the market. Focusing on project implementation and development, satisfactory progress has been made. The company also facilitated corporate development through technological innovation and application with a view to strengthening its core competitiveness by enhancing technological and research capabilities. During the year, General Water of China carried out alteration and expansion projects in central Wenzhou and eastern Wenzhou, increasing the scale of capacity by 150,000 tonnes per day. On the other hand, a framework agreement was signed with Beijing Tongzhou District Government for the construction of a sewage treatment project (scale of capacity: 200,000 tonnes per day) and a reclaimed water recycling project (scale of capacity: 100,000 tonnes per day) in Tongzhou District jointly. General Water of China has been again awarded and ranked 7th among the 'Top 10 Most Influential Enterprises in China's Water Industry'. During the year, the company also obtained qualification for operation of environmental pollution control facilities, providing the necessary conditions for project bidding and tendering as well as undertaking external projects.

## Real Estate

In view of the macroeconomic and policy environment both domestic and abroad, the Group continued to optimize management and operation of the real estate business, implement full integration of resources and increase capital operation. These measures are intended to improve the overall operational performance and profitability of the Group by fully capitalizing on the strength of regional integrated development capability. Benefiting from the favorable sales results of affordable apartments and increases in sales proceeds as recorded in the books, the real estate business recorded a revenue for the year of up to HK$13,011 million, a year-on-year increase of 51.6%. As at 31 December 2012, the real estate business made a profit contribution of HK$1,736 million to the Group, accounting for approximately 47.1% of the Group's Net Business Profit* and representing a year-on-year increase of 3.3%, after excluding disposal gains from the disposal of an equity interest in Four Seasons Hotel Shanghai last year. Looking forward, further integration of resources will be facilitated to enhance synergy between our two real estate operating platforms, namely Shanghai Industrial Urban Development Group Limited ("**SI Urban Development**") and Shanghai Industrial Development Co., Ltd. ("**SI Development**").

In April 2012, the Company announced the signing of an amendment deed with Chow Tai Fook Group for the disposal of 90% equity interest in 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 completed at the end of 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 project development. The gain on the disposal amounting to HK$1,132 million has been accounted for during the year. Pursuant to the deed, the Group will receive the outstanding balance of the consideration of RMB655 million by the end of this year.

### *SI Urban Development*

As at 31 December 2012, SI Urban Development has 24 projects in 12 major cities, with a future salesable gross floor area of approximately 9,000,000 square meters. Looking forward in the future, with a view to provide long-term development momentum, SI Urban Development will capitalize on the strong position of the Group in the Yangtze river and actively seek for quality projects with potentials in the area and in the major cities along the river side.

SI Urban Development recorded a revenue for the year of HK$8,783 million, an increase of 98.1% over last year. Loss attributable to shareholders amounted to HK$190 million, a year-on-year decline of 68.4%. Contractual amount for the year stood at RMB6,680 million, accounting for a total gross floor area of 608,000 square meters, comprising mainly Urban Cradle in Shanghai, Neo Water City in Xi'an, Laochengxiang in Tianjin and Top City in Chongqing. Sales for the year totaled approximately HK$8,373 million. Projects which delivered sold properties units included Neo Water City in Xi'an, Urban Cradle in Shanghai and affordable housing program, Shanghai Jing City. In 2012, the company focused its efforts on accelerating project development and sales, solidifying the brand's presence and revitalizing its assets. Looking ahead, the company will position itself to increase the sale of high quality real estate projects with high gross profit margins and ample stocks in order to strive for better presale proceeds and returns.

In December 2012, SI Urban Development announced the disposal of the entire interest in the Park Avenue project in Chengdu in order to focus on the Yangtze River Delta as the core development area, with non-core projects disposed of at the right time. Total consideration for the disposal included the equity transfer fund of RMB158 million and debts amounting to RMB827 million. It has been provided that 70% stake therein shall be disposed of by way of equity transfer outside China, while the remaining 30% stake held by a domestic company shall be disposed of by way of public bidding on the Shanghai United Assets and Equity Exchange. The whole transaction was completed in 2012. In August, Shanghai Urban Development successfully completed a RMB1,500 million bond issue, considerably enhancing its operating capability with the proceeds raised therefrom.

***SI Development***

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 approximately 6,301,400 square meters (including investment properties) as at the end of December 2012. Emphasizing on new innovation, key breakthroughs, stable management and prudent growth, SI Development achieved record high results and significant enhancement in operating performance, despite prevailing macro-controls on the real estate industry and the tightening of the domestic capital market.

In 2012, SI Development recorded a revenue for the year of RMB3,667 million, representing a year-on-year increase of 2.36%. Profits amounted to RMB639 million, rising 41.45% over last year. During the year, the Company has made a stronger effort to assess the impact from the macro environment as well as from the regional markets. Having had a clear understanding of the special features of the different projects and the needs of the customers, the company has been able to adopt a marketing strategy that emphasizes on "closing sales, seizing the right opportunity, securing mortgages and soliciting agents." Through overcoming unfavorable factors from the changing market environment, fully developing new sources of customers, suitably adjusting product mix, flexibly adopting marketing strategies and effectively raising the efficiency of promotional programmes, the company has been able to achieve steady progress for the sales of its projects, including, the Longines Bay in Harbin, the Rhine Town project in Tianjian, the Sea Melody in Dali, the Flos Granati in Jinshan, the Zhujiajiao project and the Changhai Building. Property sales for the year reached approximately HK$4,229 million.

