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 2013 INTERIM RESULTS

(Unaudited)

BUSINESS REVIEW

The Board of Directors of Shanghai Industrial Holdings Limited (the "**Company**") is pleased to announce the unaudited annual results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2013. During the period, the Group realized a net profit of HK$1,675 million, representing a year-on-year decrease of 34.1%, mainly due to a considerable disposal gain from lot G of the Qingpu District in Shanghai recorded during the first half of the previous year. Profits rose 18.7%, after non-comparable factors were deducted. Total revenue amounted to HK$8,789 million, a year-on-year increase of 40.9%, arising mainly from increases in the number of properties completed and delivered during the period.

In February, the Company capitalized on favorable opportunities in the bond market and available resources in the Hong Kong capital market to complete the issuance of a HK$3.9 billion five-year zero coupon convertible bonds. The issue has significantly strengthened the source of fund of the Group, creating a favorable environment for its future development.

During the first half of the year, the impact of the global financial crisis has continued to prevail, which included a slowdown in the growth of the China economy and the continued tightening of the regulatory policies within the country. Despite this, under the leadership of the Board and the management team, the Group has taken decisive and active measures to overcome various difficulties and improve internal control to further enhance operational efficiency. The Group has also continued to capitalize on its edge in balancing its business portfolio and asset structure to maintain stable growth for its various core businesses, achieve better results overall and realize the established targets for the Company. The integration of our business and assets which has continued smoothly is expected to create a greater value for the Group and provide better returns for our shareholders.

INFRASTRUCTURE FACILITIES

The infrastructure facilities business recorded net profits of HK$532 million, representing an increase of 12.2% over the same period last year and accounting for 30.8% of the Group's Net Business Profit*. During the period, the Group actively expanded its infrastructure business, including toll roads, water services, solid waste disposal and renewable energy. Steady growth were maintained overall for the traffic flows, revenues and profits for the expressways. Investments in the water services business have been significantly increased, resulting in an aggregate daily operating capacity of some 9 million tonnes.

Toll Roads

Despite measures taken by the State to waive small passenger car tolls on major holidays and other toll policy adjustments, the Group actively addressed the issue and made proactive efforts on cost control and traffic enhancement for its three toll roads in Shanghai. Benefiting from economic growth in the community and continued increases in traffic flow, the Group's overall revenue and return for road business remained stable. Meanwhile, opportunities to acquire favourable road assets were actively sought in future to further increase profit contributions from the business segment. The key operating figures for the Group's three expressways during the period were as follows:

Toll roads	Net profit from project company	Changes	Toll revenue	Changes	Vehicle journeys	Changes
Jing-Hu Expressway (Shanghai Section)	HK$166 million	-2.4%	HK$303 million	+3.3%	19.09 million	+10.4%
Hu-Kun Expressway (Shanghai Section)	HK$190 million	+6.4%	HK$440 million	+2.3%	20.80 million	+10.9%
Hu-Yu Expressway (Shanghai Section)	HK$85.65 million	+6.6%	HK$236 million	+4.8%	16.63 million	+12.1%

Toll revenue and traffic flow of the Jing-Hu Expressway (Shanghai Section) grew respectively. During the period, toll collector contests were held to motivate them to deliver better quality and more efficient services. Phase III of the standardized alteration of the Electronic Toll Collection (ETC) system was also completed during the period. In the second half of the year, congestion prevention works will be carried out in the Jiasong toll station. In May this year, the two shareholders of Shanghai Galaxy Investment Co., Ltd. ("**Shanghai Galaxy**"), of which Shanghai Hu-Ning Expressway (Shanghai Section) Co., Ltd. ("**Hu-Ning Expressway**") owns 50%, each made a capital injection of RMB100 million respectively into the company. Shanghai Galaxy has been actively developing environmental energy projects in recent years. The development of these projects is favourable for the enhancement of the Group's business structure and for identifying new areas for profit growth.

Toll revenue and traffic flow for the Hu-Kun Expressway (Shanghai Section) increased steadily during the period with revenue reaching record high. During the period, the project company also made initiative steps to enhance its toll road operation, strengthen road contingency drills, introduce on-site traffic announcements and take measures to prevent traffic congestions.

During the period, satisfactory growth were maintained for the toll revenue and vehicle journeys from the Hu-Yu Expressway (Shanghai Section). Phase III of the standardized alteration of the ETC system was completed during the period, facilitating the use of ETC vehicles on expressways in the future. The focus for large and medium scale improvement work for the year will be on pre-maintenance and road surface repairing of the west section, which will effectively improve traffic conditions. The alteration project for the Jiasong toll station of the Hu-Yu Expressway (Shanghai section) will commence in the second half of the year.

