



# 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 REPORT 2012

# CONFIDENT STRIDES TOWARDS PROSPERITY



*Shanghai Industrial Urban Development Group Limited (“SIUD”) currently has 25 real estate projects in 13 cities in China, spanning many major cities including Beijing, Sanhe, Shenyang, Tianjin, Shanghai, Kunshan, Wuxi, Xi’an, Chengdu, Chongqing, Changsha, Shenzhen and Zhuhai. Most of the projects belong to middle-to-high end residential properties, and are already in the construction stage, presenting an excellent foundation for the Group’s long term development with a land bank of over 17 million square meters.*







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## CORPORATE INFORMATION

### **DIRECTORS**

#### **Executive Directors**

Mr. Ni Jianda (*Chairman*)  
Mr. Ji Gang (*Vice Chairman & President*)  
Mr. Zhou Jun  
Mr. Yang Biao  
Mr. Chen Anmin

#### **Independent Non-Executive Directors**

Mr. Doo Wai Hoi, William, J.P.  
Dr. Wong Ying Ho, Kennedy, BBS, J.P.  
Mr. Fan Ren Da, Anthony  
Mr. Li Ka Fai, David

### **AUTHORIZED REPRESENTATIVES**

Mr. Ni Jianda  
Mr. Chan Kin Chu, Harry

### **BOARD COMMITTEES**

#### **Audit Committee**

Mr. Li Ka Fai, David (*Committee Chairman*)  
Mr. Doo Wai Hoi, William, J.P.  
Dr. Wong Ying Ho, Kennedy, BBS, J.P.  
Mr. Fan Ren Da, Anthony

#### **Remuneration Committee**

Mr. Doo Wai Hoi, William, J.P. (*Committee Chairman*)  
Mr. Fan Ren Da, Anthony  
Mr. Ye Wei Qi

#### **Nomination Committee**

Dr. Wong Ying Ho, Kennedy, BBS, J.P. (*Committee Chairman*)  
Mr. Fan Ren Da, Anthony  
Mr. Ni Jianda

#### **Investment Appraisal Committee**

Mr. Fan Ren Da, Anthony (*Committee Chairman*)  
Mr. Zhou Jun  
Mr. Ye Wei Qi

### **COMPANY SECRETARY**

Mr. Chan Kin Chu, Harry

### **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

HSBC Securities Services (Bermuda) Limited  
6 Front Street  
Hamilton HM11  
Bermuda

### **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Tricor Secretaries Limited  
26th Floor, Tesbury Centre  
28 Queen's Road East  
Wanchai  
Hong Kong

### **LEGAL ADVISERS**

**As to Hong Kong Law**  
Ashurst Hong Kong

**As to Bermuda Law**

Conyers Dill & Pearman

### **COMPLIANCE ADVISER**

Somerley Limited

### **REGISTERED OFFICE**

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

### **HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS**

Suites 3003-3007  
30th Floor, Great Eagle Centre  
23 Harbour Road  
Wanchai  
Hong Kong  
Tel: (852) 2544 8000  
Fax: (852) 2544 8004

### **WEBSITE**

<http://www.siud.com>

### **PRINCIPAL BANKER**

The Hongkong and Shanghai Banking Corporation Limited

### **AUDITOR**

Deloitte Touche Tohmatsu  
35/F., One Pacific Place  
88 Queensway  
Hong Kong

### **LISTING INFORMATION**

The Stock Exchange of Hong Kong Limited  
Ordinary Shares  
(Stock Code: 563)

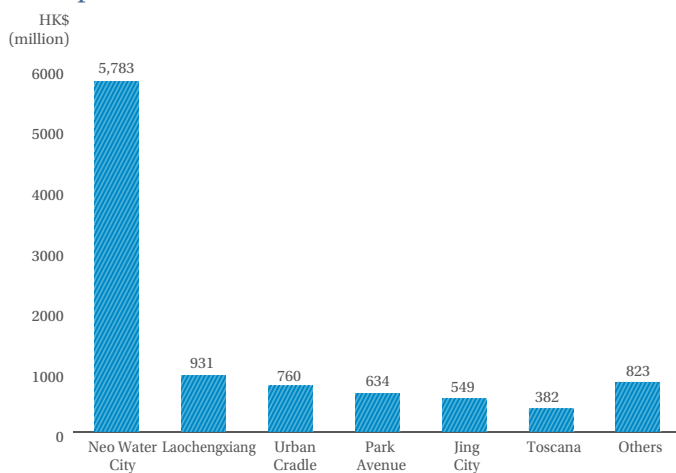
## FINANCIAL HIGHLIGHTS

	For the six months ended 30 June 2012	For the six months ended 30 June 2011 (Restated)	Change
<b>Financial Highlights (HK\$'000)</b>			
Turnover	1,091,912	2,032,317	(46.3%)
(Loss)/Profit attributable to equity owners of the Company	(308,826)	81,841	N/A
<b>Financial Information per share (HK cents)</b>			
(Loss)/Earnings			
- Basic	(6.42)	1.70	N/A
- Diluted	(6.42)	1.70	N/A
<b>Contract Sales (HK\$ million)</b>	<b>2,097</b>	1,248	68.0%

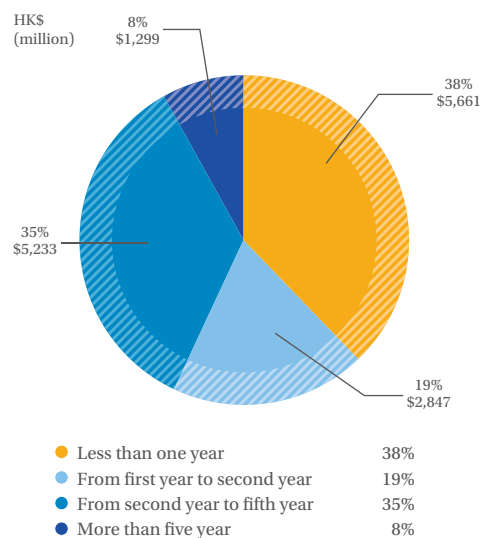
	As at 30 June 2012	As at 31 December 2011
Pre-sale receipts from customers (HK\$'000)	9,862,399	9,378,864
<b>Financial Ratios</b>		
Net debt to total equity (%)	65.9%	55.6%
Current ratio	1.96	1.99

Note: Net debt = total borrowings (including bank and other borrowings, senior notes and convertible loan notes)  
- cash and cash equivalents and restricted and pledged bank deposits.

## Analysis on Accumulated Pre-Sale Receipts from Customers



## Debt Maturity Profile



## CHAIRMAN'S STATEMENT

In 2012, we have seen global economic growth slowed down and many countries' sovereignty credit ratings down-graded, international trade shrank and uncertainties surfacing in the Chinese economy. Attempting to resolve the housing problem in the country, the authority has kept up the macroeconomic measures introduced in 2010. Those measures not only have tremendous impacts on real estate development and sales, but also stifled actual market demands.

In the first half of 2012, in spite of having to brave the wintery weather troubling the real estate industry, the Group continued to strive for performance and sped up sales. In May, it kicked off sales of 12 projects in eight cities. At the same time, sales agents were brought in for Ivy Aroma Town in Chongqing and Forest Garden in Changsha to help seize the opportunities arising in the rebounding market in the second quarter. The move had contributed to an about 68% boost in overall first half contract sales to about HK\$2.1 billion. Furthermore, the Group was able to maintain overall steady prices for the majority of its projects, with some recording gentle price hikes during the review period. That helps guarantee the Group's gross profit margin on settlement when properties are subsequently delivered. In these testing times for the industry, the Board is satisfied with the sales achieved at the best efforts of the Group.

Financially, the Group's first half 2012 revenue dropped about 46% to HK\$1.09 billion when compared with first half of 2011. The drop was attributable mainly to the lesser gross floor area delivered as a result of cyclical factors in relation to the real estate industry, narrowed gross profit margin due to the difference among projects, their locations and marketing strategies, and also the lack of marked income as booked in the same period last year from revaluation investment properties. As such, a loss of HK\$309 million attributable to shareholders of the Company was recorded for the period as opposed to an attributable profit of HK\$82 million managed in the same period last year.

The Group completed major business integration in November 2011. It acquired Shanghai Urban Development (Holdings) Co., Ltd ("SUD"), in which it had 59% holding, from its parent Shanghai Industrial Holdings Limited ("SIHL", HK Stock Code: 363). It is thus required to use merger accounting and restate the financial statements of the Group for the first half of 2011. The less than desirable first half performance of the Group mainly reflected the notable slowdown in sales during the period against the better sales performance of its subsidiary SUD in the previous same period. Moreover, because of the types of properties delivered, the Group's gross profit margin narrowed markedly. Then, compounded by the worsening operating environment, a result of macroeconomic austerity measures targeting real estate development and sales, it was difficult for the Group to lower financial and construction costs. These factors together led to the Group reporting a turn from profit to loss after-tax for the review period.





Although the economic environment lacked luster and real estate sales remained weak in the first half year, the Group continued to perfect internal governance, and effectively allocate resources and improve efficiency, which had allowed it to significantly reduce sales and administrative expenses. The management will remain vigilant in monitoring expending and ensuring effective deployment of resources.

During the period under review, the Group endeavored to improve product quality and, by working closely with local authorities, was able to optimize project plans and designs. It also stepped up brand promotion to make sure the Group stands out in the fiercely competitive real estate market. The projects opened for sale during the period including the latest phase of Urban Cradle in Shanghai and Top City in Chongqing all managed satisfactory sales and favorable words of mouth among customers.

Although urbanization is continuing in China and the quest for better housing is very much alive among residents in urban areas, which are driving housing demands, it is the government's macroeconomic policies that preside over sales volume. The Board expects those policies to continue to affect the operating environment in the second half year and pose challenges to the real estate industry. The Group will hold its fort in the Yangtze River Delta region and leverage the strengths of SIHL to secure larger market shares. In addition, it will continue to consolidate resources, optimize management and compliance management systems, and also speed up delivery and push sales in the second half year in its bid to present outstanding performances to shareholders and investors.

At the same time, the Group will actively look for partners or strategic investors for its major projects. It will, through restructuring its assets, bring in capital and professional expertise to create synergies and boost the value of its projects. The Group, proud of its unyielding spirit, will speed up development of more new projects for meeting future sales demand. It will also seize market opportunities to acquire quality projects so as to lay a strong foundation for development in the future.

With the real estate industry in difficult times coinciding with the Group's decision to restructure its business, it is crucial for the Group to have the whole-hearted devotion of its staff. On behalf of the Board, I thank all staff members for their hard work and shareholders for their support, and I wish the Group success in overcoming the hard times and returning rich harvest to shareholders.



**Ni Jianda**  
*Chairman*  
23 August 2012

## MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2012, the global macro economy was in complex predicaments and volatile, while the transformation of the Chinese economy continued. The Central Government lowered its expectation for economic growth and maintained the regulatory measures on the real estates industry. Many real estate enterprises thus resorted to “selling in quantity rather than holding onto the price tag”, creating yet more severe competition in the market. As for the Group, steadfast in its strategy of “going with the tide and preserving strength for development”, solid strides were made in carrying out its onuses and active efforts were directed into exploring sales channels and improving sales strategies so as to boost sales and speed up collection of pre-sale proceeds. And, at the coordinated diligences of the Group, development and construction of new projects were well underway, laying the foundation for its development in the future.

### BUSINESS REVIEW

During the six months ended 30 June 2012, the Group recorded revenue of HK\$1.09 billion (six months ended 30 June 2011: HK\$2.03 billion), a 46.3% decrease year-on-year because of lesser total gross floor areas delivered and lower average price during the period. The Group expects to deliver more total gross floor areas to property owners in the second half year. As at 30 June 2012, balance of the proceeds from pre-sale was HK\$9.86 billion, which will be booked as revenue from the second half year and thereafter. Revenue for the period comprised mainly the sales revenues of three projects, namely Neo Water City in Xi'an, Urban Cradle in Shanghai and Park Avenue in Chengdu, which accounted for approximately 37.7%, 14.4% and 12.2% respectively of the Group's total revenue.

Affected by the volumes, types and locations of the real estates delivered, gross profit was down from HK\$825 million for the first half last year to HK\$235 million for the review period, with gross profit margin also dropped year-on-year from 40.6% to 21.5%.

