



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 2017

PROGRESS WITH STABILITY

Pursuing excellence



Shanghai TODTOWN



Shanghai Contemporary Art Villas



Beijing West Diaoyutai



Xi'an Originally





Artist Impression

HAIPAI¹ QUALITY ELEGANCE AT ITS FINEST

Shanghai Industrial Urban Development Group Limited (“**SIUD**”) currently has 20 real estate projects in 11 major cities in China, mainly located at Shanghai, Kunshan, Wuxi, Beijing, Shenyang, Tianjin, Xi’an, Fuzhou, Chongqing, Changsha and Shenzhen. Most of the projects are mid- to high-end residential projects which are under construction at full steam, presenting the Group with approximately 3.94 million square meters saleable floor areas and building a marvelous foundation for our long term development.



Note 1: Haipai (海派; literally “Shanghai style”) refers to the avant-garde but unique “East Meets West” culture from Shanghai in the 20th centuries.





Artist Impression

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ji Gang (*Chairman and President*)

Lou Jun (*appointed on 30 June 2017*)

Yang Jianwei

Fei Zuoxiang (*appointed on 30 June 2017*)

Ye Weiqi

Huang Fei

Zhong Tao (*appointed on 30 June 2017*)

Independent Non-Executive Directors

Doo Wai-Hoi, William, *J.P.*

Fan Ren Da, Anthony

Li Ka Fai, David

AUTHORIZED REPRESENTATIVES

Ji Gang

Chan Kin Chu, Harry

BOARD COMMITTEES

Audit Committee

Li Ka Fai, David (*Committee Chairman*)

Doo Wai-Hoi, William, *J.P.*

Fan Ren Da, Anthony

Remuneration Committee

Doo Wai-Hoi, William, *J.P.* (*Committee Chairman*)

Fan Ren Da, Anthony

Ye Weiqi

Nomination Committee

Ji Gang (*Committee Chairman*)

Doo Wai-Hoi, William, *J.P.*

Fan Ren Da, Anthony

Investment Appraisal Committee

Fan Ren Da, Anthony (*Committee Chairman*)

Yang Jianwei

Zhong Tao (*appointed on 30 June 2017*)

COMPANY SECRETARY

Chan Kin Chu, Harry

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited

Clarendon House,

2 Church Street,

Hamilton, HM11,

Bermuda.

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited

Level 22, Hopewell Centre,

183 Queen's Road East,

Hong Kong.

REGISTERED OFFICE

Clarendon House,

2 Church Street,

Hamilton, HM11,

Bermuda.

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Wanchai, Hong Kong.

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Facsimile: (852) 2544 8004

WEBSITE

<http://www.siud.com>

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

Agricultural Bank of China Limited

China Construction Bank Corporation

Industrial and Commercial Bank of China (Asia) Limited

Shanghai Pudong Development Bank Company Limited

Bank of China 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

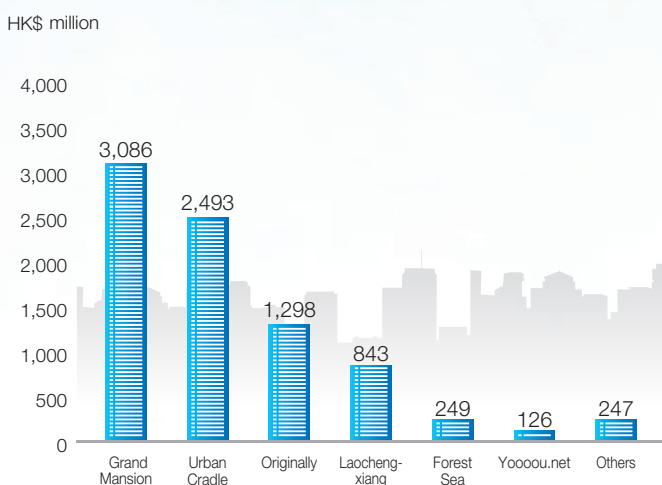
(Stock Code: 563)

