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上海實業城市開發集團有限公司
SHANGHAI INDUSTRIAL URBAN DEVELOPMENT GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code : 563)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011

The board of directors (the "**Board**") of Shanghai Industrial Urban Development Group Limited (the "**Company**") announces that the unaudited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2011 (the "**Period**"), together with the comparative figures for the six months ended 30 June 2010 were as follows :

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2011

		Six months ended 30 June	
		2011	2010
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue		**882,472**	2,417,334
Cost of sales		**(718,698)**	(2,029,032)
Gross profit		**163,774**	388,302
Fair value changes on investment properties	*8*	**337,324**	11,953
Fair value gain on transfer of inventories to investment properties	*8*	**152,212**	–
Other income, gains and losses		**(18,102)**	(7,853)
Distribution and selling expenses		**(107,034)**	(216,136)
General and administrative expenses		**(194,482)**	(216,450)
Impairment loss in respect of inventories	*11*	**(39,084)**	(138,825)
Finance costs	*4*	**(89,631)**	(343,595)
Share of losses of associates		**(1,447)**	(2,679)
Profit (loss) before taxation		**203,530**	(525,283)
Income tax expense	*5*	**(196,885)**	(159,326)
Profit (loss) for the period	*6*	**6,645**	(684,609)
Other comprehensive income (expense) for the period			
Exchange differences arising on translation into presentation currency		**118,425**	(18,929)
Reclassification adjustment for realisation of revaluation gains transferred to profit or loss upon sales of completed properties held for sale		**(188)**	(10)
Other comprehensive income (expense) for the period		**118,237**	(18,939)
Total comprehensive income (expense) for the period		**124,882**	(703,548)
Profit (loss) for the period attributable to:			
– Owners of the Company		**56,700**	(645,597)
– Non-controlling interests		**(50,055)**	(39,012)
		6,645	(684,609)
Total comprehensive income (expense) attributable to:			
– Owners of the Company		**164,812**	(662,465)
– Non-controlling interests		**(39,930)**	(41,083)
		124,882	(703,548)
Earnings (loss) per share	*7*		
– Basic		**HK2.16 cents**	HK(32.74) cents
– Diluted		**HK2.16 cents**	HK(32.74) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2011

	NOTES	**30 June 2011 *HK$'000* (unaudited)**	31 December 2010 *HK$'000* (audited)
Non-current Assets			
Investment properties	*8*	**3,645,847**	3,003,575
Property, plant and equipment	*9*	**939,561**	857,660
Prepaid lease payments		**84,943**	85,856
Interests in associates	*10*	**959,021**	330,401
Amount due from an associate		**81,955**	80,292
Restricted bank deposits		**51,892**	54,191
		5,763,219	4,411,975
Current Assets			
Inventories	*11*	**18,718,153**	18,042,959
Trade and other receivables	*12*	**681,799**	702,770
Prepaid lease payments		**3,122**	2,339
Consideration receivables for disposal of assets		**21,466**	21,381
Prepaid income tax and land appreciation tax		**318,522**	362,895
Restricted bank deposits		**5,015**	–
Bank balances and cash		**1,223,944**	2,381,542
		20,972,021	21,513,886
Current Liabilities			
Trade and other payables	*13*	**2,417,828**	2,358,019
Amounts due to non-controlling shareholders		**41,183**	52,347
Amounts due to related companies		**–**	2,466
Consideration payables for acquisition of subsidiaries		**378,157**	350,262
Pre-sale proceeds received on sales of properties		**8,295,190**	8,417,661
Bank borrowings	*14*	**135,444**	120,901
Loan payables	*15*	**1,902,962**	1,471,810
Derivative financial instrument – warrants	*16*	**7,854**	16,600
Income tax and land appreciation tax payables		**1,029,298**	998,891
Dividend payable		**6,423**	6,423
Convertible loan notes	*17*	**–**	2,607
		14,214,339	13,797,987
Net current assets		**6,757,682**	7,715,899
Total assets less current liabilities		**12,520,901**	12,127,874