During the year, SI Development focused its efforts on the development of the Beer City project in Qingdao, which is located in Laoshan District, Qingdao. The project will be developed into a complex for festive season celebrations, leisure, entertainment, shopping and commercial purposes. To optimize cash flow and to enhance the overall value of the project, SI Development signed a cooperation agreement with a third party in December 2012 relating to the presale of the 'Beer City' shopping mall project in Qingdao that covers a planned gross floor area of 216,000 square meters for RMB1,570 million. Construction of the mall is expected to be completed by 2015. SI Development also completed the disposal of a 50% equity interest in the Tangdao Bay project in Qingdao during the first half of 2012.

## Consumer Products

During the year, profit contribution from the consumer products business increased by 7.4% over last year to HK$974 million, accounting for approximately 26.4% of the Group's Net Business Profit*.

### Tobacco

The business of Nanyang Brothers Tobacco Company, Limited ("**Nanyang Tobacco**") remained stable throughout the year. Working under such work initiatives as 'market expansion, new product development and technological innovation', the company successfully met all its targets for the year. Looking into the future, the company will focus on upgrading its brand image, enhancing its competitiveness and ensuring sustainable development, with a view to building itself into a tobacco manufacturing enterprise with a global vision and commands a favorable position in the region. In 2012, Nanyang Tobacco saw year-on-year increase of 9.5% and 15.0% in revenue and net profit to reach HK$2,707 million and HK$702 million respectively.

During the year, sales of high margin products has been the main focus of the company to facilitate shift of the product mix toward high value-added merchandise, generating profit growth for the company and thus resulting in an increase in cumulative sales for the year of 3.4%. Restructuring projects for cigarette packaging machines and tobacco production lines were initiated during the year to further enhance the company's production capacity and operating capability.

### Printing

The net profit of The Wing Fat Printing Company, Limited ("**Wing Fat Printing**") for the year dropped 9.1% over last year to HK$291 million, mainly due to a decrease in share of profits of its associate, Zhejiang Tianwai Packaging and Printing Co., Ltd. ("**Zhejiang Tianwai**"), as well as a reduction in profits caused by sales declines as a result of the relocation of the wine packaging operations during the year. Revenue for the year stood at HK$1,029 million, declined year-on-year by 41.8%, mainly owing to a corresponding reduction of sale of its containerboard business in 2012 due to the disposal of the same in May 2011 by Wing Fat Printing.

In June 2012, Wing Fat Printing disposed of all its 70% equity interest in Chengdu Wingfat Printing Co., Ltd. ("**Chengdu Wingfat Printing**"), mainly for disposing of land assets held under the company, while the existing wine packaging operations were relocated to Qionglai City, Chengdu for lower operating costs. With a consideration of RMB231 million for the transaction, the Group obtained a disposal gain of HK$172 million. In addition, to mitigate the risk of a possible decline in the operating results of its associates, Wing Fat Printing signed an agreement in December 2012 to dispose of its entire 30% equity interest in Zhejiang Tianwai to an independent third party. The transaction, which is expected to be completed in the first half of 2013, will realize total proceeds of HK$139 million for the company with an expected disposal gain of approximately HK$90 million.

**Net profit excluding net corporate expenses*

## PROSPECTS

In early 2013, capitalizing on a perfect timing in the market, the Company successfully completed the issue of HK$3,900,000,000 zero coupon 5-year convertible bonds, providing a favorable condition for the Group's future development with low-cost funding. However, we are fully aware of the challenges from the tightening regulatory and control policies in mainland China and the volatility of the capital markets in Europe and the Unites States and will take active measures to tackle these challenges for our different business segments.

In the infrastructure facilities business, we will expand the scale of our investments, including selective acquisitions of quality toll road projects. In regard to environmental operations, including water services, solid waste disposal and renewable energy, we will expand and strengthen our operations by accelerating business growth while enhancing our competitiveness in the market.

On the real estate business, increased efforts will be made to further study the macroeconomic environment, industry policies and market demands. We will also monitor our pace of development, strive for good product sales and asset revitalization, optimize asset and financial structure, strengthen brand building, and create a competitive business model that will help generate a higher return for the Company through capitalizing on the strength of our integrated development capability.

We will strengthen the management of the consumer products business to improve operational efficiency and secure steady growth. On the other hand, we will explore investment opportunities in the market and look for new profit growth to facilitate sustainable development in the business segment.

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, 26 March 2013

## FINAL DIVIDEND

The Board of Directors has recommended a final dividend of HK58 cents per share (2011: HK58 cents per share). Together with the interim dividend of HK50 cents per share (2011: HK50 cents per share), the total dividend for the year ended 31 December 2012 amounted to HK108 cents per share (2011: HK108 cents per share).