FINANCIAL HIGHLIGHTS

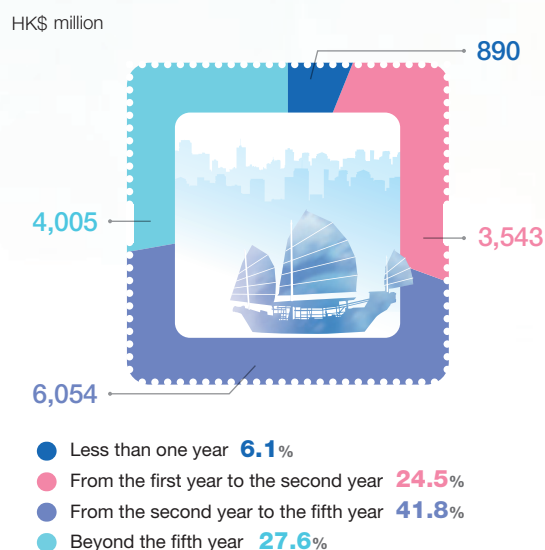
	For the six months ended 30 June 2017	For the six months ended 30 June 2016
Financial Highlights (HK\$'000)		
Revenue	4,221,912	2,456,815
Profit attributable to equity owners of the Company	322,751	312,101
Financial Information per share (HK cent)		
Earnings per share		
— Basic	6.71	6.49
— Diluted	6.71	6.49
	As at 30 June 2017	As at 31 December 2016
Pre-sale proceeds received on sales of properties (HK\$'000)	8,341,961	7,996,881
Financial Ratios		
Net debt to total equity (%)	6.5%	8.1%
Current ratio	2.3	2.3

Note: Net debt = total borrowings (including bank borrowings, other borrowings, bonds and bank borrowings included in liabilities classified as held for sale) less cash and cash equivalents and pledged bank deposits (including bank balance and cash included in assets classified as held-for-sale).

ANALYSIS ON PRE-SALE PROCEEDS RECEIVED ON SALES OF PROPERTIES



DEBT MATURITY PROFILE



CHAIRMAN'S STATEMENT



Artist Impression

Looking back to the first half of 2017, as the central government continued to adopt destocking as the general direction, Chinese local authorities were tightening the city-specific property curbs, thus aggravating the regional deviation in the property market. The demand remained rigid in first- and second-tier cities despite the curbs, while property sales and prices rocketed in third- and fourth-tier cities driven by investment demand. Adhering to the operational strategies of “persistent prediction, active response, seizing opportunities and forging ahead with progress”, which were established at the beginning of the year, the Group achieved sustained sales growth during the first half by posting an overall sales of RMB4.64 billion during the period, representing about 50% of the sales target of RMB9.30 billion set at the beginning of the year (first half of 2016: sales revenue of approximately RMB4.53 billion, up by approximately 2.5% year-on-year). As SIUD continued its new strategies into the second year, the Group upheld the principle of developing key cities around the country with a focus on Shanghai, covering the extensive Yangtze River Delta region, and actively facilitated sales growth. The Group kept enhancing the operational capability of the commercial and office properties and increased rental income through optimization and renovation. Besides, the Group also optimized its investment portfolio and unlocked the true value of the existing projects at opportune time. During the period, the revenue from major operations of the Group surged and the Group realized after tax profit of approximately HK\$730 million. Without any one-off gains, the profit attributable to owners of the Group rose 3.4% year-on-year to HK\$320 million.

In general, property investment grew slowly but steadily in China and recorded a year-on-year growth of 2.4 percentage points, which contributed to the rebound of the year-on-year GDP growth to 6.9% during the first half. However, due to the lagging effect of the property curbs, together with tightening mortgage approval from certain banks in first-tier cities including Beijing, Shanghai, Guangzhou and Shenzhen, house price growth slowed down in first- and second-tier popular cities while consumption demand remained strong. For third- and fourth-tier cities, driven by rigid demand and the spillover effect of first- and second-tier cities, home prices remained on an uptrend with an increase in prices and sales volume, reflecting the remarkable result of the destocking policy imposed by the central government. The outlook for the second half remains challenging for the industry owing to the persistent property curbs and continuous tightening of the monetary policies. The growth of property development and investment may be entirely different among different regions or cities, making it difficult for property developers to identify the investment opportunities and risks in different regions and cities. In face of the uncertainties relating to the market and policy risks, the Group will continue to ensure that the project sales in Shanghai and other regions carry on smoothly while endeavouring to fulfil the annual target.