Water Services

SIIC Environment Holdings Ltd. ("**SI Environment**") recorded a revenue of RMB498 million, rising year-on-year by 48.1%; net profits amounted to RMB80.51 million, representing a year-on-year increase of 80.1%. Subsequent to the consolidation of the accounts of Nanfang Water Co., Ltd. ("**Nanfang Water**"), SI Environment further issued consideration shares to the vendor in relation to the acquisition of 69.378% interests in Nanfang Water, representing approximately 8.9% of SI Environment's enlarged capital. As such, the Group's equity interest in SI Environment was adjusted to 50.33% accordingly. During the period, SI Environment won a bid for an engineering-procurement-construction (EPC) project for desalination with an aggregate contract value of approximately RMB80 million. The project is expected to be completed in mid-2014. In the first half of the year, SI Environment also entered into two bidding agreements for waste water treatment plants and won a bid for an entrustment management project for contingency treatment for pollution of the Guannan River in Shenzhen. Looking ahead, SI Environment will continue to expand its scale of operation and enhance its performance. The company will also seize opportunities to acquire quality assets in relation to environmental protection in order to strengthen its position as a first-tier water service company in China. Initiatives will be made to introduce suitable strategic partners to the company. Capitalizing on its favorable position as a listed company and its shareholders' background, the company will deploy capital operation along with the pace of its development.

For the first half of 2013, General Water of China Co., Ltd. ("**General Water of China**") recorded a net profit of HK$36.90 million, an increase of 35.1% over the same period last year; revenue increased year-on-year by 1.6% to HK$808 million. Emphasizing on scale and efficiency, General Water of China has been identifying potential quality projects and acquired a sewage treatment plant in Bengbu, Anhui (daily operating capacity of 300,000 tonnes). The asset possession right and a 30-year franchise of sewage treatment plants #2, 3 and 4 in Bengbu were also acquired during the period. In June 2013, the 240t/d central sludge drying and incineration project taken over by a subsidiary of General Water of China was under pilot operation. The acquisitions indicated that sludge drying and incineration, a sludge treatment with sound development prospects, came in use in the industry. During the period, construction work for the water plant #3 in Suifenhe city and the Wuhua Mountain reservoir project (Daju section and Yihongdao section) progressed smoothly. In addition, General Water of China has been recognized as the most influential enterprise in the water service industry in China for 10 consecutive years.

REAL ESTATE

For the six months ended 30 June 2013, the real estate business of the Group recorded a profit of HK$653 million, dropping 58.6% over last year and accounting for approximately 37.7% of the Net Business Profit* of the Group. The decline was mainly due to a relatively large gain recorded from the disposal of lot G of Qingpu land in Shanghai during the same period last year. Apart from speeding up sales and delivery of properties, the Group has also continued to establish its brand, streamline resources allocation and efficiently capitalize its assets during the period.

SI Urban Development

Shanghai Industrial Urban Development Group Limited ("**SI Urban Development**") increased its revenue by 172% to HK$2,966 million. Profits attributable to shareholders amounted to HK$482 million, turning around from a loss of HK$309 million during the same period last year. The significant increase was mainly due to increases in the number of deliveries since last year and higher revenues recorded from properties. In addition, the disposal of a 21,600 square meter land development right in the U Center project in Minhang District, Shanghai to an independent third party was completed with a total consideration of approximately RMB1,175 million, resulting in an after-tax disposal gain of approximately HK$737 million. Liquidating a portion of the asset value of the U Center project, the transaction has made a significant profit contribution to the Group and further enhanced the company's financial resources. It has also accelerated the development of existing projects and created a favourable environment for obtaining potential new projects.

Deliveries in the period mainly included CBE International Peninsula in Xi'an and Urban Cradle in Shanghai, which accounted for a total gross floor area of 236,000 square meters. Contract sales amounted to RMB3,340 million, accounting for a total gross floor area of 174,000 square meters, comprising mainly Urban Cradle in Shanghai and Shanghai Jing City. A rental income of HK$118 million was recorded for the period. In May this year, SI Urban Development reached an agreement with the Shanghai Xuhui District Planning and Land Administration Bureau ("**Shanghai Xuhui**") to swap its existing site originally designated for the development of Xujiahui Centre (approximately 35,343 square meters) for four other pieces of land in Binjiang, Xuhui District, Shanghai (approximately 83,220 square meters). No land premium or any other costs were required for the swap arrangement. The four pieces of land acquired are located at the Binjiang district, a key development area in Shanghai, with considerable appreciation potential. With the completion of the transaction, SI Urban Development will have full control over the development of the new project instead of having interest in one of the six pieces of land in the Xujiahui Centre project. The transaction will also enable the company to allocate resources more effectively and ensure a comprehensive and smooth development of the project.