Subject to approval by Shareholders at the Annual General Meeting, the final dividend will be paid on or about Thursday, 6 June 2013 to Shareholders whose names appear on the register of members of the Company on Monday, 27 May 2013.

## 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 Tuesday, 21 May 2013 at 3:00 p.m (the "**Annual General Meeting**"). Notice of the meeting will be despatched to the shareholders in mid April 2013 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 on Monday, 20 May 2013, no transfer of shares will be effected on that day. As such, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong by 4:30 p.m. on Thursday, 16 May 2013.

*Final Dividend*

For the purpose of determining Shareholders' entitlement to the final dividend, the register of members of the Company will be closed on Monday, 27 May 2013, no transfer of shares will be effected on that day. As such, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Secretaries Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong by 4:30 p.m. on Friday, 24 May 2013.

## REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed the Company's consolidated annual results for the year ended 31 December 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 during the period from 1 April 2012 to 31 December 2012 (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on 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 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 2012 will be despatched to the Shareholders in mid April 2013 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 six Executive Directors, namely Mr. Teng Yi Long, Mr. Zhou Jie, Mr. Lu Shen, Mr. Zhou Jun, Mr. Xu Bo and Mr. Qian Yi; four Independent Non-Executive Directors, namely, Dr. Lo Ka Shui, Prof. Woo Chia-Wei, Mr. Leung Pak To, Francis and Mr. Cheng Hoi Chuen, Vincent.

## CONSOLIDATED INCOME STATEMENT
## FOR THE YEAR ENDED 31 DECEMBER 2012

| | *Notes* | **2012** | 2011 |
|---|---|---|---|
| | | **HK$'000** | HK$'000 |
| | | | (restated) |
| Revenue | *3* | **19,286,910** | 14,969,132 |
| Cost of sales | | **(13,703,878)** | (9,660,357) |
| Gross profit | | **5,583,032** | 5,308,775 |
| Net investment income | | **608,352** | 448,652 |
| Other income | | **1,368,962** | 1,035,509 |
| Selling and distribution costs | | **(698,935)** | (882,100) |
| Administrative and other expenses | | **(1,827,951)** | (1,569,589) |
| Finance costs | | **(1,031,715)** | (1,078,804) |
| Share of results of jointly controlled entities | | **27,520** | 19,960 |
| Share of results of associates | | **13,512** | 36,587 |
| Gain from bargain purchase of interests in subsidiaries | | - | 73,671 |
| Gain on disposal of Feng Shun | | **1,276,515** | - |
| Gain on disposal of interests in subsidiaries holding property interests | | - | 1,261,588 |
| Gain on disposal of interests in other subsidiaries, jointly controlled entities and associates | | **668,876** | 1,773,231 |
| Impairment loss on available-for-sale investments | | **(40,427)** | (110,474) |
| Profit before taxation | | **5,947,741** | 6,317,006 |
| Income tax expense | *4* | **(1,621,251)** | (2,179,787) |
| Profit for the year | *5* | **4,326,490** | 4,137,219 |
| Profit for the year attributable to | | | |
| - Owners of the Company | | **3,438,210** | 4,022,575 |
| - Non-controlling interests | | **888,280** | 114,644 |
| | | **4,326,490** | 4,137,219 |
| | | **HK$** | HK$ |
| | | | (restated) |
| Earnings per share | *7* | | |
| - Basic | | **3.184** | 3.725 |
| - Diluted | | **3.182** | 3.725 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 31 DECEMBER 2012

| | **2012** | 2011 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| | | (restated) |
| Profit for the year | **4,326,490** | 4,137,219 |
| **Other comprehensive income** | | |
| Exchange differences arising on translation of foreign operations | | |
| - subsidiaries | **314,328** | 845,809 |
| - jointly controlled entities | **15,361** | 78,373 |
| - associates | **18,911** | 54,986 |
| Fair value adjustment on available-for-sale investments | | |
| - subsidiaries | **14,550** | (130,387) |
| - a jointly controlled entity | **(36,673)** | - |
| Impairment loss on available-for-sale investments | **-** | 110,474 |
| 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/ deemed partial disposal of | | |
| - interests in subsidiaries/the disposal group held for sale | **(8,963)** | (348,023) |
| - interest in a jointly controlled entity | **(446)** | (22,855) |
| Other comprehensive income for the year | **317,068** | 599,089 |
| Total comprehensive income for the year | **4,643,558** | 4,736,308 |
| Total comprehensive income attributable to | | |
| - Owners of the Company | **3,613,170** | 4,275,175 |
| - Non-controlling interests | **1,030,388** | 461,133 |
| | **4,643,558** | 4,736,308 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AT 31 DECEMBER 2012