CHAIRMAN'S STATEMENT

The Group maintained a rich and high quality land bank with a sufficient number of projects for sale. In the first half year, the sales performance of the Group's medium to high end residential and commercial projects in Shanghai were satisfactory. The Group's new projects including TODTOWN and Contemporary Art Villa will be launched for sale at opportune time in the second half of the year, while premium projects such as Urban Cradle in Shanghai and Originally in Xi'an have already recorded large sales as they continue to roll out new housing units. As the first metro-oriented comprehensive development project in China, TODTOWN is situated in the sub-CBD of Shanghai, just above the major metro lines. Contemporary Art Villa is a high quality and low density urban villa project rarely found in the market.

Our property landmarks in Shanghai, including Binjiang U Center and the commercial portion of TODTOWN which have already commenced construction, coupled with our well-established properties for rental, such as ShanghaiMart, Urban Development International Tower and YOYO Tower which are undergoing adjustment and upgrading, will consolidate and refine the Group's investment property portfolio and generate quality and stable rental income.

Moreover, a wave of "land kings" emerged in certain cities last year, which indirectly helped to fuel the property market in China. As the country retightened the policies on the property and land market at the end of last year, the supply of new land dropped year-on-year. Nonetheless, the Group still believes that the acquisition of Wanyuan A land plot in Minhang District, Shanghai at a competitive price on 2 August will consolidate the Group's brand image as one of the leading property developers in Shanghai. Meanwhile, the Group will

further strengthen its development platform by leveraging its strength as a state-owned enterprise in Shanghai, by increasing the participation in urban renewal programmes in Shanghai, by taking an active role in the reform of state-owned enterprises and by making good use of mergers and acquisitions.

2017 is the year when the Group continues with its strategies and the long-term strategic plans of "residential property development + investment property management + urban value-added services + capital cooperation between production and finance" have already taken root. The Group believes that, capitalizing on its more than two decades of property development experience in Shanghai, its brand influence in the market and its background as a state-owned enterprise, the Group will keep on its hard work in order to win the trust of more and more investors with its sound operating results and stable development.

Finally, I would like to express my appreciation to all employees for their dedication and contributions which translated into the sound performance of SIUD. Meanwhile, I would also like to express my sincere gratitude to all of our business partners, customers and shareholders for their long-term support.



Ji Gang
Chairman

25 August 2017

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY MARKET REVIEW

In the first half of 2017, various indicators of the property industry in China increased and then stabilized. Property investment followed a steady trend after realizing a higher-than-expected growth in the first quarter, and property sales slowed down year-on-year. In general, third- and fourth-tier cities saw a significant boost in transaction volume and prices and the destocking process in such cities went on smoothly, whereas the property markets in most first- and second-tier popular cities were cooling down. The strict purchase limits, mortgage restrictions, prohibition on the change of commercial land use and price limits generally led to stable property sales and prices with demand remaining unchanged in Shanghai during the period. However, there will still be reasonable room for a price growth in future due to the shortage of land supply in Shanghai. In view of the complex market environments of different cities and regions, the Group will continue to keep abreast of the industrial trends, seize development opportunities during the restructuring period and dedicate its resources and efforts to the high-quality boutique development mode, in order to secure the long-term sustainable development of its operating results and business operations.

BUSINESS REVIEW

Overview

In the first half of 2017, the Group derived its profits mainly from the increases in the delivered and booked area and unit prices of the properties in core cities. The sale and delivery of various projects, such as Urban Cradle and Grand Mansion in Shanghai, went on smoothly, leading to a significant increase in the revenue from property sales. ShanghaiMart and Urban Development International Tower also brought steady rental income to the Group. The Group proactively optimised its asset and strategy deployment to enhance the development of its existing premium land bank and focused its resources and efforts on the boutique development mode. Meanwhile, the Group endeavoured to maintain close communications and reached consensus with the local government, regional and county authorities, property developers and financial institutions, with a view to laying a solid foundation for its land bank acquisition in the future.

Property Development

During the six months ended 30 June 2017, the Group had 10 projects with a total G.F.A. of 1,885,000 sq.m. under construction, which primarily included TODTOWN in Shanghai, Sweet Sea in Fuzhou and Originally in Xi'an, of which 353,000 sq.m. was new construction area from the Fuzhou Sweet Sea and Binjiang U Center and Grand Mansion projects in Shanghai. The Group completed construction with G.F.A. of 51,000 sq.m., which mainly comprised the Tianjin Laochengxiang project.