In the review period, fair value changes on investment properties decreased by HK\$8 million (six months ended 30 June 2011: increased by HK\$490 million) because there had been less significant change in the comparable markets and rental returns from those properties. The gain on fair value changes in the same period last year was mainly from the transfer of the underground mall in Jiujiu Youth City in Shanghai to investment property and the revaluation of the commercial constituent of Top City in Chongqing.

Thanks to the judicious control of the Group and its well-mapped out marketing strategy, distribution and selling expenses amounted only to HK\$58 million (six months ended 30 June 2011: HK\$152 million), down by 62%, and general and administrative expenses were HK\$241 million (six months ended 30 June 2011: HK\$275 million), down by 12%.

The overall reversal of income tax item for the period was HK\$72 million (six months ended 30 June 2011: income tax HK\$481 million), attributable mainly to the reversal of tax provision of approximately HK\$147 million in previous periods, and also to the fact that in the same period last year, gross profit margin was relatively high with revenues coming from a small number of projects, thus requiring larger provision for land value-added tax and income tax.

For the review period, loss attributable to shareholders of the Company amounted to HK\$309 million (six months ended 30 June 2011: attributable profit of HK\$82 million). The change when compared with the same period last year was mainly attributable to the difference in turnover, gross profit margin, fair value changes on investment properties and income tax. Basic loss per share for the six months ended 30 June 2012 was HK6.42 cents and the diluted loss per share was HK6.42 cents (six months ended 30 June 2011: basic loss per share was HK1.70 cents; diluted loss per share was HK1.70 cents).

For the six months ended 30 June 2012, the Group pre-sold 146,000 sq. m. of properties (six months ended 30 June 2011: 111,000 sq. m.) and made contract sales worth HK\$2.10 billion (six months ended 30 June 2011: HK\$1.25 billion), an increase of 68.0% year-on-year, owed to its ability to timely devise and adjust sales strategy in response to market situations. Contract sales for the period came mainly from three projects, namely Urban Cradle in Shanghai, Neo Water City in Xi'an and Top City in Chongqing, which accounted for approximately 47.4%, 19.9% and 9.6% respectively of the Group's total contract sales.

### LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2012, the Group had cash and cash equivalents valued at HK\$2.83 billion (31 December 2011: HK\$3.64 billion), current ratio of 1.96 (31 December 2011: 1.99) and net gearing ratio (equivalent to the net debt to total equity ratio as calculated in the section headed “Financial Highlights” in this report) of 65.9% (31 December 2011: 55.6%).



With Shanghai Industrial Investment (Holdings) Co., Ltd and a subsidiary of SIHL having a loan balance of HK\$3.44 billion to the Group, HK\$1.22 billion of which newly added and HK\$1 billion renewed during the period, the Group's liquidity risk has been markedly reduced.

The Board believes the Group's liquid assets, funds and future revenue will be sufficient for supporting future expansion and working capital requirement of the Group.

#### FOREIGN EXCHANGE RISKS

Other than financing activities such as foreign currency borrowings which were denominated in foreign currencies, the Group conducts its business almost exclusively in RMB. The Group would be affected mainly by the bank deposits denominated in foreign currencies and the outstanding foreign currency borrowings which include US\$400 million senior notes and HK\$1 billion other borrowings as at 30 June 2012.

#### DIVIDEND

The Board does not recommend distribution of any interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

#### OUTLOOK

Looking ahead at the second half year, uncertainties will continue to loom in the macroeconomic environment. And the market pressure for China to adjust her economic structure and maintain steady growth will rise. With the need to keep the real estate industry in check and the nation's prerequisites in a tug of war, a period of adjustment is inevitable.

The Group will closely monitor the macroeconomic environment and changes in micro policies relevant to its future development, be active and shrewd in marketing, enhance internal management, keep financial risks under proper control and maintain a sound financial position. It will exert its best in the following aspects:

- Expecting to deliver more properties with more gross floor areas to property owners in the second half year, the Group will make sure deliveries are done well and strive to improve overall turnover for the year.
- It will adopt various measures to promote sales, particularly in marketing of projects including Urban Cradle in Shanghai, Neo Water City in Xi'an and Shanghai Jing City (an affordable housing project), that boast high quality, high gross profits and sizeable inventories. The Group's aim is to increase pre-sale income and proceeds.

- It will seek to maintain a healthy and stable cash flow by broadening its choices of financing channel.
- It will continue to enhance internal management and keep improving those measures that can help lower costs and expenses.
- It will explore different ways to optimize its asset portfolio and enhance operation, as well as actively bring in strategic partners and investors.
- To ensure the stability of its financial position and operating results in the future, it will push on with development of all projects, old and new.
- It will also try to improve the operating earnings of its business assets so as to minimize the impacts of cyclical fluctuation of the real estate industry on its performance.

#### MATERIAL ACQUISITIONS AND DISPOSALS

No material acquisitions and disposals occurred during the six months ended 30 June 2012 and 2011.

#### SHARE CAPITAL

The Company's issued and fully paid share capital as at 30 June 2012 amounted to HK\$192,460,927.56, divided into 4,811,523,189 ordinary shares of HK\$0.04 each.

During the review period, no warrants were converted into the ordinary shares of the Company. The warrants expired on 22 July 2012.

#### HUMAN RESOURCES AND REMUNERATION POLICIES

As at 30 June 2012, the Group had 1,185 employees (Hong Kong and PRC offices inclusive). The remuneration policies of the Group are determined with reference to the performance, qualifications and experience, and competence of its employees. The emolument of the directors of the Company is determined by the Remuneration Committee, with 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 are linked to the profitability of the Group and individual performance.

The Group has adopted a share option scheme as an incentive to directors and eligible employees. During the review period, the Group provided work-related training programs to employees and organized regular team-building activities for them with the aim of raising the quality of its human capital and the sense of belonging among staff.

## DETAILS OF PROPERTIES

*The Group has 25 projects in 13 cities, comprising mid- to high-end residential units, serviced apartments, hotels, commercial and office buildings. As at 30 June 2012, the total planned gross floor area (“G.F.A.”) of the Group exceeded 17 million square meters (“sq.m.”)*

As at 30 June 2012

Project	City	Site Area (sq.m.)	G.F.A. (sq.m.)	Saleable G.F.A. (sq.m.)	IH2012 G.F.A. pre-sold (sq.m.)	Accumulated G.F.A. Sold (sq.m.)	Under development (sq.m.)	Future development (sq.m.)	Expected Completion Date	Ownership (%)
Urban Cradle	Shanghai	943,000	1,124,245	824,586	22,297	518,493	373,716	-	2007-2015, in phases	53.1%
Xujiahui Centre	Shanghai	132,000*	629,000**	629,000	-	-	-	592,300	Planning	35.4%
Jiujiu Youth City	Shanghai	57,944	212,130	164,688	578	121,953	-	-	2009-2012, in phases	100.0%
U Center	Shanghai	87,327	517,500	322,680	-	-	-	322,680	2014-2016, in phases	69.3%
Shanghai Jing City	Shanghai	259,182	602,400	471,996	-	-	315,488	37,525	2012-2016, in phases	59.0%
Shanghai Jingjie	Shanghai	49,764	125,143	95,594	-	-	95,594	-	2010-2012, in phases	59.0%
Xinzhuan Metro Superstructure Project	Shanghai	117,825	405,000	405,000	-	-	-	405,000	Planning	20.7%
American Rock	Beijing	121,499	523,833	454,610	137	446,916	-	-	Completed	100.0%
Youngman Point	Beijing	112,700	348,664	295,114	-	240,280	33,461	-	2007-2014, in phases	100.0%
West Diaoyutai	Beijing	42,541	250,930	230,801	6,453	167,327	-	49,288	2007-2014, in phases	90.0%
Yanjiao	Sanhe	333,333	666,600	666,600	-	-	-	666,600	2014-2016, in phases	100.0%
Laochengxiang	Tianjin	244,252	752,883	646,281	3,845	520,868	62,434	46,880	2006-2014, in phases	100.0%
Beichen	Tianjin	1,115,477	2,042,750	1,893,684	-	-	168,949	1,724,735	2012-2014, in phases	40.0%
Yooou.net	Kunshan	34,223	129,498	112,812	730	14,022	112,812	-	2012-2013, in phases	30.7%
Royal Villa	Kunshan	205,017	267,350	214,212	4,016	96,782	26,240	54,071	2007-2014, in phases	53.1%
Urban Development International Centre	Wuxi	24,041	193,368	145,363	4,096	5,457	145,363	-	2011-2013, in phases	59.0%
Neo Water City	Xi'an	2,101,775	4,012,094	3,357,243	54,513	1,571,527	1,123,366	1,449,122	2008-2017, in phases	71.5%
Tai Yuan Street	Shenyang	22,651	239,651	198,551	-	-	198,551	-	2012-2014, in phases	80.0%
Top City	Chongqing	120,014	785,225	730,293	26,466	301,643	173,105	-	2008-2014, in phases	100.0%
Ivy Aroma Town	Chongqing	289,812	194,697	188,236	1,769	41,006	34,521	109,132	2009-2014, in phases	32.5%
Park Avenue	Chengdu	228,107	920,996	812,556	9,627	216,187	130,733	600,880	2011-2015, in phases	100.0%
Toscana	Changsha	180,541	210,980	186,492	5,111	170,907	-	-	2006-2012, in phases	32.5%
Forest Garden	Changsha	667,749	907,194	872,046	6,700	215,559	-	627,881	2007-2017, in phases	67.0%
Qi Ao Island	Zhuhai	2,215,516	1,090,000	770,000	-	-	-	770,000	Planning	100.0%
Phoenix Tower	Shenzhen	11,038	106,190	79,391	-	78,343	-	-	Completed	91.0%
<b>Total</b>		<b>9,717,328</b>	<b>17,258,321</b>	<b>14,767,329</b>	<b>146,338</b>	<b>4,727,270</b>	<b>2,994,333</b>	<b>7,456,094</b>		

\* dividing into six parcels of land (35,343 square meters obtained)

\*\* (212,058 square meters obtained)

**MAJOR INVESTMENT PROPERTY**

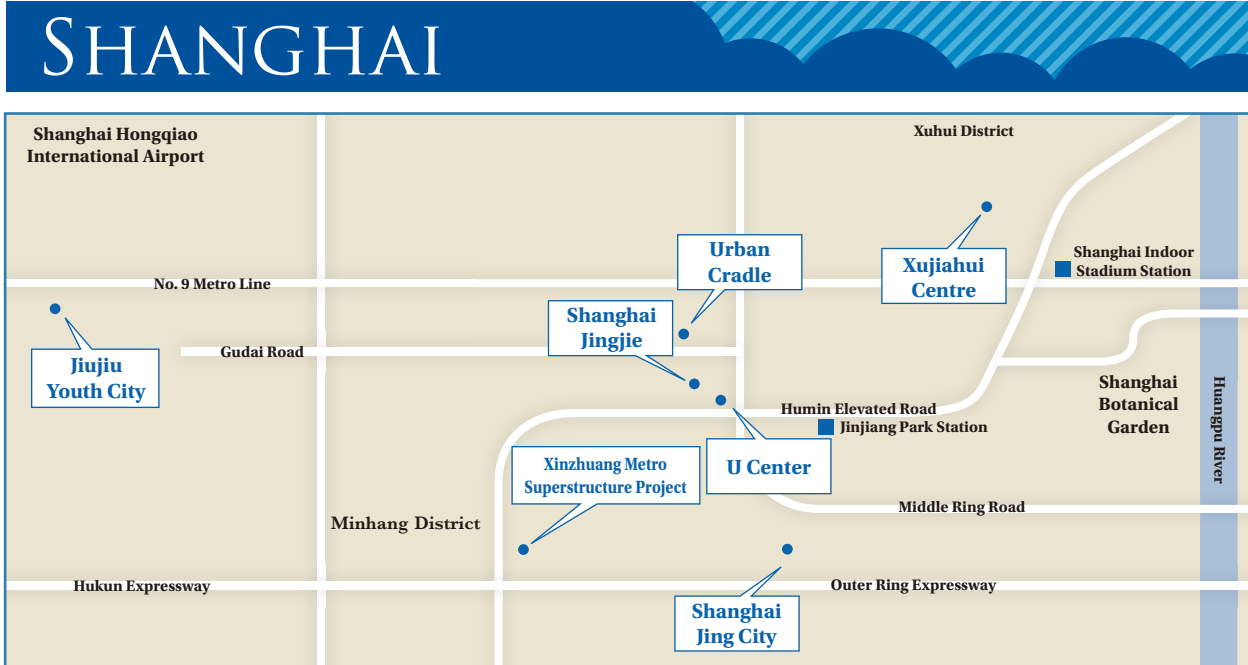
Project	City	Type	Lease term	Ownership (%)	G.F.A. (sq.m.)
Laochengxiang	Tianjin	Residential/ Commercial/Office	Medium term	100%	33,698 <sup>1</sup>
Jiujiu Youth City	Shanghai	Commercial	Medium term	100%	16,349 <sup>1</sup>
Top City	Chongqing	Commercial	Medium term	100%	171,040 <sup>1</sup>
Phoenix Tower	Shenzhen	Office	Medium term	91%	1,048 <sup>1</sup>
Urban Development International Tower <sup>2</sup>	Shanghai	Office	Medium term	59%	45,239 <sup>1</sup>
Huimin Commercial Tower <sup>3</sup>	Shanghai	Commercial	Medium term	59%	14,235
Others	Shanghai	Commercial/Office	Medium term	59%	9,249
<b>Total</b>					<b>290,858</b>