| | *Notes* | **31.12.2012** | 31.12.2011 | 1.1.2011 |
|---|---|---|---|---|
| | | **HK$'000** | HK$'000 | HK$'000 |
| | | | (restated) | (restated) |
| **Non-Current Assets** | | | | |
| Investment properties | | **9,471,090** | 9,472,442 | 8,283,343 |
| Property, plant and equipment | | **3,462,047** | 3,190,652 | 3,003,956 |
| Prepaid lease payments – non-current portion | | **136,368** | 131,557 | 386,496 |
| Toll road operating rights | | **13,899,749** | 14,388,904 | 14,289,125 |
| Other intangible assets | | **1,197,928** | 1,157,760 | 560,922 |
| Interests in jointly controlled entities | | **1,781,046** | 1,741,484 | 1,204,498 |
| Interests in associates | | **1,966,769** | 2,062,822 | 585,335 |
| Investments | | **960,137** | 625,486 | 3,318,483 |
| Receivables under service concession arrangements – non-current portion | | **3,399,244** | 2,073,464 | 897,284 |
| Consideration receivables | | **-** | 582,384 | - |
| Deposits paid on acquisition of property, plant and equipment | | **41,569** | 18,030 | 55,092 |
| Restricted bank deposits | | **82,270** | 86,446 | 76,476 |
| Deferred tax assets | | **270,922** | 288,210 | 153,346 |
| | | **36,669,139** | 35,819,641 | 32,814,356 |
| **Current Assets** | | | | |
| Inventories | | **51,021,592** | 54,176,104 | 50,238,521 |
| Trade and other receivables | *8* | **6,330,644** | 4,649,865 | 4,009,727 |
| Prepaid lease payments – current portion | | **3,355** | 4,566 | 13,737 |
| Investments | | **408,372** | 856,311 | 144,710 |
| Receivables under service concession arrangements – current portion | | **92,964** | 67,536 | 224,821 |
| Amounts due from customers for contract work | | **102,093** | 38,298 | - |
| Prepaid taxation | | **399,127** | 475,258 | 542,971 |
| Pledged bank deposits | | **447,838** | 333,594 | 108,862 |
| Short-term bank deposits | | **212,888** | 1,402,294 | 3,060,563 |
| Bank balances and cash | | **19,248,483** | 16,529,835 | 14,271,809 |
| | | **78,267,356** | 78,533,661 | 72,615,721 |
| **Assets classified as held for sale** | | **376,516** | 1,461,315 | 4,015,959 |
| | | **78,643,872** | 79,994,976 | 76,631,680 |
| **Current Liabilities** | | | | |
| Trade and other payables | *9* | **11,759,240** | 12,356,913 | 19,450,097 |
| Customer deposits from sales of properties | | **10,150,596** | 12,991,344 | 12,819,794 |
| Amounts due to customers for contract work | | **72,129** | 64,058 | - |
| Convertible notes | | **-** | - | 2,607 |
| Derivative financial instrument - warrants | | **-** | 3 | 16,600 |
| Taxation payable | | **3,737,308** | 3,393,521 | 2,974,506 |
| Bank and other borrowings | | **10,718,828** | 14,929,558 | 11,556,425 |
| | | **36,438,101** | 43,735,397 | 46,820,029 |
| **Liabilities associated with assets classified as held for sale** | | **-** | - | 2,836,229 |
| | | **36,438,101** | 43,735,397 | 49,656,258 |
| **Net Current Assets** | | **42,205,771** | 36,259,579 | 26,975,422 |
| **Total Assets less Current Liabilities** | | **78,874,910** | 72,079,220 | 59,789,778 |

| | 31.12.2012 | 31.12.2011 | 1.1.2011 |
|---|---|---|---|
| | **HK$'000** | HK$'000 | HK$'000 |
| | | (restated) | (restated) |
| **Capital and Reserves** | | | |
| Share capital | **108,025** | 107,979 | 107,979 |
| Share premium and reserves | **32,301,464** | 29,954,389 | 24,905,035 |
| **Equity attributable to owners of the Company** | **32,409,489** | 30,062,368 | 25,013,014 |
| **Non-controlling interests** | **15,829,544** | 15,411,667 | 12,783,269 |
| **Total Equity** | **48,239,033** | 45,474,035 | 37,796,283 |
| **Non-Current Liabilities** | | | |
| Provision for major overhauls | **79,516** | 74,047 | 74,579 |
| Senior notes | **2,746,903** | 3,042,928 | 3,071,744 |
| Bank and other borrowings | **22,112,850** | 17,942,347 | 13,866,442 |
| Deferred tax liabilities | **5,696,608** | 5,545,863 | 4,980,730 |
| | **30,635,877** | 26,605,185 | 21,993,495 |
| **Total Equity and Non-Current Liabilities** | **78,874,910** | 72,079,220 | 59,789,778 |

***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 2012 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 2012 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

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.

**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 HKAS 12 | Deferred Tax: Recovery of Underlying Assets; |
| Amendments to HKFRS 7 | Financial Instruments: Disclosures - Transfers of Financial Assets; and |
| Amendments to HKAS 1 | As part of the Annual Improvements to HKFRSs 2009 - 2011 Cycle issued in 2012. |

Except as described below, the application of the amendments to 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.