Contract Sales

During the six months ended 30 June 2017, the contract sales from commodity housing of the Group increased 2.5% year-on-year to RMB4,644,890,000 (six months ended 30 June 2016: RMB4,533,000,000), representing 50.0% of the sales target of RMB9,300,000,000 set at the beginning of the year. The Group is confident in fulfilling the annual sales target. Contract sales in terms of G.F.A. were 274,000 sq.m. during the period, up 39.8% year-on-year. The average selling price dropped by approximately 26.8% to approximately RMB16,900 per sq.m., mainly due to the increase in sales percentage of Xi'an Originally during the period. During the period, the flagship projects Urban Cradle in Shanghai, Xi'an Originally and Shanghai Grand Mansion were the principal projects for sale, which recorded sales of RMB1,947,440,000, RMB1,349,730,000 and RMB882,980,000 respectively, accounting for approximately 41.9%, 29.1% and 19.0% of the total contract sales.

MANAGEMENT DISCUSSION AND ANALYSIS

Investment Properties

The Group is committed to developing commercial properties at premium locations in popular cities, mainly including Shanghai, Beijing, Tianjin and Chongqing. During the six months ended 30 June 2017, the G.F.A. of investment properties held by the Group was approximately 686,000 sq.m. and the overall rental income approximated that of the corresponding period last year. The renovation of ShanghaiMart, one of the Group's major investment properties, was in progress, with an aim to expand the commercial and office portions. Meanwhile, the renovation of YOYO Tower (previously "Huimin Commercial Tower") has already begun.

FINANCIAL REVIEW**Revenue**

During the six months ended 30 June 2017, the Group's revenue surged by 71.8% year-on-year to HK\$4,221,912,000 (six months ended 30 June 2016: HK\$2,456,815,000), primarily due to the completion and delivery of more residential buildings for projects in Shanghai during the period, leading to an increase in carry-over income. During the period, property sales remained as the Group's main source of revenue and amounted to HK\$3,789,598,000 (six months ended 30 June 2016: HK\$2,001,800,000), accounting for 89.8% of the Group's total revenue. The revenue contribution from Grand Mansion, Urban Cradle and Originally accounted for 49.1%, 35.4% and 11.2% of property sales respectively. Revenue from leasing, property management and services, and hotel operations continued to provide stable revenue sources for the Group, contributing HK\$311,703,000, HK\$52,502,000 and HK\$68,109,000 and accounting for 7.4%, 1.2% and 1.6% (six months ended 30 June 2016: 13.0%, 2.0% and 3.5%) of the total revenue, respectively.

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2017, the Group's gross profit increased by 156.1% from 2016 to HK\$2,112,960,000 due to an increase in revenue. Gross profit margin was 50.0%, up approximately 16.4 percentage points from 33.6% during the same period last year. This was mainly attributable to the domination of high return projects in the delivered and completed properties of the Group as well as the adherence to the strategy of maintaining a steady pace in raising selling prices during the period.

Investment Property Revaluation

For the six months ended 30 June 2017, the Group recorded a net loss on revaluation of investment properties of approximately HK\$48,927,000 which was mainly attributable to the Top City project in Chongqing.

Distribution and Selling Expenses

For the six months ended 30 June 2017, the Group's distribution and selling expenses increased by 63.3% year-on-year to HK\$144,311,000 (six months ended 30 June 2016: HK\$88,359,000) which is in line with a significant increase in revenue during the period.

General and Administrative Expenses

For the six months ended 30 June 2017, the Group recorded general and administrative expenses of approximately HK\$187,963,000, a drop of 14.3% year-on-year (six months ended 30 June 2016: HK\$219,217,000), which was mainly attributable to the Group's continuous stringent efforts in the implementation of cost control measures, which proved to be effective.

Other Expenses, Gains and Losses, Net

For the six months ended 30 June 2017, the Group recorded a net gain of approximately HK\$4,105,000 in other expenses, gains and losses, representing a change from net loss to net gain year-on-year (six months ended 30 June 2016 net losses: HK\$226,042,000), mainly because the changes of Renminbi exchange rates during the period did not bring about significant foreign exchange losses as in the corresponding period last year.

Profit

During the six months ended 30 June 2017, the Group's profit decreased year-on-year by 0.9% to HK\$725,957,000 (six months ended 30 June 2016: HK\$732,833,000) due to the one-off gain arising from the disposal of the 35% interests in Shanghai U Center through withdrawal from the partnership in Green Carbon Fund for the corresponding period last year. Excluding such one-off gain, the Group's profit for the period grew approximately HK\$828,746,000 year-on-year. During the period, profit attributable to owners of the Company was approximately HK\$322,751,000 (2016: HK\$312,101,000). During the first half of the year, the basic and diluted earnings per share amounted to 6.71 HK cents (six months ended 30 June 2016: earnings per share of 6.49 HK cents).