SI Development

Shanghai Industrial Development Co., Ltd. ("**SI Development**") recorded a turnover of RMB2,184 million for the first half of 2013, representing an increase of 16.9% over the same period last year. Net profits attributable to shareholders amounted to RMB291 million. During the period, SI Development continued to streamline its businesses and resources and refine its assets and funding structure. The company has also continued to strengthen its profit base and make necessary adjustments on the way of its operation in order to enhance its competitiveness in the market, create better value for the company and maintain a steady development for its future.

During the period, the company has adopted a "fast, accurate and pragmatic" marketing strategy for its project sales. In order to respond rapidly to changes in the market, the company has embarked on bold and creative marketing strategies to speed up sales for its projects, including the Rhine Town in Tianjin, Sea Melody in Dali, Hi-Shanghai in Chengdu, Flos Granati in Shanghai and Longines Bay in Harbin, accounting for a total gross floor area of approximately 86,635 square meters. Investment properties were operated under the principle of "innovative development, refined management, quality service and comprehensive improvement". By fully developing the potential of investment properties, the company has been able to build up a quality customer base and recorded a rental income of approximately RMB94.41 million through a stable occupancy rate and steadily increasing income.

The company has continued to strengthen its core businesses. While building up its profit base, the company has made considerable efforts to upgrade its management model to further improve development efficiency. During the period, the company has put its focus on improving product quality and strengthened its management and supervisory role in the course of its development. In addition, through carefully monitoring the progress of its projects and rectifying possible errors, the company strictly controlled the quality of its development, identified the focus of the projects and ensured that they are completed according to schedule, including the Flos Granati in Shanghai, International Beer City in Qingdao, Huzhou Bay in Huzhou and Hi-Shanghai in Chengdu.

CONSUMER PRODUCTS

During the period, profit contributions from the consumer products business dropped 14.3% over the same period last year to HK$544 million, accounting for approximately 31.5% of the Group's Net Business Profit*. The business segment continued to provide steady earnings and cash flow for the Group.

Tobacco

Revenue for Nanyang Brothers Tobacco Company, Limited ("**Nanyang Tobacco**") for the first half of 2013 stood at HK$1,406 million and net profit amounted to HK$421 million, representing an increase of 5.8% and 6.7% respectively over last year. During the period, the cumulative sales volume was approximately 909,776 cases, with Double Happiness contributing to over 90% of the sales volume. Three new products were developed this year, namely "Classic Infinity", "Southern Brotherhood" and "Peony Deluxe". They are advanced versions to the existing products and will be launched on stages beginning with the mid-autumn festival through to the national day vacation and the Lunar New Year next year. The company has also been expanding its overseas sales market and successfully entered the duty-free market in the Dominican Republic and Venezuela as well as markets in Peru in Central and South America. During the period, smooth progress was seen on alteration projects on production lines.

Printing

During the period, The Wing Fat Printing Company, Limited ("**Wing Fat Printing**") recorded a revenue and net profit of HK$457 million and HK$135 million, representing a decline of 9.1% and 44.5% over the same period last year respectively. The decline was mainly due to considerable gains recorded from the disposal of 70% equity interests in Chengdu Wingfat Printing Co., Ltd. ("**Chengdu Wingfat Printing**") during the same period last year, as well as a significant drop in sales of packaging printing influenced by the promulgation of the consumption restriction regulatons for high-end tobacco and white wine in mainland China. Wing Fat Printing has entered into an agreement in December last year to dispose of its entire 30% interests in Zhejiang Tianwai Packaging and Printing Co., Ltd. ("**Zhejiang Tianwai**") to an independent third party for a consideration of RMB124 million. The transaction was completed in the first half of the year, contributing to an after-tax gain of HK$87.95 million.

**Net profit excluding net corporate expenses*

PROSPECTS

Looking into the second half of 2013, unpredictable factors in the domestic and overseas markets as well as uncertain policies within the country will continue to loom and these are expected to bring considerable challenges for the future development of the Group's business. Under the circumstances, we will further capitalize on the advantages of our intrinsic value to strengthen our basic operation management and improve our internal control systems in order to create the best value for our shareholders.

The Company will continue to adopt a more refined development strategy for its real estate business. Through establishing closer links among its various businesses, enhancing synergy and speeding up project development, the Company aims to further improve its gross profit margin and cash income. We are also seeking breakthroughs to realize the actual value of our existing projects.