	NOTES	30 June 2011 HK$'000 (unaudited)	31 December 2010 HK$'000 (audited)
Non-current Liabilities			
Bank borrowings	*14*	**619,763**	514,408
Senior notes	*18*	**2,991,228**	2,974,260
Deferred tax liabilities		**1,121,518**	996,924
		4,732,509	4,485,592
		7,788,392	7,642,282
Capital and Reserves			
Share capital	*19*	**105,173**	105,173
Reserves		**7,216,058**	7,017,806
Equity attributable to owners of the Company		**7,321,231**	7,122,979
Non-controlling interests		**467,161**	519,303
		7,788,392	7,642,282

SELECTED NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010 except as described below.

Transfer of inventories to investment properties carried at fair value

The Group transfers a property from inventories to investment property when there is a change of intention to hold the property to earn rentals or/and for capital appreciation rather than for sale in ordinary course of business, which is evidenced by the commencement of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss.

In the current interim period, the Group has also applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

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

3. **SEGMENT INFORMATION**

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

Six months ended 30 June 2011 (unaudited)

	Property development *HK$'000*	**Property leasing** *HK$'000*	**Hotel operations** *HK$'000*	**Total** *HK$'000*
SEGMENT REVENUE				
External sales	**798,222**	**32,871**	**51,379**	**882,472**
Inter-segment sales	**–**	**–**	**–**	**–**
	798,222	**32,871**	**51,379**	**882,472**
Segment profit (loss)	**23,371**	**323,381**	**(21,043)**	**325,709**
Unallocated other income, gains and losses				**49,770**
Unallocated corporate expenses				**(91,064)**
Unallocated finance costs				**(89,631)**
Gain on fair value changes on derivative financial instruments				**8,746**
Profit before taxation				**203,530**

Six months ended 30 June 2010 (unaudited)

	Property development *HK$'000*	Property leasing *HK$'000*	Hotel operations *HK$'000*	Total *HK$'000*
SEGMENT REVENUE				
External sales	2,387,884	9,469	19,981	2,417,334
Inter-segment sales	163	–	5,326	5,489
	2,388,047	9,469	25,307	2,422,823
Segment loss	(325,094)	(45,040)	(22,158)	(392,292)
Unallocated other income, gains and losses				6,504
Unallocated corporate expenses				(74,255)
Unallocated finance costs				(62,040)
Loss on fair value changes on derivative financial instruments				(3,200)
Loss before taxation				(525,283)

Segment (loss) profit represents the profit (loss) from each segment without allocation of unallocated other income, gains and losses, unallocated finance cost, net unallocated corporate expenses and gain (loss) on fair value changes on derivative financial instruments. This is the measure reported to the Board of Directors of the Company for the purposes of resource allocation and performance assessment.

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

	30 June 2011	31 December 2010
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Property development	**21,186,075**	20,052,311
Property leasing	**3,694,645**	3,095,927
Hotel operations	**1,000,708**	811,077
Total segment assets	**25,881,428**	23,959,315

Assets are allocated to operating segments other than deferred tax assets, prepaid income tax and land appreciation tax, consideration receivables for disposal of assets, derivative financial instruments, unallocated bank and cash balances and unallocated corporate assets.

4. FINANCE COSTS

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest on:		
Bank borrowings	**21,155**	42,823
Loan payables	**55,373**	210,233
Convertible loan notes	**107**	2,843
Senior notes	**167,818**	166,005
Total borrowing costs	**244,453**	421,904
Less: amount capitalised under properties under development	**(154,822)**	(78,309)
	89,631	343,595

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax		
– PRC Land Appreciation Tax ("PRC LAT")	**33,737**	37,759
– PRC Enterprise Income Tax	**60,240**	151,558
	93,977	189,317
Deferred tax	**102,908**	(29,991)
	196,885	159,326

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

Under the Provisional Regulations of LAT (《中華人民共和國土地增值稅暫行條例》) effective on 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例實施細則》) effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, being the proceeds of sales of properties less deductible expenditures including borrowing costs and properties development expenditures in relation to the gains arising from sales of properties in the PRC effective from 1 January 2004, with an exemption provided for property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands, the Group is not subject to any income tax in Bermuda and the British Virgin Islands in respect of the six months ended 30 June 2011 and 2010.