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

The Group has applied for the first time the amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets" in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" are presumed to be recovered entirely 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 are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors have determined that the 'sale' presumption set out in the amendments to HKAS 12 is rebutted. For the remaining investment properties, the ‘sale’ presumption 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 (“**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 recovered through use.

The amendments to HKAS 12 have been applied retrospectively, resulting in the Group's deferred tax liabilities being increased by HK$1,004,453,000 as at 1 January 2011, with the corresponding debit being recognised in retained profits, various reserves and non-controlling interests. Similarly, the deferred tax liabilities have been increased by HK$1,186,289,000 as at 31 December 2011.

The change in accounting policy has resulted in a decrease in the Group’s income tax expense (and hence an increase in profit) for the year ended 31 December 2012 by HK$90,126,000 and an increase in the Group's income tax expense (and hence a decrease in profit) for the year ended 31 December 2011 by HK$142,324,000.

***Amendments to HKAS 1 "Presentation of Financial Statements"***
***(as part of the Annual Improvements to HKFRSs 2009 - 2011 Cycle issued in June 2012)***

Various amendments to HKFRSs were issued in June 2012, the title of which is "Annual Improvements to HKFRSs (2009 - 2011 Cycle)". The effective date of these amendments is annual periods beginning on or after 1 January 2013.

In current year, the Group has applied for the first time the amendments to HKAS 1 in advance of the effective date (annual periods beginning on or after 1 January 2013).

HKAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

In the current year, the Group has applied the amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets" for the first time, which has resulted in a material effect on the information in the consolidated statement of financial position as at 1 January 2011. In accordance with the amendments to HKAS 1, the Group has therefore presented a third statement of financial position as at 1 January 2011 without the related notes.

***Summary of the effects of the above changes in accounting policies***

The effects of changes in accounting policies described above on the results for the current and prior years by line items are as follows:

| | 2012 | 2011 |
|---|---|---|
| | HK$'000 | HK$'000 |
| (Decrease) increase in income tax expense and (increase) decrease in profit for the year attributable to | | |
| - Owners of the Company | (63,116) | 65,893 |
| - Non-controlling interests | (27,010) | 76,431 |
| | (90,126) | 142,324 |

The effects of the above changes in accounting policies on the financial positions of the Group as at 1 January 2011 and 31 December 2011 are as follows:

| | 1.1.2011 HK$'000 (originally stated) | Adjustments HK$'000 | 1.1.2011 HK$'000 (restated) | 31.12.2011 HK$'000 (originally stated) | Adjustments HK$'000 | 31.12.2011 HK$'000 (restated) |
|---|---|---|---|---|---|---|
| Deferred tax liabilities | (3,976,277) | (1,004,453) | (4,980,730) | (4,359,574) | (1,186,289) | (5,545,863) |
| Reserves | 25,559,484 | (546,470) | 25,013,014 | 30,811,344 | (748,976) | 30,062,368 |
| Non-controlling interests | 13,241,252 | (457,983) | 12,783,269 | 15,848,980 | (437,313) | 15,411,667 |
| Total effect on equity | 38,800,736 | (1,004,453) | 37,796,283 | 46,660,324 | (1,186,289) | 45,474,035 |

The effects of the above changes in accounting policies on the financial positions of the Group as at 31 December 2012 are as follows:

| | 31.12.2012 HK$'000 |
|---|---|
| Increase in deferred tax liabilities | 1,102,177 |
| Decrease in reserves | 753,014 |
| Decrease in non-controlling interests | 349,163 |
| Total effect on equity | 1,102,177 |

The effects of the above changes in accounting policies on the Group's basic and diluted earnings per share for the current and prior years are as follows:

Impact on basic and diluted earnings per share

| | Impact on basic earnings per share | | Impact on diluted earnings per share | |
|---|---|---|---|---|
| | 2012 HK$ | 2011 HK$ | 2012 HK$ | 2011 HK$ |
| Figures before adjustments | 3.126 | 3.786 | 3.124 | 3.786 |
| Adjustments on application of amendments to HKAS 12 in respect of deferred taxes on investment properties | 0.058 | (0.061) | 0.058 | (0.061) |
| Figures after adjustments | 3.184 | 3.725 | 3.182 | 3.725 |

*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 HKFRSs | Annual Improvements to HKFRSs 2009 - 2011 Cycle, except for the amendments HKAS 1[1] |
| Amendments to HKFRS 7 | Disclosures - Offsetting Financial Assets and Financial Liabilities[1] |
| Amendments to HKFRS 9 and HKFRS 7 | Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3] |
| Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 | Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1] |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27 | Investment Entities[2] |
| HKFRS 9 | Financial Instruments[3] |
| HKFRS 10 | Consolidated Financial Statements[1] |
| HKFRS 11 | Joint Arrangements[1] |
| HKFRS 12 | Disclosure of Interests in Other Entities[1] |
| HKFRS 13 | Fair Value Measurement[1] |
| HKAS 19 (as revised in 2011) | Employee Benefits[1] |
| HKAS 27 (as revised in 2011) | Separate Financial Statements[1] |
| HKAS 28 (as revised in 2011) | Investments in Associates and Joint Ventures[1] |
| Amendments to HKAS 1 | Presentation of Items of Other Comprehensive Income[4] |
| Amendments to HKAS 32 | Offsetting Financial Assets and Financial Liabilities[2] |
| HK(IFRIC) - Int 20 | Stripping Costs in the Production Phase of a Surface Mine[1] |

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

The above new and revised HKFRSs will be adopted in the years listed and the Group is in the process of assessing the impact on future accounting periods.