Regarding the infrastructure facilities business, the water services segment will speed up its business consolidation process and expand the scale of its investment. The company will also diversify its financing activities through better utilizing its capital resources to promote rapid development of its business. The toll roads segment will continue to ensure steady growth in revenue while maintaining its operational efficiency. In the future, the Group will enlarge its scale of investment in new border areas to expand new scopes for earnings growth.

Nanyang Tobacco will accelerate product development in the year and make progressive alteration to its production lines to broaden its earnings base and operation capability. Wing Fat Printing will strive to meet its operation targets through continued pursuit to strengthen its marketing efforts while seeking to acquire projects with development potential in the market.

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

Wang Wei
Chairman
Hong Kong, 29 August 2013

INTERIM DIVIDEND

The Board of Directors has resolved to pay an interim dividend of HK42 cents (2012: HK50 cents) per share for the six months ended 30 June 2013, which will be payable on or about Monday, 30 September 2013 to shareholders whose names appear on the register of members of the Company on Thursday, 12 September 2013.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders' entitlement to the interim dividend, the register of members of the Company will be closed on Thursday, 12 September 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 Wednesday, 11 September 2013.

REVIEW OF INTERIM RESULTS

The audit committee has reviewed the Company's unaudited consolidated interim results for the six months ended 30 June 2013.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of the Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") throughout the six months ended 30 June 2013, 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 and Remuneration Committee of the Company, was unable to attend the annual general meeting and extraordinary general meeting of the Company both held on 21 May 2013 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 2013 interim report will be despatched to shareholders in mid September 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 comprises six Executive Directors, namely, Mr. Wang Wei, 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.

INTERIM RESULTS

Below are the unaudited interim results of the Group for the six months ended 30 June 2013 extracted from the unaudited condensed consolidated financial statements as set out in its 2013 interim report:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Notes	Six months ended 30.6.2013 HK$'000 (unaudited)	30.6.2012 HK$'000 (unaudited)
Revenue	3	**8,788,784**	6,235,796
Cost of sales		**(5,411,597)**	(3,887,817)
Gross profit		**3,377,187**	2,347,979
Net investment income		**230,724**	244,964
Other income		**318,060**	898,852
Selling and distribution costs		**(406,019)**	(304,279)
Administrative and other expenses		**(744,809)**	(659,197)
Finance costs		**(553,640)**	(432,458)
Share of results of joint ventures		**42,995**	21,877
Share of results of associates		**10,259**	4,475
Gain on disposal of assets through disposal of subsidiaries		**819,125**	-
Gain on disposal of Feng Shun		**-**	1,276,515
Gain on disposal of interests in other subsidiaries, a joint venture and an associate		**105,163**	311,288
Profit before taxation		**3,199,045**	3,710,016
Income tax expense	4	**(944,647)**	(688,360)
Profit for the period	5	**2,254,398**	3,021,656
Profit for the period attributable to			
- Owners of the Company		**1,675,399**	2,543,179
- Non-controlling interests		**578,999**	478,477
		2,254,398	3,021,656
Earnings per share	7	**HK$**	HK$
- Basic		**1.550**	2.355
- Diluted		**1.496**	2.354

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Six months ended	
	30.6.2013	30.6.2012
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit for the period	**2,254,398**	3,021,656
Other comprehensive income (expense)		
Items that may be subsequently reclassified to profit or loss		
Exchange differences arising on translation of foreign operations		
- subsidiaries	**266,279**	(444,002)
- joint ventures	**7,032**	(11,028)
- associates	**16,395**	(19,040)
Fair value adjustments on available-for-sale investments		
- subsidiaries	**(2,219)**	1,194
- a joint venture	**-**	(11,060)
Reclassification of translation reserve upon disposal of interest in an associate/a subsidiary held for sale	**(24,503)**	(8,963)
Other comprehensive income (expense) for the period	**262,984**	(492,899)
Total comprehensive income for the period	**2,517,382**	2,528,757
Total comprehensive income for the period attributable to		
- Owners of the Company	**1,795,093**	2,256,694
- Non-controlling interests	**722,289**	272,063
	2,517,382	2,528,757