Liquidity and Capital Resources

The Group manages its capital to ensure that entities of the Group will be able to operate on a going concern while maximizing the return to shareholders through optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes bank and other borrowings, cash and cash equivalents, restricted and pledged bank deposits and equity attributable to owners of the Company (comprising issued share capital and reserves).

As at 30 June 2017, bank balances and cash of the Group were HK\$12,835,785,000 (31 December 2016: HK\$12,818,335,000). The net debt to total equity of the Group (net debt (total borrowings less cash and cash equivalents and restricted and pledged bank deposits) to total equity) decreased from 8.1% as at the end of last year to 6.5% as at the period end. Current ratio kept steady at 2.3 (31 December 2016: 2.3).

As at 30 June 2017, the total borrowings of the Group including bank borrowings, other borrowings and bonds amounted to approximately HK\$14,491,725,000 (2016: HK\$14,746,170,000).

The Group maintained sufficient cash balance during the period. The management believes that the Group's financial resources and future revenue will be sufficient to support the current working capital requirements and future expansion of the Group.

Foreign Exchange Risks

During the period, most of the Group's revenue and operating costs were denominated in Renminbi. Except for the bank deposits denominated in foreign currencies, the Group's operating cash flow or liquidity is not directly subject to any other material exchange rate fluctuations. The Group did not enter into any foreign exchange hedging arrangements to control its exposure to exchange rate fluctuations as at 30 June 2017. However, the Group will adopt necessary measures whenever appropriate to minimize the impact arising from exchange rate fluctuations.

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 30 June 2017, the Group employed 1,592 employees (including Hong Kong and PRC offices). The remuneration policies for the employees of the Group are determined according to the performance, qualification, experience and competence of the employees. The emoluments of the directors of the Company (the "Directors") are determined by the remuneration committee of the Company, having regard to the operating results of the Group, individual performance and comparable market statistics. Staff benefits include discretionary bonus payments which are linked to the profitability of the Group and individual performances and contributions to the Mandatory Provident Fund Schemes.

The Group had adopted a share option scheme as an incentive to the Directors and eligible employees. During the six months ended 30 June 2017, the Group provided training programs relating to work to employees. Activities aiming at building up team spirit were regularly organized for employees, so as to enhance the human capital of the Group and the sense of belonging of the staff.

MANAGEMENT DISCUSSION AND ANALYSIS

LAND BANK

As at 30 June 2017, the Group's land bank is developed into 20 property projects located in 11 major cities in China, including Shanghai, Beijing, Shenyang, Tianjin, Kunshan, Wuxi, Xi'an, Chongqing, Fuzhou, Changsha and Shenzhen. Most of the land bank is developed into medium to high class residential properties, which are currently under construction. With a future saleable planned G.F.A. of approximately 3,940,000 sq.m., the Group's land bank is sufficient to support its development pipeline for the next three to five years.

During the period, the Group adopted a multi-channel land acquisition strategy as ever and studied the possibility of acquiring new projects through participation in bidding, auction and listing-for-sale, equity acquisition, urban renewal and redevelopment. With nearly twenty years' experience in Shanghai property development, brand influence on the market and background of the state-owned enterprise, the Group explored the opportunities of acquiring projects in Shanghai and first- and second-tier core cities in China in order to supplement the Group's high quality land bank at reasonable costs. Therefore, on 2 August 2017, the Group won the bid for a land plot in Minhang District, Shanghai in the bidding, auction and listing-for-sale at a land premium of RMB2,220 million. The land is for commercial and office use with a total site area of approximately 34,000 sq.m., and it may be developed into a total construction area of approximately 118,000 sq.m.. In the meantime, the Group will continue to explore new resources as its continuous development drivers and support to sharpen and utilise its competitive edge in the Yangtze River Delta region and coastal areas.