## (3) SEGMENT INFORMATION

**Segment revenues and results**

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

**<u>For the year ended 31 December 2012</u>**

| | **Infrastructure facilities** | **Real estate** | **Consumer products** | **Consolidated** |
|---|---|---|---|---|
| | **HK$'000** | **HK$'000** | **HK$'000** | **HK$'000** |
| **REVENUE** | | | | |
| **Segment revenue - external sales** | **2,848,463** | **13,011,356** | **3,427,091** | **19,286,910** |
| **Segment profit** | **1,494,106** | **2,585,729** | **989,680** | **5,069,515** |
| **Net unallocated corporate expense** | | | | **(36,055)** |
| **Finance costs** | | | | **(1,031,715)** |
| **Share of results of jointly controlled entities** | | | | **27,520** |
| **Share of results of associates** | | | | **13,512** |
| **Gain on disposal of Feng Shun** | | | | **1,276,515** |
| **Gain on disposal of interests in other subsidiaries, jointly controlled entities and associates** | | | | **668,876** |
| **Impairment loss on available-for-sale investments** | | | | **(40,427)** |
| **Profit before taxation** | | | | **5,947,741** |

<u>For the year ended 31 December 2011</u>

| | 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 |
| 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 | | | | 6,317,006 |

## (4) INCOME TAX EXPENSE

| | **2012** | 2011 |
|---|---|---|
| | **HK$'000** | HK$'000 (restated) |
| Current tax | | |
| - Hong Kong | **151,063** | 154,323 |
| - PRC LAT | **702,433** | 650,405 |
| - PRC Enterprise income tax ("**EIT**") (including PRC withholding tax of HK$30,203,000 (2011: HK$15,285,000)) | **1,098,431** | 1,180,540 |
| | **1,951,927** | 1,985,268 |
| (Over)underprovision in prior years | | |
| - Hong Kong | **(1,275)** | 22,113 |
| - PRC LAT (note iv) | **(94,902)** | - |
| - PRC EIT (note iv) | **(192,180)** | (14,812) |
| | **(288,357)** | 7,301 |
| Deferred taxation for the year (including PRC withholding tax of HK$143,596,000 (2011: HK$59,847,000) and LAT credit of HK$185,042,000 (2011: LAT expense of HK$170,665,000)) | **(42,319)** | 187,218 |
| | **1,621,251** | 2,179,787 |

notes:

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

(ii) The Group's major subsidiaries in the PRC are subject to PRC EIT at a rate of 25%. A PRC subsidiary is taxed at a lower rate of 12.5% (2011: 12%) on a transitional basis.

(iii) 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.

(iv) The Group recognised an overprovision of PRC LAT and PRC EIT during the current year upon completion of tax clearance procedures by certain PRC subsidiaries with the respective tax authorities.

## (5) PROFIT FOR THE YEAR

| | **2012** | 2011 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Profit for the year has been arrived at after charging: | | |
| Amortisation of toll road operating rights (included in cost of sales) | **610,895** | 532,601 |
| Amortisation of other intangible assets | | |
| - included in cost of sales | **47,005** | 24,662 |
| - included in administrative and other expenses | **-** | 1,095 |
| Depreciation of property, plant and equipment | **262,615** | 269,889 |
| Release of prepaid lease payments | **3,818** | 10,634 |
| Compensation to customers as a result of late delivery of properties | **181,677** | 132,832 |
| Impairment loss on bad and doubtful debts | **2,623** | 65,514 |
| Impairment loss on properties held for sale | **71,627** | 57,742 |
| Impairment loss on other intangible assets | **-** | 8,285 |
| Impairment loss on inventories, other than properties | **114,991** | 77,685 |
| Loss on disposal of property, plant and equipment | **-** | 1,315 |
| Research and development costs | **16,462** | 8,019 |
| Share of PRC EIT of jointly controlled entities (included in share of results of jointly controlled entities) | **15,758** | 17,359 |
| Share of PRC EIT of associates (included in share of results of associates) | **10,607** | 29 |
| 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 | **22,947** | 453,791 |
| Net foreign exchange gains | **64,214** | 281,354 |
| Reversal of impairment loss on other receivables | **587,079** | - |
| Reversal of impairment loss on investment in an associate | **4,000** | - |
| Compensation income | **178,703** | - |
| Gain on disposal/written off of property, plant and equipment | **3,545** | - |
| Reversal of impairment loss on bad and doubtful debts | **33,687** | 10,890 |