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

	Notes	**30.6.2013**	31.12.2012
		HK$'000	HK$'000
		(unaudited)	(audited)
Non-Current Assets			
Investment properties		**9,405,361**	9,471,090
Property, plant and equipment		**3,376,342**	3,462,047
Prepaid lease payments – non-current portion		**136,056**	136,368
Toll road operating rights		**13,638,654**	13,899,749
Other intangible assets		**1,280,084**	1,197,928
Interests in joint ventures		**1,937,384**	1,781,046
Interests in associates		**1,978,558**	1,966,769
Investments		**1,061,860**	960,137
Receivables under service concession arrangements – non-current portion		**3,569,465**	3,399,244
Deposits paid on acquisition of property, plant and equipment		**185,209**	41,569
Restricted bank deposits		**82,962**	82,270
Deferred tax assets		**297,954**	270,922
		36,949,889	36,669,139
Current Assets			
Inventories		**49,766,976**	51,021,592
Trade and other receivables	*8*	**10,353,034**	6,330,644
Prepaid lease payments – current portion		**3,412**	3,355
Investments		**630,843**	408,372
Receivables under service concession arrangements – current portion		**101,604**	92,964
Amounts due from customers for contract work		**113,550**	102,093
Prepaid taxation		**337,570**	399,127
Pledged bank deposits		**445,232**	447,838
Short-term bank deposits		**2,690,463**	212,888
Bank balances and cash		**14,293,191**	19,248,483
		78,735,875	78,267,356
Assets classified as held for sale		**271,563**	376,516
		79,007,438	78,643,872
Current Liabilities			
Trade and other payables	*9*	**11,505,366**	11,759,240
Customer deposits from sales of properties		**9,851,654**	10,150,596
Amounts due to customers for contract work		**7,878**	72,129
Taxation payable		**3,385,124**	3,737,308
Bank and other borrowings		**11,417,895**	10,718,828
		36,167,917	36,438,101
Net Current Assets		**42,839,521**	42,205,771
Total Assets less Current Liabilities		**79,789,410**	78,874,910

	30.6.2013	31.12.2012
	HK$'000	HK$'000
	(unaudited)	(audited)
Capital and Reserves		
Share capital	**108,089**	108,025
Share premium and reserves	**33,593,657**	32,301,464
Equity attributable to owners of the Company	**33,701,746**	32,409,489
Non-controlling interests	**16,587,866**	15,829,544
Total Equity	**50,289,612**	48,239,033
Non-Current Liabilities		
Provision for major overhauls	**77,939**	79,516
Bank and other borrowings	**18,084,854**	22,112,850
Convertible bonds	**3,700,947**	-
Senior notes	**2,126,912**	2,746,903
Deferred tax liabilities	**5,509,146**	5,696,608
	29,499,798	30,635,877
Total Equity and Non-Current Liabilities	**79,789,410**	78,874,910

Notes:

(1) REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements for the six months ended 30 June 2013 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 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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012, except for the accounting policy for convertible bonds and the new or revised Hong Kong Financial Reporting Standards ("**HKFRSs**") newly adopted by the Group in the current interim period which have been disclosed below.

Convertible bonds containing liability and equity components

Convertible bonds issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity, is included in equity (convertible bonds equity reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds equity reserve until the embedded option is exercised (in which case the balance stated in convertible bonds equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bonds equity reserve will be released to the retained profits. Neither gain nor loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

New or revised HKFRSs

Moreover, in the current interim period, the Group has applied, for the first time, the following new or revised HKFRSs issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

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

Except as described below, the application of the other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

(3) SEGMENT INFORMATION

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

Six months ended 30 June 2013

	Infrastructure facilities	Real estate	Consumer products	Unallocated	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
SEGMENT REVENUE					
External sales	1,561,069	5,516,468	1,711,247	-	8,788,784
Segment profit (loss)	829,461	1,439,102	541,609	(35,029)	2,775,143
Finance costs	(97,586)	(445,051)	(1,323)	(9,680)	(553,640)
Share of results of joint ventures	42,995	-	-	-	42,995
Share of results of associates	310	(4,149)	14,098	-	10,259
Gain on disposal of assets through disposal of subsidiaries	-	819,125	-	-	819,125
Gain on disposal of interests in other subsidiaries and an associate	-	-	103,340	1,823	105,163
Profit (loss) before taxation	775,180	1,809,027	657,724	(42,886)	3,199,045
Income tax expense	(153,538)	(678,407)	(101,844)	(10,858)	(944,647)
Profit (loss) after taxation	621,642	1,130,620	555,880	(53,744)	2,254,398
Less: profit attributable to non-controlling interests	(89,311)	(477,888)	(11,800)	-	(578,999)
Profit (loss) for the period attributable to owners of the Company	532,331	652,732	544,080	(53,744)	1,675,399