Notes:

1. Included in the table on page 8 of this interim report
2. Address: No. 355, Hongqiao Road, Xuhui District, Shanghai
3. Address: No. 123, Tianyaoqiao Road, Xuhui District, Shanghai



PROJECT PORTFOLIO

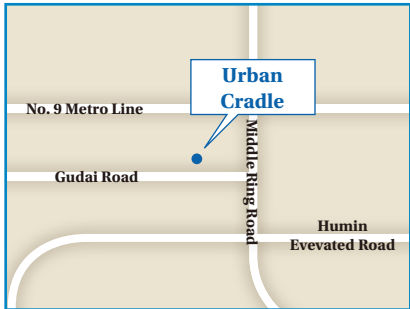


Urban Cradle

**Address**  
No. 869 Wan Yuan Road, Min Hang District, Shanghai

**Type**  
Residential/Commercial

**Characteristics**  
The project is located in Gumei Area, Minhang District in Shanghai. It is planned to be developed into a modern and comprehensive urban high-standard living centre, with a business club, retail properties, a kindergarten, a school and a cultural and sports centre. Divided into six phases, Urban Cradle primarily consists of high-rise apartments and some detached villas.







Artist's Impression

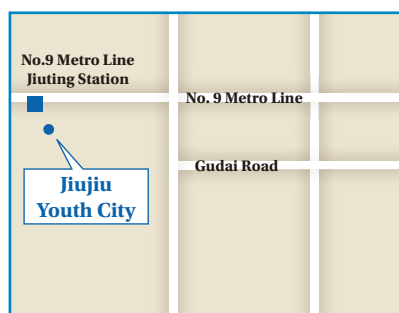


**Xujiahui Centre**

**Address**  
Xujiahui Area, Shanghai

**Type**  
Commercial/Hotel

**Characteristics**  
The project is located in Xujiahui Area of Shanghai. The area is well developed and readily accessible by public transportation. The project consists of six land plots, amongst which three land plots are intended to be developed into three super high-rise buildings. The ground and lower floors will be developed into commercial properties and serviced apartments. The mid-floors will be developed into offices and the upper floors will accommodate a five-star hotel. The remaining three land plots will be developed into serviced apartments, LOFT style and multi-purpose properties and other commercial properties.



**Jiujiu Youth City**

**Address**  
No. 1519 Husong Road,  
Jiuting Town, Songjiang District, Shanghai

**Type**  
Residential/Commercial

**Characteristics**  
The project is 40-km away from downtown Shanghai, and is located at the transportation hub of southwestern part of Shanghai. The project is located on the top of Jiuting Station of metroline no. 9, which is the first station upon entering Songjiang from downtown area. The project comprises of eight blocks of small LOFT apartments, a block of office building, a block of mini residences and commercials, possessing the characteristics of comprehensive hub of transportation exchange, pedestrian traffic and commercial and business complex. The project is divided into three phases for sale, of which Phase I and Phase II have been sold out, while Phase III has been for sale in the second half of 2011.

PROJECT PORTFOLIO



Artist's Impression

**U Center**

**Address**  
*Meilong Town, Minhang District, Shanghai*

**Type**  
*Commercial/Hotel/Office*

**Characteristics**  
With close proximity with Humin Elevated Road, the project is situated in the major transportation access, and is planned to develop into a large comprehensive commercial property targeting the rapidly growing enterprises surrounding Minhang District. The foundation was laid at the end of 2011.



**Shanghai Jing City**

**Address**  
*Meilong Town, Minhang District, Shanghai*

**Type**  
*Residential/Commercial*

**Characteristics**  
The project constitutes affordable houses and covers a middle school, a primary school, two kindergartens and other supporting facilities, such as sports facilities, medical facilities and markets. The whole project is planned to be developed in four phases. All the affordable houses will be sold under uniform management and direction of the local housing support agencies and all the affordable houses unsold within one year after the initial registration of house ownership will be purchased by the local housing support agencies.



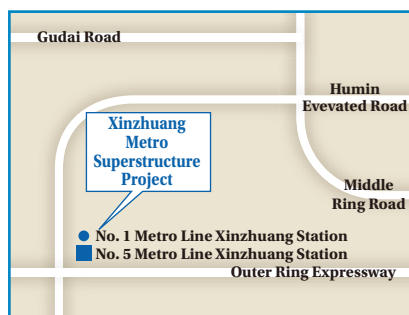


**Shanghai Jingjie**

**Address**  
Gumei West Road, Minhang District, Shanghai

**Type**  
Residential/Commercial

**Characteristics**  
The area is well developed and readily accessible to supporting facilities including supermarkets, hotels, post offices, banks, hospitals and schools as well as public transportation. Shanghai Jingjie is part of the development project of Minhang District and is designed to provide housing for reallocated residents. It consists of supporting commodity apartments, underground car parks and supporting facilities (including a market and an elderly house).



**Xinzhuang Metro Superstructure Project**

**Address**  
No. 222, Xinzhuang Town, Minhang District, Shanghai

**Type**  
Commercial/Hotel/Office

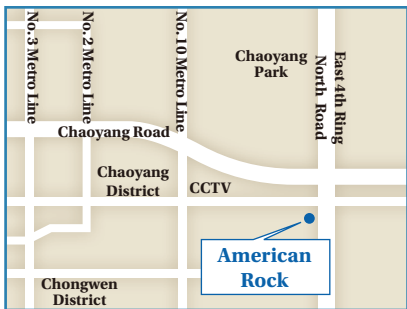
**Characteristics**  
The surrounding area of this project is well developed and readily accessible by public transportation. It is the starting station of railway transportation lines 1 and 5. This project is intended to be developed for composite use, including offices, hotel, residential properties, LOFT style and multi-purpose properties and a shopping mall.

Artist's Impression



PROJECT PORTFOLIO

# BEIJING



## American Rock

**Address**

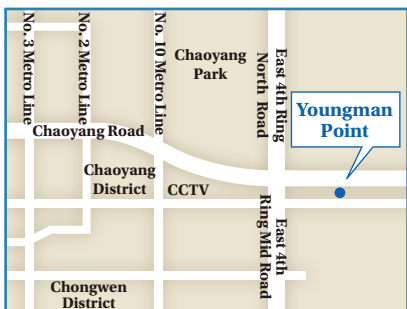
*No. 16 Baiziwang Road, Chaoyang District, Beijing*

**Type**

*Residential/Commercial*

**Characteristics**

The project is situated in close proximity to the central business district. Phase I mainly targets at white-collar customer group in the central business district with various new elements added to the designs, highlighting the sense of modern style and avant-garde of the properties. Phase II mainly consists of offices and is designed specifically for growth companies highly concentrated in the eastern district. The entire development project is divided into five phases for which the development and sales are all completed except for a small amount of parking space.



## Youngman Point

**Address**

*No. 2 Gan Lu Yuan Zhong Li, Qingnian Road, Chaoyang District, Beijing*

**Type**

*Residential/Commercial*

**Characteristics**

The project is situated in the junction of Qingnian Road, Chaoyang District and Chaoyang North Road, being close to the metroline no. 6 which is under construction. It is opposite to the Chaobei Dayuecheng (朝北大悦城), a large-scale commercial complex in Chaoyang, only 3.8 km from the core of the central business district. The three sides of the project are greenbelts while the remaining side is next to a river, establishing a unique landscape. The entire development project is divided into three phases, of which Phase I and II completed and sold out, while Phase III has entered into the development stage.





**West Diaoyutai**

**Address**

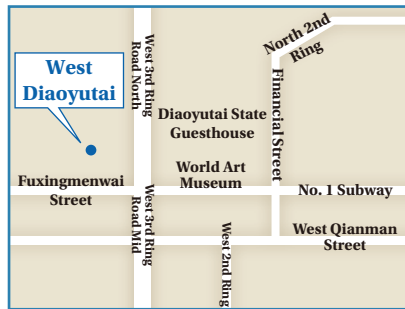
*Lot No. 1, 2, West Diaoyutai Village,  
Haidian District, Beijing*

**Type**

*Residential/ Serviced apartment*

**Characteristics**

The project is situated in the Western Third Ring (西三环), with Diaoyutai in the east and Kunyu River in the west, and its northern side is in proximity of the 137-hectare Yuyuan Pool (玉渊潭), enjoying the largest watery area in Beijing of 67 hectares. In respect of the scarcity of watery area in Beijing, such rare riverside landscape contributes to the excellence of the project. With the selling point of riverside luxury apartment, the project's target customer group is wealthy people. The entire project is divided into three phases, of which Phase I and Phase II have completed development and sales, while Phase III will be developed soon.



**SANHE**



**Yanjiao**

**Address**

*Yanjiao Economic Technology Development Zone,  
Hebei Province*

**Type**

*Residential/Commercial/Hotel*

**Characteristics**

Yanjiao Economic Technology Development Zone is situated in the eastern part of Beijing, with Tiananmen located only approximately 30-km away. The Zone is connected by two expressways, Jingtong Expressway and Jingha Expressway, and the actual driving distance could be maintained to less than 40 minutes. Meanwhile, Hebei Province has reached an agreement with Beijing on extending the eastern part of Batong Line to Yanjiao, thereby creating a favorable condition for the integration of the real estate markets of these two places leveraging on convenient transportation. It is planned to develop the project into a large commercial and residential property with hotels, commercial buildings and residences.



PROJECT PORTFOLIO

# TIANJIN

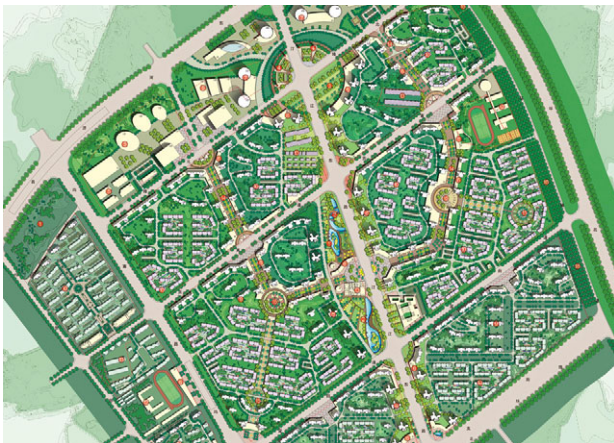


## Laochengxiang

**Address**  
*Lao Cheng Xiang Area, Nankai District, Tianjin*

**Type**  
*Residential/Commercial/Office/Hotel*

**Characteristics**  
 The project is situated in the core area of Tianjin with excellent location, and has become the landmark construction in the center of Tianjin. The project is a large comprehensive community with residences, theme business and offices.

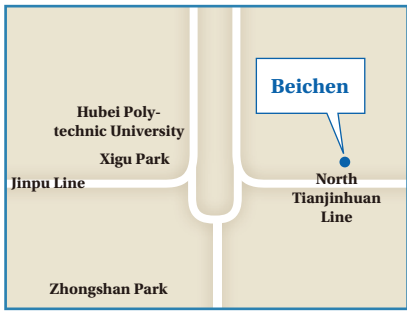


## Beichen

**Address**  
*Yixingfu Old Village, Tianjin*

**Type**  
*Residential/Commercial/Apartment/Hotel*

**Characteristics**  
 The project is a reconstruction plan of an old village, which is close to Beijing-Tianjin Intercity Railway and is situated in the transportation hub. It is planned to construct a comprehensive residential and commercial area with various types of properties. This large scale project is jointly developed by the Group and 五礦置業有限公司 and Phase I is under development.