## (6) DIVIDENDS

| | **2012** | 2011 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Dividends recognised as distribution during the year: | | |
| 2012 interim dividend of HK50 cents (2011: 2011 interim dividend of HK50 cents) per share | **539,984** | 539,893 |
| 2011 final dividend of HK58 cents (2011: 2010 final dividend of HK58 cents) per share | **626,381** | 626,275 |
| | **1,166,365** | 1,166,168 |

The final dividend of HK58 cents per share in respect of the year ended 31 December 2012 (2011: final dividend of HK58 cents per share in respect of the year ended 31 December 2011), amounting to approximately HK$626.9 million (2011: HK$626.4 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

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

| | **2012** | 2011 |
|---|---|---|
| | **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) | **3,438,210** | 4,022,575 |

| | **2012** | 2011 |
|---|---|---|
| Number of shares: | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **1,079,963,999** | 1,079,785,000 |
| Effect of dilutive potential ordinary shares - share options of the Company | **635,016** | - |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **1,080,599,015** | 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 market price for the relevant period;

(ii) the exercise of options/warrants issued by SI Urban Development because they are anti-dilutive. The warrants lapsed during the current year; and

(iii) the exercise of options issued by SI Environment, which expired during the current year, because they are anti-dilutive.

**(8) TRADE AND OTHER RECEIVABLES**

| | **31.12.2012** | 31.12.2011 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Trade receivables | **828,431** | 736,929 |
| Less: allowance for doubtful debts | **(2,151)** | (61,159) |
| | **826,280** | 675,770 |
| Other receivables | **5,504,364** | 3,974,095 |
| Total trade and other receivables | **6,330,644** | 4,649,865 |

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.

| | **31.12.2012** | 31.12.2011 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within 30 days | **282,414** | 294,326 |
| Within 31 – 60 days | **151,790** | 98,662 |
| Within 61 – 90 days | **150,817** | 86,388 |
| Within 91 – 180 days | **86,733** | 73,006 |
| Within 181 – 365 days | **102,537** | 105,122 |
| Over 365 days | **51,989** | 18,266 |
| | **826,280** | 675,770 |

## (9) TRADE AND OTHER PAYABLES

| | **31.12.2012** | 31.12.2011 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Trade payables | **3,136,893** | 1,957,196 |
| Consideration payables | **316,041** | 389,487 |
| Other payables | **8,306,306** | 10,010,230 |
| Total trade and other payables | **11,759,240** | 12,356,913 |

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

| | **31.12.2012** | 31.12.2011 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within 30 days | **1,155,794** | 639,021 |
| Within 31 – 60 days | **161,667** | 174,055 |
| Within 61 – 90 days | **81,527** | 9,198 |
| Within 91 – 180 days | **83,340** | 29,933 |
| Within 181 – 365 days | **817,710** | 682,343 |
| Over 365 days | **836,855** | 422,646 |
| | **3,136,893** | 1,957,196 |

# FINANCIAL REVIEW

## I. Analysis of Financial Results

1. Revenue

Revenue for 2012 increased by 28.8% from last year to approximately HK$19,286.91 million, mainly due to increase in property sales booked by SI Urban Development and the consolidation of Nanfang Water's sales after it was acquired by SI Environment. However, the increase was partly offset by the 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 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 the consolidation of Nanfang Water's sales after it was acquired by SI Environment.

During the year, real estate business booked property sales from a number of property projects, of which, property sales booked by SI Urban Development were mainly from Xi'an "Neo Water City", Chengdu "Park Avenue", Shanghai "Shanghai Jing City", and Shanghai "Urban Cradle", while property sales booked by SI Development were mainly from Tianjin "Rhine Town", Harbin "Longines Bay", Dali "Sea Melody", and Chongqing "Waterscape & Sky Garden".

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 last year.

2. Profit Contribution from Each Business

Net profit from the infrastructure facilities business was approximately HK$978.13 million during the year, accounting for 26.5% of Net Business Profit and representing a year-on-year increase of 4.2%. The profit increase was mainly driven by the natural growth in toll revenue achieved by the three expressways. For water business, SI Environment completed several equity restructurings (including the sewage treatment project in Hanxi, Wuhan and the Wenling project), and profit contribution from additional equity interests under the restructurings benefited results of the year. The increase in profit was narrowed by a one-time gain from bargain purchase of SI Environment of approximately HK$37.72 million recorded in last year as a result of acquiring additional interest in and the consolidation of SI Environment.

The real estate business recorded a profit of approximately HK$1,736.29 million, accounting for 47.1% of Net Business Profit and representing a decrease of HK$661.16 million compared to last year. The decrease was 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. Although there was no significant increase in investment income contributed by fair value change in investment properties as in last year, SI Urban Development recorded profits of HK$359.22 million from disposal of the Chengdu project and booked property sales from 11 projects resulting in a decrease in the attributable loss from HK$343.51 million to HK$84.91 million. An increase in SI Development's revenue for the year of approximately HK$205.14 million as compared to last year; coupled with a reversal of impairment loss from the sale of the Beijing Gongti project completed during the year as well as a profit booked upon the completion of the sale of 50% equity interest in the Tangdao Bay project, the net profit of SI Development attributable to the group increased HK$110.78 million to HK$729.84 million, which partly offset the decrease in profit of the real estate business.