Six months ended 30 June 2012

	Infrastructure facilities	Real estate	Consumer products	Unallocated	Consolidated
	HK$'000	HK$'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 (loss)	704,890	1,246,498	577,897	(966)	2,528,319
Finance costs	(78,028)	(322,943)	(4,824)	(26,663)	(432,458)
Share of results of joint ventures	21,877	-	-	-	21,877
Share of results of associates	-	(5,116)	9,591	-	4,475
Gain on disposal of Feng Shun	-	1,276,515	-	-	1,276,515
Gain on disposal of interests in other subsidiaries and a joint venture	-	114,365	196,923	-	311,288
Profit (loss) before taxation	648,739	2,309,319	779,587	(27,629)	3,710,016
Income tax expense	(127,192)	(321,966)	(123,334)	(115,868)	(688,360)
Profit (loss) after taxation	521,547	1,987,353	656,253	(143,497)	3,021,656
Less: profit attributable to non-controlling interests	(47,197)	(410,231)	(21,049)	-	(478,477)
Profit (loss) for the period attributable to owners of the Company	474,350	1,577,122	635,204	(143,497)	2,543,179

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

	30.6.2013	31.12.2012
	HK$'000	HK$'000
Infrastructure facilities	**21,671,605**	21,872,505
Real estate	**76,676,547**	78,375,403
Consumer products	**4,814,660**	4,782,832
Unallocated assets	**12,794,515**	10,282,271
Total consolidated assets	**115,957,327**	115,313,011

(4) INCOME TAX EXPENSE

	Six months ended	
	30.6.2013	30.6.2012
	HK$'000	HK$'000
Current tax		
- Hong Kong	**96,930**	112,521
- PRC Land Appreciation Tax ("LAT")	**412,045**	210,338
- PRC Enterprise income tax ("EIT") (including PRC withholding tax of HK$70,782,000 (six months ended 30 June 2012: HK$120,986,000))	**668,393**	549,851
	1,177,368	872,710
Overprovision in prior periods		
- Hong Kong	**(51)**	(1,798)
- PRC EIT (note)	**(4,878)**	(149,066)
	(4,929)	(150,864)
Deferred taxation for the current period	**(227,792)**	(33,486)
	944,647	688,360

note: The Group recognised an overprovision of PRC EIT during the six months ended 30 June 2012 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%. A PRC subsidiary is taxed at a lower rate of 12.5% for both periods 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	
	30.6.2013	30.6.2012
	HK$'000	HK$'000
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)	**329,524**	292,135
Amortisation of other intangible assets (included in cost of sales)	**26,952**	20,169
Depreciation of property, plant and equipment	**127,944**	136,749
Release of prepaid lease payments	**1,901**	2,220
Decrease in fair value of investment properties	**67,849**	8,271
Dividend income from investments (included in net investment income)	**(2,188)**	(4,852)
Gain on disposal of property, plant and equipment	**(782)**	(4,330)
Interest income (included in net investment income)	**(216,890)**	(162,787)
Interest income in relation to service concession arrangements (included in other income)	**(115,393)**	(34,396)
Change in fair value of financial assets at fair value through profit or loss (included in net investment income)	**9,266**	(43,003)
Net foreign exchange loss	**15,123**	45,326
Reversal of impairment loss on other receivables	**-**	(587,079)
Compensation income (included in other income)	**-**	(178,703)
Compensation to customers as a result of late delivery of properties	**37,083**	5,463
Share of PRC EIT of joint ventures (included in share of results of joint ventures)	**18,489**	7,108
Share of PRC EIT of associates (included in share of results of associates)	**2,930**	3,844

(6) DIVIDENDS

	Six months ended	
	30.6.2013	30.6.2012
	HK$'000	HK$'000
2012 final dividend paid of HK58 cents (six months ended 30 June 2012: 2011 final dividend paid of HK58 cents) per share	**626,916**	626,381

Subsequent to the end of the reporting period, the directors have determined that an interim dividend of HK42 cents (2012: HK50 cents) per share will be paid to the shareholders of the Company whose names appear on the Company's register of members on 12 September 2013.

(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	
	30.6.2013	30.6.2012
	HK$'000	HK$'000
Earnings:		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	**1,675,399**	2,543,179
Effect of dilutive potential ordinary shares		
- interest on convertible bonds, net of tax	**25,535**	-
	1,700,934	2,543,179
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,080,816,101**	1,079,913,014
Effect of dilutive potential ordinary shares		
- share options of the Company	**1,864,458**	475,677
- convertible bonds	**53,956,342**	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,136,636,901**	1,080,388,691

The computation of diluted earnings per share does not assume:

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

(ii) the exercise of options/warrants issued by SI Urban Development, a listed subsidiary of the Group, because they are anti-dilutive. The warrants lapsed on 23 July 2012; and

(iii) the exercise of options issued by SI Environment, a listed subsidiary of the Group, which expired on 13 August 2012, because 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 aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date, which approximated the revenue recognition date.