Artist's Impression

# KUNSHAN



Artist's Impression

**Yooouu.net**

**Address**  
 No. 258 Lv Di Avenue, Huaqiao Town, Kunshan City

**Type**  
 Residential/Commercial

**Characteristics**  
 The project is in the heart of Huaqiao International Commercial District of Jiangsu Development Zone and is within a radius of 25 kilometres from Shanghai. Yooouu.net is designed to be developed as a commercial and residential complex, including commercial properties, LOFT style and multi-purpose properties and a mini hotel.

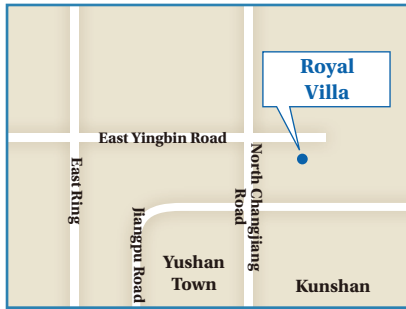


**Royal Villa**

**Address**  
 No. 859 East Ying Bin Road, Kunshan City

**Type**  
 Residential

**Characteristics**  
 The project is located in Zhoushi Town of Kunshan City in Jiangsu Province. It is situated in the heart of the administrative centre in the north of Kunshan and is adjacent to Kunshan Ecological and Sports Park. This project comprises of 18 high-rise apartment buildings and 92 detached villas.





PROJECT PORTFOLIO

# WUXI



## Urban Development International Centre

**Address**

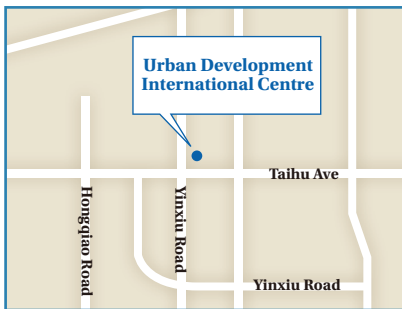
*Intersection of Tai Hu Avenue and Yin Xiu Road, Bing Hu District, Wu Xi City, Jiangsu Province*

**Type**

*Commercial/Hotel*

**Characteristics**

The project is located less than five kilometres from downtown Wuxi and is close to a number of scenic areas, including Li Lake Scenic Area, Li Lake Central Park and Bogong Island. The area is well developed with various supporting facilities, such as fitness clubs, coffee shops and commercial clubs. There are also a number of banks, hotels, hospitals and supermarkets in the surrounding areas. Urban Development International Centre is positioned to be a comprehensive property, consisting of an international five-star hotel, serviced apartments, a Class A office building, multi-purpose units and commercial properties.



# XI'AN



## Neo Water City

**Address**

*Chan-Ba Avenue, Chan-Ba Ecological District, Xi'an*

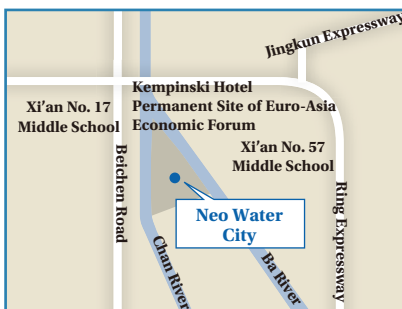
**Type**

*Residential/Commercial/Hotel*

**Characteristics**

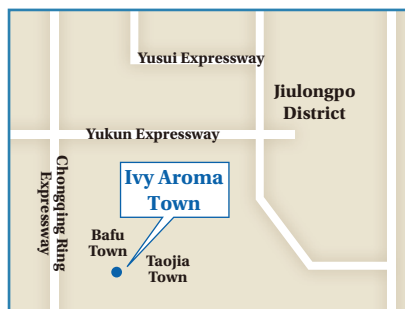
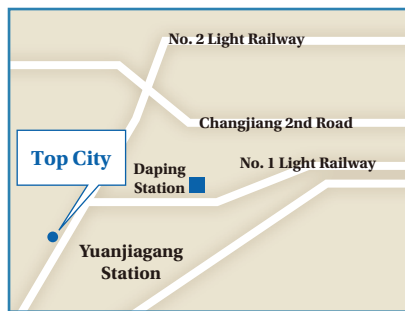
Situated in the junction of Chan-Ba Avenue and Chan River in the core Chan-Ba Ecological District, Xi'an (西安滄灑生態區), the project is in a northeastern ecology zone with a site area of over 3,000 mu, and is settled in the delta area within Chan River and Ba River. From the perspective of regional construction and development, the well developed road network with operation of public transport, as well as the 20,000-mu national wetland park and the International Horticultural Exposition 2011 (2011世界園藝博覽會) establish the project's leading position in the real estate industry in Xi'an.

12 parcels of land in Neo Water City have been planned, including the permanent site of Euro-Asia Economic Forum, the Kempinski Hotel, its corresponding ancillaries such as requisite facilities for daily life in respect of commerce, education, medication as well as shopping mall, are gradually completed.





# CHONGQING



## Top City

**Address**

*No. 1 Olympic Road, Yuanjiagang, Jiulongpo District, Chongqing*

**Type**

*Residential/Commercial/Office/Hotel*

**Characteristics**

Situated in the center of downtown Chongqing, the project is settled in the premium area, which is the junction between Jiulongpo District and Yuzhong District, and is in close proximity to the monorail line no. 2, the transportation vein of the city and Chongqing Olympics Sports Center (重慶奧體中心). With the combination of large commercial buildings, five-star hotel, offices and residences, the project is currently one of the largest complex property projects in downtown Chongqing. The project is designed by a renowned Canadian company with the integration of spacious concept embracing diversification, openness and internationalization, bringing the HOPSCA international lifestyle from the West into full play and making it a scarce urban complex with vivid characteristics in Chongqing.

## Ivy Aroma Town

**Address**

*No. 1 Wen Feng Road, Taojia Town, Jiulongpo District, Chongqing City*

**Type**

*Residential/Commercial*

**Characteristics**

The project is only one kilometre from the central commercial centre and central park of Chongqing City. It is in close proximity to a number of scenic spots, including Cursory Peach Blossom Garden and Huayan Temple Scenic Area. The area is well developed and readily accessible by public transportation. It is planned to be developed into a large-scale high-end community. Divided into two phases, Ivy Aroma Town primarily consists of high-end residential properties, detached villas and conjoined villas, together with supporting facilities such as kindergartens, elderly centres, theme parks, banks and hospitals.

PROJECT PORTFOLIO

# CHENGDU



## Park Avenue

**Address**

No. 66, Qingquan North Street, Yongquan Town, Wenjiang District, Chengdu

**Type**

Residential/Commercial

**Characteristics**

Situated in the northern side of Guanghua Avenue in Chengdu with Jiangan River in the north, the project is only a few minutes away from downtown Chengdu. In general, the project adopts a layout with boundary formed by different groups, creating an ultra-wide interval among buildings with board view on all sides. Transportation network is also well developed with the access by metro line no. 4, monorail and bus. The project is divided into two phases, of which Phase I is under construction.

# SHENYANG



## Tai Yuan Street

**Address**

Taiyuan Business Avenue, Heping District, Shenyang

**Type**

Hotel/Commercial/Serviced Apartment

**Characteristics**

With Taiyuan Street as its center, "Taiyuan Commercial Area" is the most prosperous commercial street area in the downtown Shenyang. The historical and prolonged commercial activities along the street makes it titled "Number 1 Street in Northeastern China". Combining shopping, catering, leisure, entertainment, office and high-end serviced apartment, the project is a landmark and comprehensive commercial complex within the city. Upon completion, it will formulate a complete "Taiyuan Core Commercial Area" with the existing commercial streets, namely Taiyuan North Street and Zhonghua Road.

Artist's Impression

# CHANGSHA



## Toscana

**Address**

*No. 28 East Xiang Fu Road, Section 2, Yuhua District, Changsha City*

**Type**

*Residential/Commercial*

**Characteristics**

The project is adjacent to the downtown of Changsha City. It is located in the traditional high-end residential area in the new southern district of Changsha City. Toscana primarily consists of apartments and retail properties. This project also includes supporting facilities such as kindergartens, in-door swimming pools, basketball playgrounds, coffee shops and club houses.



## Forest Garden

**Address**

*No. 140, Guoliang North Road, Gaotang Ling Town, Wangcheng District, Changsha*

**Type**

*Residential/Commercial*

**Characteristics**

Situated in the core area of Binshui New Town of Wangcheng District where tremendous investment has been contributed by the municipality government, the project approaches the Modern Ecological and Technological Industrial Park (現代生態科技產業園區) in the south, where large renowned brand discount shopping outlets of Global Outlets is under construction. The western side of the project is next to the prosperous area of Wangcheng, while Banma Lake is located at its northern side and Xiangjiang Landscape Avenue (Xiao Xiang Avenue) is located at its eastern side. With innovative design concepts and comprehensive ancillary facilities, the project is entirely positioned as the “million-square-meter ecological new town” of an overall greenery ratio of over 40%. Properties mainly include multi-storey houses, houses with elevator and garden, townhouses and semi-detached houses, which belong to the neo-classical architecture style, creating a comprehensive scenic community with high level of comfort.



PROJECT PORTFOLIO

# SHENZHEN



## Phoenix Tower

**Address**

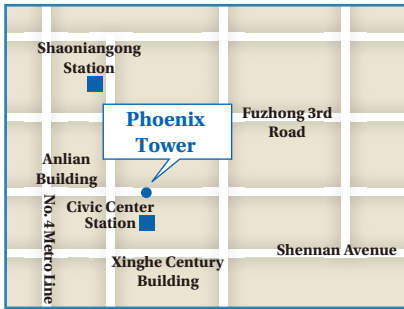
*No. 2008, Shennan Road, Futian District, Shenzhen*

**Type**

*Office/Commercial/Apartment*

**Characteristics**

Situated in the core area of Futian District, the project is in close proximity to the main transportation highway of Shenzhen, Shennan Boulevard. The Group jointly develops the project with another shareholder, Phoenix Satellite Television Holdings Limited. The project is comprised of a block of office building and a shopping mall and has entirely been developed and sold.



# ZHUHAI



## Qi Ao Island

**Address**

*Qi Ao Island, Tang Jia Gaoxin District, Zhuhai*

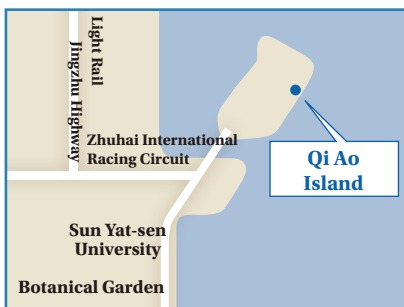
**Type**

*Tourist resort/Commercial/High-end residential properties*

**Characteristics**

The project is located at the eastern side of the planned main road of Qi Ao Island, Qi Ao Eastern Line Road (淇澳東線道路), and is approximately 20-km away from the city center. It is planned to develop the project as a large commercial and residential property with a group of hotels and high-end residential buildings. The project is now in the preliminary preparation stage.

Artist's Impression





## OTHER INFORMATION

### INTERIM DIVIDEND

The Board does not recommend distribution of any interim dividend for the six months ended 30 June 2012 (the “**Period**”) (for the six months ended 30 June 2011: Nil).

### 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 2012.

### 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 Corporate Governance Code and Corporate Governance Report (the “**Code**”) as set out in Appendix 14 of Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) throughout the Period except for the following:

#### *Provision A.2.1 of the Code (“Code A.2.1”)*

The code provision A.2.1 of the Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Ni Jianda, the then President of the Company, had taken up the office of the Chairman of the Board upon the retirement of then Mr. Cai Yu Tian, the then Chairman of the Company, with effect from 24 April 2012. Subsequently on 27 April 2012, the Company appointed Mr. Ji Gang as an Executive Director, Vice Chairman and the President of the Company and by then, the Company has duly complied with the said code provision A.2.1.

The Company is committed to maintaining a high standard of corporate governance practices with a view to enhancing the management efficiency of the Company as well as preserving the interests of the Shareholders as a whole. In the opinion of the Board, the Company has complied with the code provisions set out in the Code contained in Appendix 14 to the Listing Rules throughout the Period to the date of this report, except for the deviation from the code provision A.2.1 of the Code within such short period (three days only), as explained above.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct regarding dealings in the securities of the Company by the directors and the relevant employees (who are likely to be in possession of unpublished price-sensitive information relating to the Company or its securities) (the “**Guidelines for Securities Transactions by Relevant Employees**”) on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of the Company’s directors, all the directors confirmed that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2012.