6. PROFIT (LOSS) FOR THE PERIOD

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit (loss) for the period has been arrived at after charging (crediting) the following items:		
Depreciation of property, plant and equipment	**30,995**	22,580
Loss on disposal of property, plant and equipment	**–**	47
Interest income (included in other income, gains and losses)	**(1,747)**	(8,601)
(Gain) loss on fair value changes of derivative financial instruments	**(8,746)**	3,200
Net foreign exchange (gain) loss (included in other income, gains and losses)	**(88,854)**	11,638
Equity-settled share-based payment expenses	**24,571**	5,620
Compensation to customers in respect of late delivery of properties	**102,412**	2,218

7. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings (loss):		
Earnings (loss) for the purposes of basic and diluted earnings per share (profit (loss) for the period attributable to owners of the Company)	**56,700**	(645,597)

	Six months ended 30 June	
	2011	2010
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	**2,629,332,189**	1,972,081,316

The computation of diluted earnings (loss) per share does not assume:

(i) the exercise of the Company's share options/warrants because the exercise price of those share option/warrants was higher than the average market price of the Company's shares for the six months period ended 30 June 2011 and 2010; and

(ii) the conversion of the Company's convertible notes since their exercise would result in a decrease in loss per share for the six months ended 30 June 2010.

8. MOVEMENTS IN INVESTMENT PROPERTIES

	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
At 1 January	**3,003,575**	2,949,328
Fair value gain on investment properties	**337,324**	11,953
Transfer from inventories	**352,402**	–
Disposals	**(113,637)**	(78,010)
Exchange realignment	**66,183**	(10,646)
At 30 June	**3,645,847**	2,872,625

During the period, inventories with carrying amount of approximately HK$200,190,000 were transferred to investment properties as the management had changed the intention of use of the properties upon entering into various operating leases with tenants. The properties were fair-valued by external valuers, DTZ Debenham Tie Leung Limited ("DTZ") at the date of transfer by reference to net rental income allowing for reversionary income potential. The resulting increase in fair value approximately HK$152,212,000 has been recognised directly in the profit or loss.

The investment properties of the Group were fair valued by DTZ, an independent firm of qualified professional valuers not connected with the Group, at 30 June 2011. DTZ is a member of the Institute of Valuer and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuations were arrived at by reference to comparable sales transactions available in the relevant market or by reference to net rental income allowing for reversionary income potential. The resulting increase in fair value of investment properties of approximately HK$337,324,000 has been recognised directly in profit or loss for the six months ended 30 June 2011 (2010: increase in fair value of HK$11,953,000).

During the period, the Group disposed of certain investment properties, for cash proceeds of HK$113,637,000 (2010: HK$78,010,000).

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK$96,736,000 (2010: HK$122,953,000) on additions to property, plant and equipment.

In addition, during the period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of HK$59,000 (2010: HK$160,000) for cash proceeds of HK$59,000 (2010: HK$113,000), resulting in no gain or loss on disposal of property, plant and equipment (2010: loss on disposal of HK$47,000).

10. INTERESTS IN ASSOCIATES

During the six months ended 30 June 2011, the Group contributed RMB525,000,000 (equivalent to approximately HK$623,240,000) into 上海城開集團龍城置業有限公司 ("Shanghai Longcheng") for 25% interest in Shanghai Longcheng. Shanghai Longcheng was newly set up for the purpose of developing properties in the PRC.

11. INVENTORIES

Inventories as at 30 June 2011 and 2010 mainly represented properties under development and properties held for sale which are all located in PRC.

During six months ended 30 June 2011, the Group recognised impairment loss in respect of inventories of HK$39,084,000 (2010: HK$138,825,000), which is the net realisable value of the properties held for sales.