The consumer products business recorded a net profit of HK$973.79 million for the year, accounting for 26.4% of Net Business Profit. Net profit increased year-on-year by HK$67.14 million or 7.4%, mainly due to the fact that Nanyang Tobacco recorded a year-on-year increase of 9.5% in net sales through continuous product mix adjustment, increase in sales of high value-added products and price adjustments during the year. In face of rising production costs, price increases in tobacco leaves and raw materials were partially offset by cost control measures which resulted in a year-on-year growth of HK$91.50 million in net profit. During the year, Wing Fat Printing's packaging and printing business was affected by the rise in material costs resulting in 1.8% gross margin drop year-on-year. Nevertheless, the attributable gain of approximately HK$151.03 million from the disposal of its containerboard operation during last year was 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 year was 28.9%, a decrease of 6.6 percentage points as compared to 35.5% for last year. The decrease in gross profit margin was mainly due to a portion of the property sales booked in respect of the real estate business for the year were 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 year as compared to last year.

*(3) Other income*

Other income for the year mainly comprised of a reversal of impairment loss of HK$587.08 million for a property project and compensation income of the related project of HK$178.70 million while that of last year was mainly attributable to the gains from change in fair value of investment properties of approximately HK$600 million.

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

During the year, 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 year, the Group also completed the disposals of the second phase of Park Avenue, Chengdu and the Tangdao Bay project and the entire 70% equity interest in Chengdu Wingfat Printing and recorded pre-tax disposal gains totaling HK$668.56 million. During 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, 50% equity interest in the Qingdao project, 100% equity interest in Shanghai Bay project and the entire 78.13% equity interest in Hebei Yongxin Paper Co., Ltd. etc. and recorded pre-tax disposal gains totaling HK$3,034.82 million.

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

Last year, the Group's equity interest held in SI Environment was increased to a controlling stake and a gain from bargain purchase of approximately HK$37.72 million was recorded; and SI Environment 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.

4 Dividends

The Group continued to adopt a stable dividend payout policy. The Board of Directors has proposed 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 2012, maintaining the same total dividend amounts of 2011.

## II. Financial Position of the Group

1. Capital and Equity attributable to owners of the Company

The Group had a total of 1,080,249,000 shares in issue as at 31 December 2012, which was increased by 464,000 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 year.

The equity attributable to owners of the Company reached HK$32,409.49 million as at 31 December 2012, which was attributable to the net profits after deducting the dividend actually paid during the year.

2. Indebtedness

*(1) Borrowings*

During the year, the Group through a wholly-owned subsidiary, SIHL Finance Limited concluded a bilateral bank loan facility of HK$700 million, which was applied to repay a multi-lateral term and revolving loan of HK$4.9 billion due in 2012. In addition, in 2012, the Company also concluded a revolving loan facility of US$20 million (or its equivalent in HK$) and a revolving loan facility of HK$350 million (or its equivalent in US$) for the Group as stand by working capital facilities.

As at 31 December 2012, the total borrowings of the Group including bank borrowings, other borrowings and senior notes amounted to approximately HK$36,763.90 million (31 December 2011: HK$37,102.45 million), of which 53.6% (31 December 2011: 68.4%) was unsecured credit facilities.

*(2) Pledge of assets*

As at 31 December 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$5,633,930,000 (31 December 2011: HK$6,221,268,000);

(b) leasehold land and buildings with an aggregate carrying value of HK$11,516,000 (31 December 2011: HK$128,455,000);

(c) plant and machineries with an aggregate carrying value of HK$194,102,000 as at 31 December 2011 (31 December 2012: Nil);

(d) one (31 December 2011: two) toll road operating right of HK$3,359,512,000 (31 December 2011: HK$10,708,600,000);

(e) receivables under service concession arrangements with an aggregate carrying value of HK$1,900,411,000 (31 December 2011: HK$94,070,000);

(f) properties under development held for sale with an aggregate carrying value of HK$10,767,128,000 (31 December 2011: HK$7,712,800,000);

(g) properties held for sale with an aggregate carrying value of HK$30,545,000 as at 31 December 2011 (31 December 2012: Nil);

(h) trade receivables with an aggregate carrying value of HK$174,926,000 (31 December 2011: HK$132,363,000); and

(i) bank deposits with an aggregate carrying value of HK$447,838,000 (31 December 2011: HK$333,594,000).

*(3) Contingent liabilities*

As at 31 December 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$393.04 million, Nil and HK$2,037.26 million (31 December 2011: HK$266.27 million, HK$61.64 million and HK$2,954.70 million) respectively.

3. Capital Commitments

As at 31 December 2012, the Group had capital commitments mainly contracted for business development and investments in fixed assets of HK$7,319.36 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 31 December 2012, bank balances and short-term investments held by the Group amounted to HK$19,909.21 million (31 December 2011: HK$18,265.72 million and HK$ 408.37 million (31 December 2011: HK$856.31 million) respectively. The proportions of US dollars and other currencies, Renminbi and HK dollars were 5%, 85% and 10% (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.