In addition, no incident of non-compliance of the Guidelines for Securities Transactions by Relevant Employees by the relevant employees of the Group was noted by the Company throughout the Period.

## OTHER INFORMATION

### **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 2012.

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 2012 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.

### **INTERNAL CONTROLS**

As disclosed in the 2011 Interim Report and 2011 Annual Report of the Company, the Board announced that all areas of internal control weaknesses of the Company as indicated in the Internal Control Report mentioned in the announcement of the Company dated 24 June 2010 have been remediated save one area of weakness – Anti-fraud policies and procedures. The Board gives a further update on the remediating progress on this area as follows:

#### ***Anti-fraud policies and procedures***

The Company is in the progress of formulating internal policy for anti-fraud system and its specific contents, the areas of which include, but without limitation, the definition of fraud, the internal institution to be responsible for monitoring the system, the reporting, investigation and handling of complaints, and actions to be taken for substantiated cases.

The Company is always committed to maintaining a high standard of corporate governance and to continue strengthening the internal controls systems of the Group in the interests of shareholders of the Company. To monitor the effectiveness of the internal controls systems, in addition to the internal audit function of the Group which is directly accountable to the Company's audit committee, if necessary, the Board will appoint an independent professional firm to conduct internal control reviews of selected areas of the Group.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2012, the interests and short positions of the Directors and chief executives of the Company in the shares and underlying shares of the Company or any of its associated companies (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which were required, pursuant to the Model Code set out in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

### (1) Long position in the shares and underlying shares of the Company

Name of director	Capacity	Number of issued ordinary shares held	Number of underlying shares subject to options granted <sup>1</sup>	Percentage of the issued share capital of the Company
Ni Jianda	Beneficial owner	–	8,000,000	0.17%
Ji Gang	Beneficial owner	150,000	–	0.00%
Zhou Jun	Beneficial owner	–	7,000,000	0.15%
Yang Biao	Beneficial owner	–	7,000,000	0.15%
Chen Anmin	Beneficial owner	–	7,000,000	0.15%
Doo Wai Hoi, William	Beneficial owner	–	1,000,000	0.02%
Wong Ying Ho, Kennedy	Beneficial owner	–	1,000,000	0.02%
Fan Ren Da, Anthony	Beneficial owner	–	1,000,000	0.02%
Li Ka Fai, David	Beneficial owner	–	1,000,000	0.02%

Notes:

- These interests represented the interests in the underlying shares in respect of share options granted by the Company to these directors as beneficial owners, details of which are set out in the section headed "Share Option Scheme", of this Report.
- Mr. Jia Bowei, Mr. Cai Yu Tian and Mr. Qian Shizheng resigned as Executive Directors of the Company with effective from 1 March 2012, 24 April 2012 and 27 April 2012 respectively.

### (2) Long Position in shares and underlying shares of the associated company of the Company

*Shanghai Industrial Holdings Limited ("SIHL")*

Name of Director	Capacity	Number of issued ordinary shares held	Number of underlying shares subject to options granted <sup>1</sup>	Percentage of the issued share capital
Ji Gang (Notes 1 and 2)	Beneficial owner	20,000	990,000	0.09%
Zhou Jun (Note 1)	Beneficial owner	195,000	1,350,000	0.14%

## OTHER INFORMATION

Notes:

1. These represent the interests in the underlying shares of SIHL in respect of the share options (which are unlisted and physically settled equity derivatives) granted by SIHL under its share option scheme. Particulars of such share options and their movements during the six months ended 30 June 2012 were as follows:

Name of Director	Date of Grant	Exercise price per share HK\$	Outstanding at 1.1.2012 <sup>2</sup>	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding at 30.06.2012
Ji Gang	2 November 2010	36.60	550,000	-	-	-	550,000
	20 September 2011	22.71	440,000	-	-	-	440,000
Zhou Jun	2 November 2010	36.60	750,000	-	-	-	750,000
	20 September 2011	22.71	600,000	-	-	-	600,000

Share options granted in November 2010 are exercisable during the period from 3 November 2010 to 2 November 2015 in three batches, being:

- 3 November 2010 to 2 November 2011 (up to 40% of the share options granted are exercisable)
- 3 November 2011 to 2 November 2012 (up to 70% of the share options granted are exercisable)
- 3 November 2012 to 2 November 2015 (all share options granted are exercisable)

Share options granted in September 2011 are exercisable during the period from 21 September 2011 to 20 September 2016 in three batches, being:

- 21 September 2011 to 20 September 2012 (up to 40% of the share options granted are exercisable)
- 21 September 2012 to 20 September 2013 (up to 70% of the share options granted are exercisable)
- 21 September 2013 to 20 September 2016 (all share options granted are exercisable)

2. Mr. Ji Gang is appointed as Executive Director, Vice-Chairman and President of the Company with effect from 27 April 2012.

Save as the disclosed above, as at 30 June 2012, none of the Directors or chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated companies (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) and such interests or short positions were required to be entered into the register required to be kept under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

#### SHARE OPTION SCHEME

Pursuant to ordinary resolutions passed by shareholders of the Company at its special general meeting held on 12 December 2002, the Company adopted a share option scheme (the "Share Option Scheme").



As at 30 June 2012, the Company granted 65,250,000 shares options to subscribe for up to total of 65,250,000 ordinary shares of nominal value of HK\$0.04 each in the capital of the Company under the Share Option Scheme, representing 1.36% of the issued share capital of the Company as at 30 June 2012. Particulars of such share options and their movements during the six months period ended on 30 June 2012 were as follows:

Name of category	Date of Grant	Exercise price per share HK\$	Exercise Period <sup>1</sup>	Outstanding at 1.1.2012	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding at 30.06.2012
<b>Directors</b>								
Cai Yu Tian (Note 2)	24 September 2010	HK\$2.98	24 September 2010 to 23 September 2020	9,000,000	-	-	9,000,000	0
Ni Jianda	24 September 2010	HK\$2.98	24 September 2010 to 23 September 2020	8,000,000	-	-	-	8,000,000
Qian Shizheng (Note 2)	24 September 2010	HK\$2.98	24 September 2010 to 23 September 2020	7,000,000	-	-	7,000,000	0
Zhou Jun	24 September 2010	HK\$2.98	24 September 2010 to 23 September 2020	7,000,000	-	-	-	7,000,000
Yang Biao	24 September 2010	HK\$2.98	24 September 2010 to 23 September 2020	7,000,000	-	-	-	7,000,000
Chen Anmin	24 September 2010	HK\$2.98	24 September 2010 to 23 September 2020	7,000,000	-	-	-	7,000,000
Jia Bowei (Note 2)	24 September 2010	HK\$2.98	24 September 2010 to 23 September 2020	7,000,000	-	-	7,000,000	0
Doo Wai Hoi, William	24 September 2010	HK\$2.98	24 September 2010 to 23 September 2020	1,000,000	-	-	-	1,000,000
Wong Ying Ho, Kennedy	24 September 2010	HK\$2.98	24 September 2010 to 23 September 2020	1,000,000	-	-	-	1,000,000

## OTHER INFORMATION

Name of category	Date of Grant	Exercise price per share HK\$	Exercise Period <sup>1</sup>	Outstanding at 1.1.2012	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period	Outstanding at 30.06.2012
Fan Ren Da, Anthony	24 September 2010	HK\$2.98	24 September 2010 to 23 September 2020	1,000,000	-	-	-	1,000,000
Li Ka Fai, David	24 September 2010	HK\$2.98	24 September 2010 to 23 September 2020	1,000,000	-	-	-	1,000,000
<b>Senior Management and Employees in aggregate</b>	24 September 2010	HK\$2.98	24 September 2010 to 23 September 2020	35,000,000	-	-	2,750,000	32,250,000
<b>Total</b>				<b>91,000,000</b>	<b>-</b>	<b>-</b>	<b>25,750,000</b>	<b>65,250,000</b>

## Notes:

1. Grantees can exercise (i) 40% of the total number of share option granted to them from the date of grant; (ii) 70% of the total number of share option granted to them (including those mentioned in (i) above) after the first anniversary of the date of grant; and (iii) all of the share options granted after second anniversary of the date of grant.
2. Mr. Jia Bowei, Mr. Cai Yu Tian and Mr. Qian Shizheng resigned as Executive Directors of the Company with effective from 1 March 2012, 24 April 2012 and 27 April 2012 respectively.

Save as disclosed above, the Company had not granted during the six months period ended 30 June 2012 any share options to any persons as required to be disclosed under Rule 17.07 of the Listing Rules.

### SUBSTANTIAL SHAREHOLDER'S AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2012, substantial shareholder and other persons (other than the Directors and chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and entered in the register required to be kept by the Company pursuant to Section 336 of the SFO, or otherwise notified to the Company were as follows:

#### Ordinary shares of HK\$0.04 each of the Company

Name of substantial shareholder	Long/short Position	Capacity	No. of shares of the Company interested	% of the Company's issued share capital
SIHL (Note 1)	Long position	Held by controlled corporation	3,415,883,000 (Notes 2 & 3)	70.99%
Shanghai Industrial Investment (Holdings) Company Limited ("SIIC") (Note 4)	Long position	Held by controlled corporation	3,415,883,000 (Notes 2 & 3)	70.99%

Notes:

1. These shares are beneficially held by Novel Good Limited, a wholly owned subsidiary of SIHL.
2. These interests include 2,182,191,000 Consideration Shares issued and allotted to SIHL to settle the consideration for the Transactions (as defined in the paragraph headed "Issue of Equity Securities" of the Directors' Report of 2011 Annual Report), the completion of which took place on 23 November 2011.
3. These interests include 50,000,000 Shares (short position) held by Invest Gain Limited (a company beneficially and wholly owned by Mr. Li Song Xiao who ceased to be a substantial shareholder of the Company during the year ended 31 December 2011) which was pledged to Novel Good Limited. Therefore, SIHL and SIIC are deemed or taken to be interested in these 50,000,000 Shares.
4. SIIC through its subsidiaries, namely Shanghai Investment Holdings Ltd., SIIC Capital (B.V.I.) Ltd., SIIC Treasury (B.V.I.) Ltd., Shanghai Industrial Financial (Holdings) Co. Ltd., South Pacific International Trading Ltd., The Tien Chu Ve-Tsin (Hong Kong) Co. Ltd., SIIC Trading Co. Ltd., SIIC CM Development Funds Ltd., Billion More Investments Ltd. and SIIC CM Development Ltd. held approximately 57.06% of the shares of SIHL. Therefore, SIIC is deemed or taken to be interested in the 3,415,883,000 shares held by SIHL for the purpose of the SFO.

Save as disclosed above, as at 30 June 2012, the Company had not been notified by any persons (other than the Directors and chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of SFO.

## OTHER INFORMATION

**DISCLOSURE UNDER RULE 13.51B(1) OF THE LISTING RULES**

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in information of directors of the Company are set out as follows:

- (1) Mr. Ni Jianda, an Executive Director and the Chairman of the Company, be appointed as an Authorised Representative of the Company with effective from 28 March 2012. He be appointed as the Chairman of the Company with effective from 24 April 2012. He has been resigned as the President of the Company with effect from 27 April 2012.
- (2) Mr. Ji Gang (“**Mr. Ji**”), an Executive Director, Vice Chairman and the President of the Company, has entered into a service contract with the Company. Mr. Ji has been appointed for a term of three years commencing from 27 April 2012 and is subject to retirement and re-election at the annual general meeting of the Company in accordance with the Bye-laws of the Company. Mr. Ji is entitled to a remuneration of HK\$200,000 per month and a discretionary bonus which is determined by the Remuneration Committee of the Company and the Board by reference to his responsibilities and performance and the prevailing market conditions.
- (3) Mr. Zhou Jun was appointed as an Independent Non-Executive Director of Zhejiang Expressway Co., Ltd. (Stock Code: 0576) on 11 June 2012, the company listed on the Stock Exchange.
- (4) Mr. Fan Ren Da, Anthony be appointed as an Independent Non-Executive Director, Members of both of the Nomination Committee and Remuneration Committee of China Development Bank International Investment Limited (formerly known as “New Capital International Investment Limited”) (Stock Code: 1062) on 21 March 2012, a company listed on the Stock Exchange.
- (5) Dr. Wong Ying Ho, Kennedy was requested by the Independent Commission Against Corruption (“**ICAC**”) to assist in their investigations (the “**Investigations**”) on 14 February 2012. On the same date, the ICAC also presented a search warrant according to which, the Investigations are related to alleged irregular activities in the restructuring of Ocean Grand Chemicals Holdings Limited and the acquisition of 3D-Gold Jewellery Holdings Limited or its related companies by Hong Kong Resources Holdings Company Limited. The Investigations are essentially an extension of the investigations conducted by the ICAC in July 2011 referred to the announcement of the Company dated 15 July 2011.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.