12. TRADE AND OTHER RECEIVABLES

	30 June 2011 *HK$'000* **(unaudited)**	31 December 2010 *HK$'000* (audited)
Trade receivables	**12,773**	6,769
Other receivables	**48,855**	33,068
Advance payments to contractors	**70,630**	65,006
Prepaid other taxes	**433,740**	418,528
Deposits and prepayments	**115,801**	179,399
	681,799	702,770

The Group allows an average credit period of 90 days to its corporate hotel customers. Payments on pre-sales properties are determined in accordance with the contract payment terms. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the date of billing at the end of the reporting period.

	30 June 2011 *HK$'000* **(unaudited)**	31 December 2010 *HK$'000* (audited)
0 – 90 days	**10,902**	661
91 – 180 days	**–**	–
> 180 days	**1,871**	6,108
Total trade receivables	**12,773**	6,769

13. TRADE AND OTHER PAYABLES

	30 June 2011 *HK$'000* **(unaudited)**	31 December 2010 *HK$'000* (audited)
Accrued expenditure on properties under development	**1,835,597**	1,765,031
Amounts due to former shareholders of the Company's former subsidiaries *(note (a))*	**143,499**	141,032
Retentions payable to contractors	**21,815**	1,766
Receipts from customers for payment of expenses on their behalf	**101,976**	99,799
Interest payable	**132,515**	143,148
Accrued charges and other payables	**166,007**	196,765
Other taxes payables *(note (b))*	**16,419**	10,478
	2,417,828	2,358,019

Notes:

(a) The amounts are non-trade in nature, interest free and repayable on demand.

(b) Other taxes payables comprise urban real estate tax payable, city maintenance and construction tax payable and business tax payable.

14. BANK BORROWINGS

During the current period, the Group obtained new borrowings amounting to RMB134,000,000 (equivalent to approximately HK$159,693,000) (2010: HK$113,792,000). The loans carry interest from 4.86% to 7.02% per annum (2010: 4.86% to 6.05% per annum) and repayable from one to nine years. The loans were used to finance property development projects of the Group.

The Group also repaid bank borrowings of RMB45,340,000 (equivalent to HK$54,045,000) (2010: HK$517,797,000) during the period.

At as 30 June 2011, corporate guarantees of HK$388,177,000 (31 December 2010: HK$319,048,000) were given by 北京新松投資集團有限公司, which was controlled by Mr. Li Song Xiao, a former major shareholder of the Company.

15. LOAN PAYABLES

During the current period, the Group obtained new loan payables amounting to RMB500,000,000 (equivalent to approximately HK$595,868,000) from上海城開(集團)有限公司 ("SUD"), a company controlled by Shanghai Industrial Holding Limited ("SIH"), the immediate holding company of the Company, through an entrusted loan agreement administrated by commercial banks. Such loan payables bear interest from 7.572% to 7.872% per annum and are repayable in one year. These loan payables are provided for property project development of the Group.

The Group also repaid loan payables of RMB150,000,000 (equivalent to approximately HK$183,563,000) during the period.

16. WARRANTS

As at 30 June 2011, 66,000,000 (31 December 2010: 66,000,000) of warrants were outstanding. Exercise in full of the outstanding warrants would result in the issue of 66,000,000 (31 December 2010: 66,000,000) additional shares with an aggregate subscription value of HK$443,520,000 (31 December 2010: HK$443,520,000). The fair value of warrants is calculated using option pricing models.

17. CONVERTIBLE NOTES

The Group repaid all the remaining convertible notes of total principal amount of HK$2,000,000 for a total payment of HK$2,714,000, which included principal and accrued interests on 12 June 2011, the maturity date.

18. SENIOR NOTES

	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
At 1 January	**2,974,260**	2,942,803
Effective interest for the period	**167,818**	166,006
Interest paid	**(150,850)**	(150,849)
At 30 June	**2,991,228**	2,957,960

19. SHARE CAPITAL

Ordinary shares of HK$0.04 each.