	30.6.2013	31.12.2012
	HK$'000	HK$'000
Within 30 days	**247,888**	282,414
Within 31 – 60 days	**183,602**	151,790
Within 61 – 90 days	**129,660**	150,817
Within 91 – 180 days	**108,257**	86,733
Within 181 – 365 days	**219,612**	102,537
Over 365 days	**50,826**	51,989
	939,845	826,280

(9) TRADE AND OTHER PAYABLES

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

	30.6.2013	31.12.2012
	HK$'000	HK$'000
Within 30 days	**528,619**	1,155,794
Within 31 – 60 days	**275,004**	161,667
Within 61 – 90 days	**133,212**	81,527
Within 91 – 180 days	**202,950**	83,340
Within 181 – 365 days	**309,927**	817,710
Over 365 days	**816,549**	836,855
	2,266,261	3,136,893

FINANCIAL REVIEW

I. Analysis of Financial Results

1. Revenue

In the first half of 2013, the turnover amounted to approximately HK$8,788.78 million, representing a year-on-year increase of 40.9%, mainly due to the increase in property sales booked by SI Urban Development as compared to the same period last year, resulting in an increase in turnover of HK$1,873.82 million. Furthermore, SI Environment recorded a year-on-year increase in turnover of HK$205.65 million, driven by consolidating Nanfang Water's sales after it was acquired by SI Environment.

The year-on-year increase in infrastructure facilities business was mainly attributable to the natural growth in the toll income from three expressways, together with the consolidation of Nanfang Water's six-month turnover after SI Environment completed the acquisition of controlling stake in Nanfang Water during the second half of last year.

SI Urban Development recorded an increase of turnover of approximately 171.6% due to the higher amount of property delivered during the first half of the year and SI Development also recorded a year-on-year increase in the sales, resulting in an increase of 70.37% in real estate business turnover.

As for the turnover from consumer products business, Nanyang Tobacco maintained a stable growth but Wing Fat Printing's income from packaging and printing service recorded an obvious decline since the sale of high-end cigarette and white wine industry were adversely impacted by the domestic consumption restriction. As a result, turnover from consumer products business only recorded a slight year-on-year increase.

2. Profit Contribution from Each Business

Net profit from the infrastructure facilities business for the period was approximately HK$532.33 million, accounting for 30.8% of Net Business Profit*, representing a year-on-year increase of 12.2%. Although the traffic flow of three expressways recorded natural growth ranging from 10.4%-12.1%, revenue from toll roads segment for the period was affected to a certain extent due to the policy of expressway toll exemptions for small passenger vehicles in key festivals introduced by the government during the second half of last year. However, benefiting from our cost control measures, there was still a stable growth in profits. As for water services business, SI Environment completed the acquisition of controlling stake in Nanfang Water last year, the result of which was consolidated for the period, representing a new contribution to our profit, and in addition to the growing results recorded by General Water of China, water services segment achieved a significant growth in profit.

Real estate business recorded a profit of approximately HK$652.73 million, accounting for 37.7% of Net Business Profit*, representing a year-on-year decrease of HK$924.39 million. The decrease was mainly due to the absence of net profit of HK$1,131.78 million from the disposal of 90% interest in Lot G in Qingpu and of sharing SI Development's reversal of investment impairment loss for the sale of the Beijing Workers' Gynasium project of HK$373.68 million for the same period last year, while during the period, the Group only shared the profit of HK$515.68 million from the disposal of interest in a land parcel, representing 25% equity interest of Shanghai Urban Development Group Longcheng Properties Co., Ltd. ("**SUD Longcheng**"), which partly offset the decrease in profit of real estate business. Excluding the impact by the disposal and reversal, operating profit of real estate business improved mainly due to the increase in property sales booked during the period, most of which were higher gross margin real estate projects.

The consumer products business recorded a net profit of approximately HK$544.08 million for the period, accounting for 31.5% of Net Business Profit*. Net profit decreased year-on-year by HK$91.12 million or 14.3%, mainly due to sharing in the profit of approximately HK$82.21 million from the disposal of 30% interest in Zhejiang Tianwai project by Wing Fat Printing for the period while we shared a profit of approximately HK$161.11 million from the disposal of the entire 70% interest in Chengdu Wingfat Printing in the same period last year. During the period, Wing Fat Printing recorded a year-on-year decline in operating profit mainly due to an obvious decrease in income from packaging and printing service for wine products as a result of lower sales in white wine after the government advocated a frugal consumption pattern. Nanyang Tobacco kept adjusting product structure to boost the sale in products with high added-value and to record a continuous growth in earnings.