**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**  
**Ni Jianda**  
*Chairman*

Hong Kong, 23 August 2012

## REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**Deloitte.**  
**德勤**

**TO THE BOARD OF DIRECTORS OF  
SHANGHAI INDUSTRIAL URBAN DEVELOPMENT GROUP LIMITED**

上海實業城市開發集團有限公司

*(Incorporated in Bermuda with limited liability)*

### **INTRODUCTION**

We have reviewed the condensed consolidated financial statements of Shanghai Industrial Urban Development Group Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 33 to 54, which comprise the condensed consolidated statement of financial position as of 30 June 2012 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **SCOPE OF REVIEW**

We conducted our review 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. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

23 August 2012

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	NOTES	Six months ended 30 June	
		2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited) (restated)
Revenue	4	<b>1,091,912</b>	2,032,317
Cost of sales		<b>(856,981)</b>	(1,207,785)
Gross profit		<b>234,931</b>	824,532
Other income		<b>74,990</b>	83,831
Other expenses, gains and losses		<b>(3,924)</b>	(80,359)
Fair value changes on investment properties		<b>(8,271)</b>	337,324
Fair value gain on transfer of inventories to investment properties		-	152,212
Impairment loss in respect of inventories		<b>(19,732)</b>	(39,084)
Distribution and selling expenses		<b>(58,477)</b>	(151,502)
General and administrative expenses		<b>(240,502)</b>	(274,831)
Finance costs	5	<b>(270,220)</b>	(224,315)
Share of losses of associates		<b>(4,970)</b>	(1,309)
(Loss) profit before tax		<b>(296,175)</b>	626,499
Income tax	6	<b>71,815</b>	(481,003)
(Loss) profit for the period	7	<b>(224,360)</b>	145,496
Other comprehensive (expense) income			
Exchange differences arising on translation into presentation currency		<b>(209,439)</b>	478,017
Reclassification adjustment for realisation of revaluation gains transferred to profit or loss upon sales of completed properties held for sale		<b>(153)</b>	(188)
Other comprehensive (expense) income for the period		<b>(209,592)</b>	477,829
Total comprehensive (expense) income for the period		<b>(433,952)</b>	623,325
(Loss) profit for the period attributable to:			
- Owners of the Company		<b>(308,826)</b>	81,841
- Non-controlling interests		<b>84,466</b>	63,655
		<b>(224,360)</b>	145,496
Total comprehensive (expense) income attributable to:			
- Owners of the Company		<b>(425,668)</b>	338,955
- Non-controlling interests		<b>(8,284)</b>	284,370
		<b>(433,952)</b>	623,325
(Loss) earnings per share	8		
- Basic (HK cents)		<b>(6.42)</b>	1.70
- Diluted (HK cents)		<b>(6.42)</b>	1.70

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	NOTES	30 June 2012 HK\$'000 (unaudited)	31 December 2011 HK\$'000 (audited) (restated)
<b>Non-current Assets</b>			
Investment properties	9	6,031,856	6,168,963
Property, plant and equipment	10	1,149,274	1,182,210
Prepaid lease payments		92,693	94,031
Intangible assets		62,256	62,870
Interests in associates		1,567,572	1,588,071
Amount due from a related company	11	86,792	80,436
Amount due from an associate	12	83,095	83,915
Available-for-sale investments		33,760	37,761
Restricted and pledged bank deposits		113,868	121,619
Deferred tax assets		223,516	245,383
		<b>9,444,682</b>	9,665,259
<b>Current Assets</b>			
Inventories	13	40,397,894	39,517,770
Trade and other receivables	14	868,424	830,921
Amounts due from related companies	11	128,834	123,969
Prepaid lease payments		2,545	2,545
Consideration receivables for disposal of assets		21,792	22,007
Financial assets at fair value through profit or loss		14,495	14,638
Pledged bank deposits		21,730	24,521
Prepaid income tax and land appreciation tax		404,182	359,527
Bank balances and cash		2,691,348	3,490,568
		<b>44,551,244</b>	44,386,466
<b>Current Liabilities</b>			
Trade and other payables	15	3,912,609	4,398,642
Amounts due to related companies	11	586,165	700,300
Amounts due to associates		83,093	83,913
Consideration payables for acquisition of subsidiaries		383,419	387,200
Pre-sale proceeds received on sales of properties		9,862,399	9,378,864
Bank and other borrowings	16	5,660,919	4,805,875
Derivative financial instrument - warrants		-	3
Income tax and land appreciation tax payables		1,870,208	2,131,516
Dividend payable		6,423	6,423
Dividend payable to non-controlling shareholders		408,569	418,846
		<b>22,773,804</b>	22,311,582



CONDENSED CONSOLIDATED STATEMENT OF  
FINANCIAL POSITION

At 30 June 2012

	NOTES	30 June 2012 HK\$'000 (unaudited)	31 December 2011 HK\$'000 (audited) (restated)
Net Current Assets		21,777,440	22,074,884
Total Assets less Current Liabilities		31,222,122	31,740,143
<b>Non-current Liabilities</b>			
Bank and other borrowings	16	6,350,946	6,374,383
Senior notes	17	3,028,531	3,009,479
Deferred tax liabilities		3,298,578	3,384,589
		12,678,055	12,768,451
		18,544,067	18,971,692
<b>Capital and Reserves</b>			
Share capital	18	192,461	192,461
Reserves		11,663,686	12,083,027
Equity attributable to owners of the Company		11,856,147	12,275,488
Non-controlling interests		6,687,920	6,696,204
		18,544,067	18,971,692

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Attributable to owners of the Company										Non-controlling interests	Total
	Share capital	Share premium	Convertible notes equity reserve	Share option reserve	Other revaluation reserve	Statutory reserve	Merger reserve	Exchange reserve	Accumulated losses	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2011 (audited)	105,173	7,073,988	20	63,743	45,942	5,899	5,124,601	969,359	(932,230)	12,456,495	6,734,391	19,190,886
Adjustments (see note 3)	-	-	-	-	-	-	(198,024)	(7,615)	(385,839)	(591,478)	(142,901)	(734,379)
At 1 January 2011 (restated)	105,173	7,073,988	20	63,743	45,942	5,899	4,926,577	961,744	(1,318,069)	11,865,017	6,591,490	18,456,507
Profit for the period	-	-	-	-	-	-	-	-	81,841	81,841	63,655	145,496
Exchange differences arising on translation into presentation currency	-	-	-	-	-	-	-	257,302	-	257,302	220,715	478,017
Reclassification adjustment for realisation of revaluation gains transferred to profit or loss upon sales of completed properties held for sale	-	-	-	-	(188)	-	-	-	-	(188)	-	(188)
Total comprehensive income for the period	-	-	-	-	(188)	-	-	257,302	81,841	338,955	284,370	623,325
Capital contribution from parent company	-	-	-	-	-	-	493,029	-	-	493,029	-	493,029
Capital contribution by non-controlling interests	-	-	-	-	-	-	-	-	-	-	342,613	342,613
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(433,004)	(433,004)
Transfer to accumulated losses upon redemption of convertible loan notes	-	-	(20)	-	-	-	-	-	20	-	-	-
Acquisition of additional interest in a subsidiary	-	-	-	-	8,895	-	-	1,105	-	10,000	(12,671)	(2,671)
Disposal of subsidiaries	-	-	-	-	-	-	143,122	-	-	143,122	(143,122)	-
Transfer	-	-	-	-	-	828	-	-	(828)	-	-	-
Recognition of equity-settled share-based payment	-	-	-	24,571	-	-	-	-	-	24,571	-	24,571
Transfer to accumulated losses upon forfeiture of share options	-	-	-	(11,719)	-	-	-	-	11,719	-	-	-
At 30 June 2011 (unaudited)	105,173	7,073,988	-	76,595	54,649	6,727	5,562,728	1,220,151	(1,225,317)	12,874,694	6,629,676	19,504,370
At 1 January 2012 (audited)	192,461	10,325,453	-	93,021	54,275	44,311	2,421,999	1,322,702	(1,436,552)	13,017,670	6,858,936	19,876,606
Adjustments (see note 3)	-	-	-	-	-	-	(198,024)	(34,301)	(509,857)	(742,182)	(162,732)	(904,914)
At 1 January 2012 (restated)	192,461	10,325,453	-	93,021	54,275	44,311	2,223,975	1,288,401	(1,946,409)	12,275,488	6,696,204	18,971,692

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Attributable to owners of the Company											Non-controlling interests	Total										
	Share capital	Share premium	Convertible notes equity reserve	Share option reserve	Other revaluation reserve	Statutory reserve	Merger reserve	Exchange reserve	Accumulated losses	Total	Total												
														HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
																		(note i)		(note ii)			
Loss for the period	-	-	-	-	-	-	-	-	(308,826)	(308,826)	84,466	(224,360)											
Exchange differences arising on translation into presentation currency	-	-	-	-	-	-	-	(116,689)	-	(116,689)	(92,750)	(209,439)											
Reclassification adjustment for realisation of revaluation gains transferred to profit or loss upon sales of completed properties held for sale	-	-	-	-	(153)	-	-	-	-	(153)	-	(153)											
Total comprehensive expense for the period	-	-	-	-	(153)	-	-	(116,689)	(308,826)	(425,668)	(8,284)	(433,952)											
Transfer	-	-	-	-	-	98,170	-	-	(98,170)	-	-	-											
Recognition of equity-settled share-based payment	-	-	-	6,327	-	-	-	-	-	6,327	-	6,327											
Transfer to accumulated losses upon forfeiture of share options	-	-	-	(26,321)	-	-	-	-	26,321	-	-	-											
At 30 June 2012 (unaudited)	192,461	10,325,453	-	73,027	54,122	142,481	2,223,975	1,171,712	(2,327,084)	11,856,147	6,687,920	18,544,067											

## Notes:

- (i) The other revaluation reserve comprises the difference between the fair value, net of deferred tax, and the carrying amount of additional interest in associates being acquired and become subsidiaries of the Company. This reserve will be recognised in profit or loss upon the earlier of the disposal of the subsidiaries or the disposal by the subsidiaries of the assets to which it relates.
- (ii) Merger reserve represents the difference in the fair value of the consideration paid to the parent company, Shanghai Industrial Holdings Limited ("SIHL"), for the acquisition of subsidiaries controlled by SIHL and the acquired carrying amount of the subsidiaries at the date of the Group and the subsidiaries acquired became under common control.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited) (restated)
Net cash used in operating activities	<b>(1,140,606)</b>	(3,250,403)
Net cash from (used in) investing activities:		
Proceeds from disposal of investment properties	<b>80,407</b>	49,634
Interest received	<b>14,168</b>	19,227
Withdrawal of restricted and pledged bank deposits	<b>9,144</b>	10,740
Proceeds from disposal of available-for-sale investments	<b>3,655</b>	-
Proceeds from disposal of property, plant and equipment	<b>124</b>	250
Advance to related companies	<b>(13,298)</b>	(7,258)
Payments for purchases of property, plant and equipment	<b>(22,803)</b>	(104,272)
Refund from land auction	-	812,844
Repayment from loan receivables	-	445,515
Proceeds from disposal of subsidiaries	-	281,467
Proceeds from disposal of interest in an associate	-	5,527
Payment for consideration payable for acquisition of subsidiaries	-	(24,079)
Contribution to an associate	-	(1,201,084)
	<b>71,397</b>	288,511
Net cash from (used in) financing activities:		
Proceeds from new bank and other borrowings	<b>3,007,335</b>	1,751,104
Dividend paid to non-controlling interests	<b>(6,225)</b>	(35,216)
Repayment to related companies	<b>(5,637)</b>	(13,632)
Interest paid	<b>(618,481)</b>	(303,130)
Repayments of bank and other borrowings	<b>(2,072,900)</b>	(1,564,697)
Capital contribution from parent company	-	493,029
Contribution from non-controlling interests	-	342,613
Redemption of convertible notes	-	(2,714)
Acquisition of additional interest in a subsidiary	-	(2,671)
	<b>304,092</b>	664,686
Net decrease in cash and cash equivalents	<b>(765,117)</b>	(2,297,206)
Cash and cash equivalents at 1 January	<b>3,490,568</b>	6,932,712
Effect of foreign exchange rate changes	<b>(34,103)</b>	14,500
Cash and cash equivalents at 30 June, represented by		
Bank balances and cash	<b>2,691,348</b>	4,650,006

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

## 1. BASIS OF PREPARATION

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

## 2. MERGER ACCOUNTING AND RESTATEMENTS

The Group accounts for all its business combinations involving entities under common control under the principles of merger accounting. On 23 November 2011, the Group acquired Silvery Champ Limited (“**Silvery Champ**”) together with its subsidiaries, including Joy Century Investment Limited (“**Joy Century**”), 上海城開(集團)有限公司 (“**SUD**”) and its subsidiaries (the “**SUD Group**”) from its parent, Shanghai Industrial Holdings Limited (“**SIHL**”), and accordingly, the Group applied the principles of merger accounting to the acquisition.