Issued and fully paid

	Number of shares *'000*	**Share capital** *HK$'000*
As at 1 January 2010	1,945,640	77,826
Issue of shares under private replacement	683,692	27,347
As at 30 June 2010, 1 January 2011 and 30 June 2011	2,629,332	105,173

20. SHARE-BASED PAYMENT

At 30 June 2011, the number of shares of the Company in respect of which options had been granted and remained outstanding under the share option scheme of the Company was 91,000,000 (31 December 2010: 111,500,000), representing 3.46% (31 December 2010: 4.2%) of the shares of the Company in issue at that date. No share option was granted or exercised during the six months period ended 30 June 2011.

21. COMMITMENTS

	30 June 2011 ***HK$'000*** **(unaudited)**	31 December 2010 *HK$'000* (audited)
Expenditure in respect of the acquisition of properties under development contracted for but not provided	**2,741,366**	3,316,257
Capital expenditure in respect of the capital contribution to an associate authorised but not contracted for	**608,000**	1,216,000

22. CONTINGENT LIABILITIES

(a) Corporate guarantees

Guarantees in respect of mortgage facilities for certain purchasers

The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of the Group's property units and has given guarantees on mortgage loans provided to the buyers by these banks under the agreements. Pursuant to the terms of guarantees, upon default in payments of mortgage instalments by these buyers, the Group is responsible to pay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted buyers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The guarantees will be released when the property title deeds are pledged to banks as security for the respective mortgage loans, which generally take place within one year after the property title deeds are passed to the buyers. The total amount of mortgages outstanding which are guaranteed by the Company's subsidiaries was approximately HK$2,912,132,000 as at 30 June 2011 (31 December 2010: HK$2,618,654,000).

In the opinion of the directors of the Company, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition, and the directors of the Company consider that the possibility of default by the relevant buyers is remote and, in case of default in payments, the net realisable value of the related properties can recover the repayment of the outstanding mortgage principals together with the accrued interest and penalty. Accordingly, no provision has been made in the condensed consolidated financial statements for these guarantees.

(b) Warranty against defects of properties

Properties purchased by buyers are provided with various warranties with terms ranging from one to two years against certain specified defects as stipulated in the PRC laws and regulations which are covered by back-to-back warranties provided by the relevant contractors of the projects.

(c) Legal proceedings

From time to time, the Group may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm the Group's business. The directors of the Company are currently not aware of any such legal proceedings or claims that they believe will have, individually or in the aggregate, a material adverse effect on the Group's business, financial condition or operating results of the Group.

23. MATERIAL RELATED PARTY TRANSACTIONS

(i) Related party transactions

During the period, the Group had the following significant transactions with related parties:

Related party	Nature of transactions	Six months ended 30 June 2011	2010
		HK$'000	*HK$'000*
		(unaudited)	(unaudited)
Company controlled by the former major shareholder	Building management fee	**–**	2,404
Company controlled by SIH	Interest expenses	**45,833**	–
	Building management fee	**–**	49

(ii) Related party balances

At the end of the reporting period, the Group had the following balances with related parties:

Related party	Nature of business	**30 June 2011**	31 December 2010
		HK$'000	*HK$'000*
		(unaudited)	(audited)
Fellow subsidiaries	Loan payables	**(1,000,000)**	(1,000,000)
Fellow subsidiaries	Entrusted loans payables	**(902,962)**	(294,881)
Company controlled by the former major shareholder	Amount due to related company	**–**	(2,466)

(iii) Compensation of key management personnel

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

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Short-term benefits	**6,669**	7,799
Post-employment benefit	**–**	6
Equity compensation benefit	**15,121**	1,430
	21,790	9,235

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

(iv) Government-related entities

The Group itself is part of a larger group of companies under Shanghai Industrial Investment (Holdings) Company Limited ("SIIC") (SIIC and its subsidiaries are referred to as the "SIIC Group") which is controlled by the PRC government. The directors consider that the Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predenominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("PRC government-related entities"). Apart from the transactions with the SIH Group which have been disclosed above, the Group also conducts businesses with other PRC government-related entities in the ordinary course of business. The Group's deposits placements, borrowings and other general banking facilities are entered into with certain banks which are PRC-government related entities in its ordinary course of business. In view of the nature of those banking transactions, the directors are of the opinion that separate disclosures would not be meaningful.