3. Profit before Taxation

(1) Gross profit margin

Gross profit margin for the period was 38.4%, a marginal increase of 0.7 percentage points as compared to 37.7% for the same period last year. The increase in gross profit margin was mainly due to part of the property sales booked in respect of the real estate business for the period was higher gross margin commodity housing.

(2) Other income

Other income for the period significantly decreased as compared to the same period last year, mainly due to the absence of one-off reversal of impairment loss for real estate project of HK$587.08 million recorded in the same period last year.

(3) Gain on disposal of assets through disposal of subsidiaries

The Group completed the disposal of interest in a land parcel, representing 25% equity interest in SUD Longcheng during the period and recorded a pre-tax gain of HK$819.13 million.

(4) Gain on disposal of interests in other subsidiaries, a joint venture and an associate

The Group recorded a net profit before taxation of HK$103.34 million from the disposal of 30% interest in Zhejiang Tianwai project by Wing Fat Printing. During the same period last year, the Group completed the disposals of the Tangdao Bay project and the 70% equity interest in Chengdu Wingfat Printing and recorded pre-tax disposal gains totaling HK$311.29 million.

4. Dividends

The Board of Directors of the Group has resolved to declare an interim dividend of HK42 cents (2012 interim: HK50 cents) per share, dividend payout ratio is 27.1% (2012 interim: 21.2%).

II. Financial Position of the Group

1. Capital and Equity attributable to Owners of the Company

The Group had a total of 1,080,889,000 shares in issue as at 30 June 2013, which was increased by 640,000 shares as compared with 1,080,249,000 shares in issue as at the end of 2012. 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$33,701.75 million as at 30 June 2013, which was attributable to the net profits after deducting the dividend actually paid during the period.

2. Indebtedness

(1) Borrowings

During the period, the Company issued HK$3,900 million zero coupon five-year convertible bonds successfully through a wholly-owned subsidiary, Tong Jie Limited, which strongly improved the Group's funds base for business development while opening up a new financing channel in addition to bank borrowing.

As at 30 June 2013, the total borrowings of the Group including bank borrowings, other borrowings, senior notes and convertible bond amounted to approximately HK$36,515.94 million (31 December 2012: HK$36,763.90 million), of which 73.7% (31 December 2012: 64.6%) was unsecured credit facilities.

(2) *Pledge of assets*

As at 30 June 2013, 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$8,061,040,000 (31 December 2012: HK$8,212,311,000);

(b) leasehold land and buildings with an aggregate carrying value of HK$11,194,000 (31 December 2012: HK$11,516,000);

(c) a toll road operating right of HK$3,309,990,000 (31 December 2012: HK$3,359,512,000);

(d) receivables under service concession arrangements with an aggregate carrying value of HK$1,817,825,000 (31 December 2012: HK$1,900,411,000);

(e) properties under development held for sale with an aggregate carrying value of HK$9,726,776,000 (31 December 2012: HK$10,767,128,000);

(f) trade receivables with an aggregate carrying value of HK$331,653,000 (31 December 2012: 174,926,000); and

(g) bank deposits with an aggregate carrying value of HK$445,232,000 (31 December 2012: HK$447,838,000).

(3) *Contingent liabilities*

As at 30 June 2013, the guarantees given to banks by the Group in respect of banking facilities utilised by an entity controlled by Xuhui District State Owned Asset Administrative Committee, property buyers and an associate of a joint venture amounted to approximately HK$270.00 million, HK$2,409.00 million and HK$207.19 million (31 December 2012: HK$393.04 million, HK$2,037.26 million and nil), respectively.

3. Capital Commitments

As at 30 June 2013, the Group had capital commitments mainly contracted for business development and investments in fixed assets of HK$6,923.16 million (31 December 2012: HK$7,319.36 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 2013, bank balances and short-term investments held by the Group amounted to HK$17,428.89 million (31 December 2012: HK$19,909.21 million) and HK$630.84 million (31 December 2012: HK$408.37 million) respectively. The proportions of US dollars and other currencies, Renminbi and HK dollars were 2%, 87% and 11% (31 December 2012: 5%, 85% and 10%) 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. EVENT AFTER THE END OF THE INTERIM PERIOD

Following the metro construction and statutory changes in the town planning in Shanghai, an agreement was signed between Shanghai Xuhui and a subsidiary of the Group on 18 May 2013, pursuant to which the Group agreed to swap a piece of land (the "**Existing Site**") for four pieces of land (the "**New Sites**") assigned by Shanghai Xuhui.

On 2 July 2013, the land use right of the Existing Site was transferred to Shanghai Xuhui. The transfer of land use rights of the New Sites are still in progress and not completed at the date of issuance of these condensed consolidated financial statements.