Silvery Champ and Joy Century were incorporated on 19 January 2011 and 22 February 2011 respectively. SUD and its subsidiaries first came under common control with the Company when the Company was acquired by SIHL on 24 June 2010.

The condensed consolidated statement of comprehensive income for the six months ended 30 June 2011 was restated to include the results of SUD Group from 1 January 2011, the results of Silvery Champ and Joy Century from their respective dates of incorporation (see below for the financial impact). The condensed consolidated statement of cash flows for the six months ended 30 June 2011 was also restated to include the cash flows of SUD Group from 1 January 2011 and the cash flows of Silvery Champ and Joy Century from their respective dates of incorporation.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

### 2. MERGER ACCOUNTING AND RESTATEMENTS (continued)

The effects of the application of merger accounting on the condensed consolidated statement of comprehensive income for the six months ended 30 June 2011 are as follows:

	HK\$'000 (unaudited) (originally stated)	Adjustments on merger accounting HK\$'000	Adoption of amendments to HKAS 12 (Note 3) HK\$'000	HK\$'000 (unaudited) (restated)
Revenue	882,472	1,149,845	-	2,032,317
Cost of sales	(718,698)	(489,087)	-	(1,207,785)
Gross profit	163,774	660,758	-	824,532
Other income, gains and losses	(18,102)	21,574	-	3,472
Fair value changes on investment properties	337,324	-	-	337,324
Fair value gain on transfer of inventories to investment properties	152,212	-	-	152,212
Impairment loss in respect of inventories	(39,084)	-	-	(39,084)
Distribution and selling expenses	(107,034)	(44,468)	-	(151,502)
General and administrative expenses	(194,482)	(80,349)	-	(274,831)
Finance costs	(89,631)	(134,684)	-	(224,315)
Share of (losses) profits of associates	(1,447)	138	-	(1,309)
Profit before tax	203,530	422,969	-	626,499
Income tax	(196,885)	(206,174)	(77,944)	(481,003)
Profit (loss) for the period	6,645	216,795	(77,944)	145,496
Other comprehensive income for the period:				
Exchange differences arising on translation into presentation currency	118,425	359,592	-	478,017
Reclassification adjustment for realisation of revaluation gains transferred to profit or loss upon sales of completed properties held for sale	(188)	-	-	(188)
Other comprehensive income	118,237	359,592	-	477,829
Total comprehensive income (expense) for the period	124,882	576,387	(77,944)	623,325
Profit (loss) for the period attributable to:				
Owners of the Company	56,700	103,527	(78,386)	81,841
Non-controlling interests	(50,055)	113,268	442	63,655
	6,645	216,795	(77,944)	145,496
Total comprehensive income (expense) attributable to:				
Owners of the Company	164,812	252,529	(78,386)	338,955
Non-controlling interests	(39,930)	323,858	442	284,370
	124,882	576,387	(77,944)	623,325
Earnings (loss) per share				
Basic (HK cents)	1.18	2.15	(1.63)	1.70
Diluted (HK cents)	1.18	2.15	(1.63)	1.70

NOTES TO THE CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS

For the six months ended 30 June 2012

**3. PRINCIPAL ACCOUNTING POLICIES**

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

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

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

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

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

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

As a result of the application of the amendments to HKAS 12, the Group recognised deferred taxes on changes in fair value of those investment properties in The People's Republic of China (the "**PRC**") that are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, which included the effect of land appreciation taxes and enterprise income taxes in the PRC upon sales of the properties. Previously, the Group recognised deferred taxes on changes in fair value of investment properties on the basis that the entire carrying amounts of the properties were recovered through use.

The amendments to HKAS 12 have been applied retrospectively, resulting in the Group's deferred tax liabilities being increased by HK\$904,914,000 as at 31 December 2011, with the corresponding adjustment being recognised in equity.

In addition, the application of the amendments has resulted in the Group's income tax expense for the six months ended 30 June 2012 and 30 June 2011 being decreased by HK\$7,688,000 and increased by HK\$77,944,000 respectively and hence resulted in the loss for the six months ended 30 June 2012 being decreased by HK\$7,688,000 and profit for the six months ended 30 June 2011 being decreased by HK\$77,944,000.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

**3. PRINCIPAL ACCOUNTING POLICIES (continued)****Summary of the effect of the above change in accounting policy**

The effect of the change in accounting policy described above on the results for the current and preceding interim periods by line items presented in the condensed consolidated statement of comprehensive income is as follows:

	<b>Six months ended 30 June</b>	
	<b>2012</b>	<b>2011</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Decrease (increase) in income tax	<b>7,688</b>	(77,944)
Net decrease in loss (2011: net decrease in profit) for the period	<b>7,688</b>	(77,944)
Increase (decrease) in profit or loss attributable to:		
Owners of the Company	<b>7,688</b>	(78,386)
Non-controlling interests	-	442
	<b>7,688</b>	(77,944)

The effect of the change in accounting policy described above on the financial position of the Group as at 31 December 2011 is as follows:

	<b>As at 31.12.2011</b>	<b>Adjustments</b>	<b>As at 31.12.2011</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(originally stated)</b>		<b>(restated)</b>
Deferred tax liabilities	(2,479,675)	(904,914)	(3,384,589)
Total effects on net assets	19,876,606	(904,914)	18,971,692
Total effects on equity	(19,876,606)	904,914	(18,971,692)

The effect of the change in accounting policy described above on the financial position of the Group as 1 January 2011 is as follows:

	<b>As at 1.1.2011</b>	<b>Adjustments</b>	<b>As at 1.1.2011</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(originally stated)</b>		<b>(restated)</b>
Deferred tax liabilities	(2,275,215)	(734,379)	(3,009,594)
Total effects on net assets	19,190,886	(734,379)	18,456,507
Total effects on equity	(19,190,886)	734,379	(18,456,507)

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

### 3. PRINCIPAL ACCOUNTING POLICIES (continued)

#### *Summary of the effect of the above change in accounting policy (continued)*

Impact on basic and diluted earnings per share:

	Six months ended 30 June	
	2012	2011
	HK Cents	HK Cents
Basic and diluted (loss) earnings per share before adjustments	(6.58)	1.18
Adjustments on merger accounting (note 2)	-	2.15
Adjustments arising from change in accounting policy in relation to application of amendments to HKAS 12 in respect of deferred tax on investment properties	0.16	(1.63)
Reported basic and diluted (loss) earnings per share	(6.42)	1.70

### 4. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received or receivable for goods sold by the Group in the normal course of business to outside customers, net of sales related taxes for the period. The Group is engaged in property development, property investment activities, property management and hotel operation.

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of performance focuses only on revenue analysis. As no other discrete financial information is available for the assessment of different business activities, no segment information is presented.

### 5. FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited) (restated)
Interest on:		
Bank and other borrowings wholly repayable within five years	424,530	167,780
Bank and other borrowings not wholly repayable within five years	41,732	37,691
Convertible loan notes	-	107
Senior notes	170,321	167,818
Total borrowing costs	636,583	373,396
Less: amount capitalised under properties under development	(366,363)	(149,081)
	270,220	224,315

Borrowing costs capitalised during the period arose on the general borrowing pool and are calculated by applying a capitalisation rate of 9.2% (six months ended 30 June 2011: 10.9%) per annum to expenditure on qualifying assets.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

### 6. INCOME TAX

	Six months ended 30 June	
	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited) (restated)
Current tax		
- PRC Land Appreciation Tax ("LAT")	99,744	474,893
- PRC Enterprise Income Tax ("EIT")	10,028	60,240
- (Over)underprovision of EIT in prior periods (note)	(147,102)	6,243
	(37,330)	541,376
Deferred tax	(34,485)	(60,373)
	(71,815)	481,003

Note: The Group recognised a write-back of overprovision during the current period upon completion of tax clearance procedures by certain PRC subsidiaries with their respective tax authorities.

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.

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 2012 and 2011.



NOTES TO THE CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS

For the six months ended 30 June 2012

### 7. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited) (restated)
(Loss) profit for the period has been arrived at after charging (crediting) the following items:		
Depreciation of property, plant and equipment	26,339	33,879
Gain on disposal of property, plant and equipment	-	(146)
Interest income (included in other income)	(14,168)	(19,227)
Changes in fair value of derivative financial instruments	(3)	(8,746)
Net foreign exchange loss (gain)	6,429	(93,107)
Equity-settled share-based payment expense	6,327	24,571
Compensation to customers in respect of late delivery of properties	5,463	102,412

### 8. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	(unaudited)	(unaudited) (restated)
<b>(Loss) earnings:</b>		
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share:		
(Loss) profit for the period attributable to owners of the Company	(308,826)	81,841
<b>Number of shares (in thousands):</b>		
Number of ordinary shares for the purposes of basic and diluted (loss) earnings per share	4,811,523	4,811,523

The computation of diluted (loss) profit per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for the six months ended 30 June 2012 and 2011.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

### 9. MOVEMENTS IN INVESTMENT PROPERTIES

	Six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Beginning balance (Audited)	6,168,963	5,221,079
Fair value change on investment properties	(8,271)	337,324
Transfer from inventories	-	352,402
Disposals	(80,407)	(113,637)
Exchange realignment	(48,429)	112,103
Ending balance (Unaudited)	6,031,856	5,909,271

All investment properties of the Group were fair valued by Debenham Tie Leung Limited, an independent firm of qualified professional valuers not connected with the Group, at 30 June 2012. Debenham Tie Leung Limited are members of the Institute of Valuers and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuations, which conform to the Valuation Standards on Properties of the Hong Kong Institute of Surveyors, were arrived at by reference to comparable sales transactions available in the relevant markets.

During the period, the Group disposed of certain investment properties for cash proceeds of HK\$80,407,000 (six months ended 30 June 2011: HK\$113,637,000).

### 10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$22,849,000 (six months ended 30 June 2011: HK\$104,282,000) 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\$124,000 (six months ended 30 June 2011: HK\$104,000) for cash proceeds of HK\$124,000 (six months ended 30 June 2011: HK\$250,000), resulting no gain or loss on disposal (six months ended 30 June 2011: gain on disposal of HK\$146,000).

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

### 11. AMOUNTS DUE FROM (TO) RELATED COMPANIES

		30 June 2012 HK\$'000 (unaudited)	31 December 2011 HK\$'000 (audited)
Amounts due from related companies			
– Entities controlled by State-owned Assets Supervision and Administration Commission of Shanghai Xuhui District (“Xuhui SASAC”)	note (i)	127,559	122,681
– Non-controlling shareholders	note (ii)	88,067	81,724
		<b>215,626</b>	204,405
Analysed for reporting purpose as:			
Current assets		128,834	123,969
Non-current assets		86,792	80,436
		<b>215,626</b>	204,405
Amounts due to related companies			
– Entity controlled by Xuhui SASAC	note (iii)	275,107	359,289
– Non-controlling shareholders	note (ii)	244,719	238,315
– SIHL	note (iv)	66,339	102,696
		<b>586,165</b>	700,300

Notes:

- (i) Xuhui SASAC owns 41% equity interests in SUD and therefore is a non-controlling shareholder of the Group. Xuhui SASAC is a government authority authorised by and established directly under the Shanghai Xuhui District People’s Government for supervising and managing state-owned assets in the Xuhui District, the PRC.