In addition, the Group has entered into various transactions, including sales, purchases and various operating expenses with other PRC government-related entities. In the opinion of the directors, these transactions are considered as individually insignificant to the operation of the Group during the six months ended 30 June 2011.

24. EVENTS AFTER THE END OF THE INTERIM PERIOD

The following significant events took place after the end of the interim period:

On 14 April 2011, SIH (as the seller) and the Company (as the buyer) entered into a sales and purchase agreement pursuant to which the Company has conditionally agreed to acquire, and SIH has conditionally agreed to sell, the entire issued share capital of Silvery Champ Limited and the shareholder's loan outstanding and owing at the date of completion of the transaction by Silvery Champ Limited to SIH. The aggregate consideration for the sale and purchase of the equity in Silvery Champ Limited and the shareholder's loan is HK$5,640,545,824, which will be satisfied by the allotment and issue an aggregate of 2,014,480,651 ordinary shares of the Company. Silvery Champ Limited is an investment holding company. Pursuant to the completion of restructuring between SIH, SUD and a subsidiary of Silvery Champ Limited, Silvery Champ Limited will effectively own 59% interest in SUD. SUD is engaged in property development in the PRC.

On the same day, SIH (as the assignor) and the Company (as the assignee) entered into the a deed of assignment pursuant to which SIH has conditionally assigned to the Company all its right, title, benefits and advantage of and interest in the dividend declared but unpaid as at the date of the deed of assignment SUD to SIH, which amounts to RMB395,300,000 (equivalent to approximately HK$469,588,976) for a consideration of RMB395,300,000 (equivalent to approximately HK$469,588,976), which will be satisfied by the allotment and issue of 167,710,349 ordinary shares of the Company.

The transactions have not been completed up to the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

During the first half of 2011, the real estate industry in China was fluctuated under the influence of the macro-economic environment. The market competition was intensified. Against this backdrop, the Group has put tremendous efforts to improve its management systems, integrate resources and refine business strategies, so as to enhance competitiveness, and lay a solid foundation for the future development of the Group.

FINANCIAL REVIEW

For the six months ended 30 June 2011, the revenue of the Group was approximately HK$882 million (For the six months ended 30 June 2010: HK$2.417 billion), representing a year-on-year decrease of 63.5%, due to that less areas were delivered during the period, which was approximately 110,000 sq.m. (For the six months ended 30 June 2010: 220,000 sq.m.). During the period, the major revenue stream was attributable to the projects of Laochengxiang in Tianjin, Forest Garden in Changsha, Youngman Point in Beijing and Top City in Chongqing. These four projects accounted for approximately 41%, 17%, 17% and 10% of total revenue, respectively for the period. During the period, the gross profit margin slightly increased to 18.6% (For the six months ended 30 June 2010: 16.0%), which was attributable to the increase in average selling price and the effective cost control measures.

During the period, the profit attributable to shareholders of the Company was HK$56.7 million, representing a significant improvement from the loss of HK$645.6 million in the same period of last year. It was primarily benefited from the revaluation gain of investment properties and the decrease in finance costs. Meanwhile, after reinforcing the control on operating expenses, the management fee and selling expenses dropped compared to those in the same period last year. For the six months ended 30 June 2011, the basic earnings per share was HK2.16 cents, and the diluted earnings per share was HK2.16 cents (For the six months ended 30 June 2010: the basic loss per share was HK32.74 cents and the diluted loss per share was HK32.74 cents).

BUSINESS REVIEW

To achieve a more effective utilization of resources, the Group proactively deployed a large number of mid and senior management personnel with professional and extensive experience to lead key project companies during the first half of the year. In June this year, the operational headquarters was relocated from Beijing to Shanghai, to consolidate the resources to accurately and efficiently monitor the construction progress, marketing and promotion strategies and sales for various projects. The move has strengthened the advantages of the Group, including the strong shareholder background, a land bank of excellent location and a management team with extensive experience.