The amounts due from entities controlled by Xuhui SASAC are unsecured. An amount of approximately HK\$109,498,000 as at 30 June 2012 (2011: HK\$110,578,000) represents loan advanced to an entity controlled by Xuhui SASAC through an entrusted loan agreement administrated by a bank, which carries fixed interest at 7.7% per annum (2011: 5.8% per annum) and is unsecured and repayable within one year. The remaining balances are non-interest bearing and repayable on demand.

- (ii) The amounts are due from (to) non-controlling shareholders of the Group. Included in the amounts due to non-controlling shareholders at 30 June 2012 are approximately HK\$96,321,000 (2011: HK\$88,866,000) which are entrusted loans which carry interest rates ranging from 5.3% to 7.3% per annum (2011: 5.3% to 7.0% per annum) according to the agreements with the non-controlling shareholders which are repayable on demand. The remaining amounts are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

- (iii) The amounts due to entities controlled by Xuhui SASAC are unsecured. An amount of approximately HK\$10,950,000 (2011: HK\$11,058,000) included in the balances as at 30 June 2012 represents loan advanced from an entity controlled by Xuhui SASAC through an entrusted loan agreement administrated by a bank, which carries interest rate at 7.2% per annum (2011: 5.8% per annum), and is repayable within one year. The remaining balances are non-interest bearing and repayable on demand.

- (iv) The amount is unsecured, non-interest bearing and repayable on demand.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

### 12. AMOUNT DUE FROM AN ASSOCIATE

The amount due from an associate is non-trade in nature, unsecured, interest free and repayable on demand. The directors of the Company consider that the amount will not be repaid within twelve months. Accordingly, the amount due from an associate is classified as non-current assets as at 30 June 2012 and 31 December 2011.

### 13. INVENTORIES

Inventories as at 30 June 2012 and 31 December 2011 are mainly properties under development and properties held for sale which are all located in the PRC, and were carried at net realisable value.

During six months ended 30 June 2012, the Group recognised impairment loss in respect of inventories of HK\$19,732,000 (six months ended 30 June 2011: HK\$39,084,000).

### 14. TRADE AND OTHER RECEIVABLES

	30 June 2012 HK\$'000 (unaudited)	31 December 2011 HK\$'000 (audited)
Trade receivables	14,498	34,896
Other receivables	172,289	162,112
Advance payments to contractors	43,779	55,619
Sales commission deposits	105,140	105,208
Prepaid other taxes	504,454	438,655
Other deposit and prepayments	28,264	34,431
	<b>868,424</b>	830,921

The Group allows an average credit period of 90 days to its corporate hotel customers. 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 2012 HK\$'000 (unaudited)	31 December 2011 HK\$'000 (audited)
0-90 days	6,727	26,577
91-180 days	640	475
> 180 days	7,131	7,844
Total	<b>14,498</b>	34,896

NOTES TO THE CONDENSED CONSOLIDATED  
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For the six months ended 30 June 2012

**15. TRADE AND OTHER PAYABLES**

	<b>30 June 2012 HK\$'000 (unaudited)</b>	<b>31 December 2011 HK\$'000 (audited)</b>
Trade payables	<b>700,309</b>	701,915
Accrued expenditure on properties under development	<b>2,165,955</b>	2,551,053
Amounts due to former shareholders of the Company's former subsidiaries (note (i))	<b>145,192</b>	146,408
Receipts from customers for payment of expenses on their behalf	<b>98,258</b>	111,936
Interest payable	<b>156,158</b>	186,337
Accrued charges and other payables	<b>627,834</b>	684,893
Other taxes payables (note (ii))	<b>18,903</b>	16,100
	<b>3,912,609</b>	4,398,642

Notes:

- (i) The amounts are non-trade in nature, interest-free and repayable on demand.
- (ii) Other taxes payables comprise urban real estate tax payable, city maintenance and construction tax payable and business tax payable.

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

	<b>30 June 2012 HK\$'000 (unaudited)</b>	<b>31 December 2011 HK\$'000 (audited)</b>
Within 30 days	<b>428,243</b>	173,056
Within 31-180 days	<b>95,056</b>	103,807
Within 181-365 days	<b>64,428</b>	193,664
Over 365 days	<b>112,582</b>	231,388
	<b>700,309</b>	701,915



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

### 16. BANK AND OTHER BORROWINGS

During the current period, the Group obtained new bank and other borrowings of approximately RMB2,463,609,000, equivalent to HK\$3,007,335,000 (six months ended 30 June 2011: RMB1,454,467,000, equivalent to HK\$1,751,104,000). The loans carry interest ranging from 5.27% to 10.58% per annum and are repayable from one to ten years. The loans were obtained for property project development of the Group.

The Group also repaid bank borrowings of approximately RMB1,698,120,000, equivalent to HK\$2,072,900,000, (six months ended 30 June 2011: RMB1,299,637,000, equivalent to HK\$1,564,697,000) during the period.

Included in the amount of bank and other borrowings is borrowing from SIHL Finance Limited, a wholly owned subsidiary of SIHL, of HK\$1,000,000,000 (six months ended 30 June 2011: HK\$1,000,000,000). The amount is unsecured and bearing variable interest at 6.1% per annum and repayable on 30 June 2013. Bank and other borrowings also includes borrowing from Shanghai Industrial Investment (Holdings) Company Limited ("SIIC"), ultimate holding company of the Group, of HK\$2,442,000,000 (six months ended 30 June 2011: HK\$1,203,949,000) through an entrusted loan agreement administered by banks. The amount is bearing variable interest ranging from 6.6% to 7.1% (2011: 6.6%) per annum and is due within one year.

### 17. SENIOR NOTES

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Beginning balance (Audited)	3,009,479	2,974,260
Effective interest for the period	170,321	167,818
Interest paid	(151,269)	(150,850)
Ending balance (Unaudited)	3,028,531	2,991,228

### 18. SHARE CAPITAL

Ordinary shares of HK\$0.04 each

	Number of shares '000	Share capital HK\$'000
Issued and fully paid:		
As at 1 January 2011 and 30 June 2011	2,629,332	105,173
Issue of shares for acquisition of SUD	2,182,191	87,288
As at 1 January 2012 and 30 June 2012	4,811,523	192,461

On 23 November 2011, 2,182,191,000 ordinary shares at par value of HK\$0.04 each were issued to Novel Good Limited, a wholly-owned subsidiary of SIHL, as the consideration to acquire 59% of SUD Group, the shareholder's loan amounting to HK\$5,640,545,824 and all the right, title, benefits and advantage of an interest in the dividend receivable from SUD. The fair value of the share of the Company at 23 November 2011 is HK\$1.53 per share. These new shares rank pari passu with other shares in issue in all respects.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

### 19. SHARE-BASED PAYMENT

At 30 June 2012, the number of shares of the Company in respect of which options has been granted and remained outstanding under the share option scheme (the “Scheme”) was 65,250,000 (2011: 91,000,000), representing 1.4% (2011: 1.9%) of the shares of the Company in issue at that date. During the six months ended 30 June 2012, 25,750,000 options (six months ended 30 June 2011: 20,500,000 options) were forfeited.

### 20. CAPITAL COMMITMENTS

	30 June 2012 HK\$'000 (unaudited)	31 December 2011 HK\$'000 (audited)
Contracted for but not provided for Additions in properties under development	4,653,231	4,681,867

In 2009, the Group agreed to sell 40% out of 80% equity interest in 天津億嘉合置業有限公司 (“Tianjin Yijiahe”) to 五礦置業有限公司 (“Wukuang”), which owned 20% of the equity interest in Tianjin Yijiahe.

After completion of the disposal of 40% equity interest in Tianjin Yijiahe (the “Disposal”), the Group and Wukuang held 40% and 60% of the equity interest in Tianjin Yijiahe, respectively. Upon the Disposal, the Group agreed to pledge the Group’s remaining shareholdings in Tianjin Yijiahe to Wukuang, as security for any possible breach of the responsibilities of the Group under the supplemental agreement in relation to the Disposal. The main responsibilities of the Group are as follows:

- (i) The Group is responsible for undertaking the preliminary development works of the property development project in respect of the piece of land situated at Tianjin Beichen Qu Yi Xing Bu Project (the “Project”) including demolition and re-settlement and obtaining planning approval and land clearance;
- (ii) Wukuang is responsible for contributing a total amount of funds of RMB1,584,000,000 (equivalent to approximately HK\$1,953,000,000) (“Wukuang’s Contribution”) for the demolition and re-settlement expenses of the land lot nos. 7 and 8 with a gross construction area of 800,000 square metres of the land of the Project, whilst the Group is responsible for payment of any excess amount of the actual amount of the demolition and re-settlement expenses over Wukuang’s Contribution; and
- (iii) In the event that there is any change in the shareholding of the Project, the affected outgoing shareholder shall provide complete and full disclosure to the new shareholder of the Project of all relevant matters and legal documents, and agreed terms of cooperation among the parties with respect to the Project.

As the demolition and re-settlement of the Project is still in progress, in the opinion of the directors of the Company, the capital commitment cannot be quantified as at 30 June 2012 and 31 December 2011.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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### 21. CONTINGENT LIABILITIES

#### (a) Corporate guarantees

	30 June 2012 HK\$'000 (unaudited)	31 December 2011 HK\$'000 (audited)
Guarantee given to banks in respect of banking facilities utilised by:		
- property buyers	2,378,093	2,954,655
- an entity controlled by Xuhui SASAC	263,672	266,272
- former subsidiaries	-	61,637
	<b>2,641,765</b>	3,282,564

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 initiated by third parties against the Group

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.

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For the six months ended 30 June 2012

## 22. RELATED PARTY TRANSACTIONS

### (a) 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	
		2012 HK\$'000 (unaudited) (restated)	2011 HK\$'000 (unaudited)
SIIC	Interest expense	(50,466)	(35,610)
Entities controlled by SIHL	Interest expense	(30,001)	(27,274)
Entity controlled by an independent non-executive director of SIHL	Rental expense and management fee	(2,463)	(2,823)
Associates	Property agency fee	(33,194)	(19,078)
	Rental income	1,296	-
Entities controlled by Xuhui SASAC	Interest income	6,113	3,139
	Interest expense	(607)	(130)
Non-controlling shareholders of a subsidiary	Interest expense	(3,014)	-

### (b) Related party balances

Details of the balances with related parties as at 30 June 2012 and 31 December 2011 are set out in notes 11, 12 and 16.

### (c) 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	
	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited) (restated)
Short-term benefits	6,908	6,669
Post-employment benefit	16	-
Equity compensation benefit	3,200	15,121
	<b>10,124</b>	21,790

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

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For the six months ended 30 June 2012

### 22. RELATED PARTY TRANSACTIONS (continued)

#### (d) Government-related entities

The Group itself is part of a larger group of companies under SIIC, 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 predominated by entities controlled, jointly controlled or significantly influenced by the PRC government (“**PRC government-related entities**”). Apart from the transactions with the SIIC Group and Xuhui SASAC which have been disclosed above and in other notes to the condensed consolidated financial statements, 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 other operating expenses with other PRC government-related entities. In the opinion of the directors, these transactions are considered as individually and collectively insignificant to the operation of the Group during the six months ended 30 June 2012 and 2011.

### 23. EVENTS AFTER THE END OF THE INTERIM PERIOD

On 25 July 2012, a writ of summons (the “**Writ**”) was issued by an independent third party against the Company. Pursuant to the Writ, the independent third party is claiming against the Company for a sum of approximately HK\$156,367,000 (RMB128,096,000) being the outstanding payment of the consideration payable for the acquisition of the entire issued share capital of Moral Luck Group Limited in 2007 (the “**Consideration Payable**”), damages of HK\$266,134,000 (equivalent to RMB218,017,000) and daily liquidated damages from 26 July 2012 at HK\$156,367 (equivalent to approximately RMB128,096) per day (the “**Damages**”). The Consideration Payable was recognised and included in consideration payables for acquisition of subsidiaries in the statement of financial position. The directors of the Company, after consulting legal advisors, are of the opinion that there is a genuine good defence for the case. The Company has taken action and is in the process of defending the case and no provision was made for the Damages during the period ended 30 June 2012.

In July 2012, SUD Group obtained an authorisation from National Development and Reform Commission for issuance of corporate bond (the “**Bond**”) with par value of RMB1,500,000,000 (equivalent to approximately HK\$1,831,054,000). Upon issuance, the Bond will be listed and traded on Shanghai Stock Exchange. The directors of the Group intend to use the proceeds to finance its development of affordable housing projects in Shanghai.