After the Kempinski Hotel at Neo Water City, a project under the Group, has become the permanent premises of Euro-Asia Economic Forum, the International Horticultural Exposition has been launched at Chan-Ba Ecological District in Xi'an in April, and will be completed in October 2011. This international event has once again acknowledged the position of Neo Water City, which is endowed with excellent location, as the top player in the Xi'an real estate industry. During the period under review, the Group also seized the opportunity to speed up the sales of the new units in Neo Water City, which contract sales amount accounted for almost 40% of the Group's. It was immediately followed by the project of Forest Garden in Changsha, which accounted for approximately 20% of the Group's overall contract sales amount. In addition, the project of Park Avenue in Chengdu accounted for approximately 18%, with the remaining contract sales were attributable to Laochengxiang in Tianjin and Top City in Chongqing.

In contrast, for residential properties, investment properties are not subject to changes of policies. It can also bring steady cash flow for the Group. During the period under review, the Group has strategically increase the proportion of investment properties, which increased the total assets value from HK$3 billion to HK$3.6 billion, and the year-on-year rental income has significantly increased by more than 2 times. It will facilitate the future sound development of the Group.

In April this year, the Group announced that it proposed to acquire 59% equity interests of the shareholding of Shanghai Urban Development (Holdings) Co., Ltd ("SUD") held by Shanghai Industrial Holdings Limited ("SIHL"). SUD has eleven projects in Shanghai, Jiangsu, Hunan and Chongqing, with a planned total GFA of approximately 4.5 million sq. m. Upon completion of the transaction, SIUD can rapidly increase the land bank of the Group in the first– and second-tier cities with the total GFA increasing to approximately 17 million sq.m., which helps boost the long-term competitiveness.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2011 (For the six months ended 30 June 2010: Nil).

OUTLOOK

The impact of the macro-policies of China on the real estate market is expected to continue in the second half of this year. The industry is gradually adopting the principle that the strongest survives. Capitalizing on its large-scale quality land bank, a strong shareholder background, and the experience in the capital market, the Group has equipped itself to rise as a top player in the China real estate sector under the turbulent market conditions. Looking forward, in the second half of the year, Neo Water City in Xi'an will continue to be the main stream of the Group's pre-sale income, followed by projects of Park Avenue in Chengdu, Laochengxiang in Tianjin and Top City in Chongqing.

Continuing to improve financial conditions, reduce borrowings ratio and enhance operations will be the future directions for the Group. Furthermore, the Group will strive to improve the quality and upgrade the projects, improve selling price, and enforce strict cost control, so as to enhance the gross profit margin to a reasonable level. The Group will also speed up the construction progress and increase the saleable areas, forming the basis for steady development of the Group and striving to be a top player in the China real estate industry.

SHARE CAPITAL

The Company's issued and fully paid share capital as at 30 June 2011 amounted to HK$105,173,288, divided into 2,629,332,189 ordinary shares of HK$0.04 each.

During the review period, no warrants or convertible notes were converted into the ordinary shares of the Company. The convertible notes were due on 12 June 2011.

LIQUIDITY AND CAPITAL RESOURCES

The Group's net debt to equity ratio increased to 59.7% as at 30 June 2011 from 37.2% as at 31 December 2010, mainly attributable to the increase in total debts, the increase of capital invested in the new project of Mei Long Town in Shanghai and the decrease in cash during the period. As at 30 June 2011, the cash and cash equivalents of the Group amounted to HK$1.22 billion (31 December 2010: HK$2.382 billion). The aggregated net assets value amounted to HK$7.79 billion (31 December 2010: HK$7.64 billion) and the current ratio was 1.48 (31 December 2010: 1.56).

The Board believes that its liquid assets, funds and future revenue will be sufficient to meet the future expansion and working capital requirement.

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 30 June 2011, the Group employed 545 employees (including Hong Kong and PRC offices). The remuneration policies for the employees of the Group are determined according to the performance, qualification and experience and competence of the employee. The emolument of the directors of the Company is determined by the Remuneration Committee, having regard to the operating results of the Company, individual performance and comparable market statistics. Staff benefits include contributions to the Mandatory Provident Fund Schemes and discretionary bonus payments which is linked to the profitability of the Group and individual performances.

The Group has adopted a share option scheme as an incentive to directors and eligible employees. During the period, training programs relating to work were provided to employees. Activities aiming at building up team spirit were regularly organized for employees, so as to enhance the human capital of the Group and the sense of belonging to the staff.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period for the six months ended 30 June 2011.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices (the "**Code**") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2011 except for the following :

Provision A.4.1 of the Code ("Code A.4.1")

Code A.4.1 specifies that non-executive directors should be appointed for a specific term, subject to re-election.

None of the existing non-executive directors of the Company is appointed for a specific term. This constitutes a deviation from Code A.4.1.

In accordance with the provisions of the bye-laws of the Company, all directors appointed by the Board during the year shall retire and submit themselves for re-election at general meeting. Furthermore, at each annual general meeting, one-third of the directors for the then time being, or if their number is not three or multiple of three, then the number nearest to but not less than one-third, shall retire from office. The directors to retire by rotation shall be those who have been longest in office since their last re-election or appointment. Details of the arrangement for the year under review are set out in the Company circular dated 1 April 2011. In view of the existing retirement and re-election requirements of the directors of the Company, the Company considers that it has taken up sufficient measures to comply with the provision as set out in Code A.4.1.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company (the "**Model Code**"). Having made specific enquiry of all directors, all directors have confirmed that they had compiled with the required standard as set out in the Model Code during the six months ended 30 June 2011.

AUDIT COMMITTEE

The Company's audit committee comprises four current independent non-executive directors of the Company, namely Mr. Doo Wai Hoi, William, Dr. Wong Ying Ho, Kennedy, Mr. Fan Ren Da, Anthony and Mr. Li Ka Fai, David (as Chairman).

The main responsibilities of the Audit Committee are:

1. to review the accounting principles and practices adopted by the Group;

2. to review the financial reporting process and internal control system of the Group; and

3. to review the independence and objectivity of the external auditors, the scope of audit services and related audit fees payable to the external auditors.

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim financial statements of the Company for the six months ended 30 June 2011.

The Group's external auditors, Messrs. Deloitte Touche Tohmatsu, have reviewed the Company's unaudited condensed consolidated financial statements for the six months ended 30 June 2011 in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", and Hong Kong Accounting Standard 34, "Interim Financial Reporting", both of which were issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF FURTHER INFORMATION

The interim report of the Company for the Period, containing the information required by the Listing Rules, will be dispatched to the shareholders of the Company as well as published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.siud.com) in due course.

CHANGE OF PRINCIPLE PLACE OF BUSINESS

The principle place of business of the Company in Hong Kong will be changed to Suites 3003-3007, 30th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong with effect from 29 August 2011. The website, telephone and fax number remain unchanged.

APPRECIATION

I would like to express my sincere gratitude to the Board, the management team and to all staff for their dedicated efforts, as well as to our customers, suppliers, business partners and shareholders for their continued enthusiastic support of our Group.

By order of the Board
Shanghai Industrial Urban Development Group Limited
Cai Yu Tian
Chairman

Hong Kong, 29 August 2011

As at the date hereof, the Board comprises Mr. Cai Yu Tian, Mr. Ni Jianda, Mr. Qian Shizheng, Mr. Zhou Jun, Mr. Yang Biao, Mr. Chen Anmin and Mr. Jia Bowei as executive directors and Mr. Doo Wai Hoi, William, J.P., Dr. Wong Ying Ho, Kennedy, BBS, J.P., Mr. Fan Ren Da, Anthony and Mr. Li Ka Fai, David as independent non-executive directors.