OUTLOOK

Looking ahead, the macro-economy will generally follow a steady trend while remaining resilient in the full-year economic growth. As the city-specific policy, which emphasizes both protection and curbs, continues to deepen, property transaction volume and prices are expected to remain steady. The Group considers that the property market in China is still developing soundly and stably despite the tightening control measures instigated by local authorities and ever-increasing mortgage rates amid the short readjustment cycle of the property industry. Against the backdrop of accelerated consolidation and complex uncertainties, the Group will maintain an investment strategy tailored for its development and adhere to the five directions, namely, attaching equal weight to rooting into Shanghai metropolitan circle and other first- and second-tier core cities, to merger and acquisitions as well as land bidding, to the inventory and increment of the land project market, to independent development and strategic alliance, and to asset management and capital operation, so as to generate solid returns for the shareholders.

DETAILS OF PROPERTIES

The Group has 20 projects in 11 cities, comprising mid- to high-end residential units, serviced apartments, commercial and office buildings. As at 30 June 2017, the total GFA of the future saleable land bank of the Group was approximately 3.94 million sq.m.

The Group has restructured its projects and will adopt prudent strategies in future land acquisition.

As at 30 June 2017

Project	City	Site area (sq.m.)	Planned G.F.A. (sq.m.)	1H 2017		Accumulated G.F.A. sold (sq.m.)	Future saleable G.F.A. (sq.m.)	Saleable G.F.A. under construction (sq.m.)	Saleable G.F.A. for future development (sq.m.)	Expected Completion Date	Ownership (%)
				Saleable G.F.A. (sq.m.)	pre-sold G.F.A. (sq.m.)						
Urban Cradle	Shanghai	908,950	1,136,468	822,724	25,202	763,513	59,211	38,749	—	Completed by phase from 2007 to 2017	53.1%
Binjiang U Center	Shanghai	77,371	525,888	324,600	—	—	324,600	65,900	258,700	Completed by phase from 2019 to 2021	35.4%
Shanghai Youth City	Shanghai	57,944	212,130	164,688	—	139,840	24,848	—	—	Completed	100.0%
Shanghai Jing City	Shanghai	301,908	772,885	609,488	13,999	558,969	50,519	37,133	—	Completed by phase from 2012 to 2018	59.0%
TODTOWN	Shanghai	117,825	605,000	385,300	—	—	385,300	272,300	113,000	Completed by phase from 2018 to 2022	20.7%
American Rock	Beijing	121,499	523,833	454,610	—	454,563	47	—	—	Completed	100.0%
Youngman Point	Beijing	112,700	348,664	295,114	770	259,113	36,001	13,693	—	Completed by phase from 2007 to 2021	100.0%
West Diaoyutai	Beijing	42,541	250,930	230,801	—	172,069	58,732	—	49,288	Completed by phase from 2007 to 2021	90.0%
Laochengxiang	Tianjin	244,252	752,883	613,357	6,359	578,266	35,091	29,795	—	Completed by phase from 2006 to 2019	100.0%
Yooou.net	Kunshan	34,223	129,498	112,812	346	62,297	50,515	—	—	Completed	30.7%
Royal Villa	Kunshan	205,017	267,701	222,666	515	204,857	17,809	—	—	Completed by phase from 2007 to 2017	53.1%
Urban Development International Center	Wuxi	24,041	193,368	143,862	1,172	41,937	101,925	—	—	Completed	59.0%
Originally	Xi'an	2,101,967	3,899,867	3,202,324	173,330	2,175,673	1,026,651	21,580	789,706	Completed by phase from 2008 to 2019	71.5%
Shenyang U Center	Shenyang	22,651	228,768	176,315	5,136	10,634	165,681	176,315	—	Completed by phase from 2015 to 2018	80.0%
Top City	Chongqing	120,014	786,233	616,122	—	376,095	240,027	—	—	Completed	100.0%
Forest Sea	Changsha	679,620	1,032,534	1,016,765	28,776	299,039	717,726	63,672	704,553	Completed by phase from 2007 to 2025	67.0%
China Phoenix Tower	Shenzhen	11,038	106,190	79,391	—	78,343	1,048	—	—	Completed	91.0%
Contemporary Art Villa	Shanghai	116,308	71,822	71,822	—	31,705	40,117	—	6,000	Completed by phase from 2018 to 2020	100.0%
Contemporary Splendour Villa	Shanghai	120,512	111,562	71,500	—	—	71,500	—	71,500	Completed by phase from 2018 to 2020	100.0%
Sweet Sea	Fuzhou	387,693	1,046,898	806,808	156,627	277,036	529,772	536,700	270,108	Completed by phase from 2018 to 2021	26.0%
Total		5,808,074	13,003,122	10,421,069	412,232	6,483,949	3,937,120	1,255,837	2,262,855		

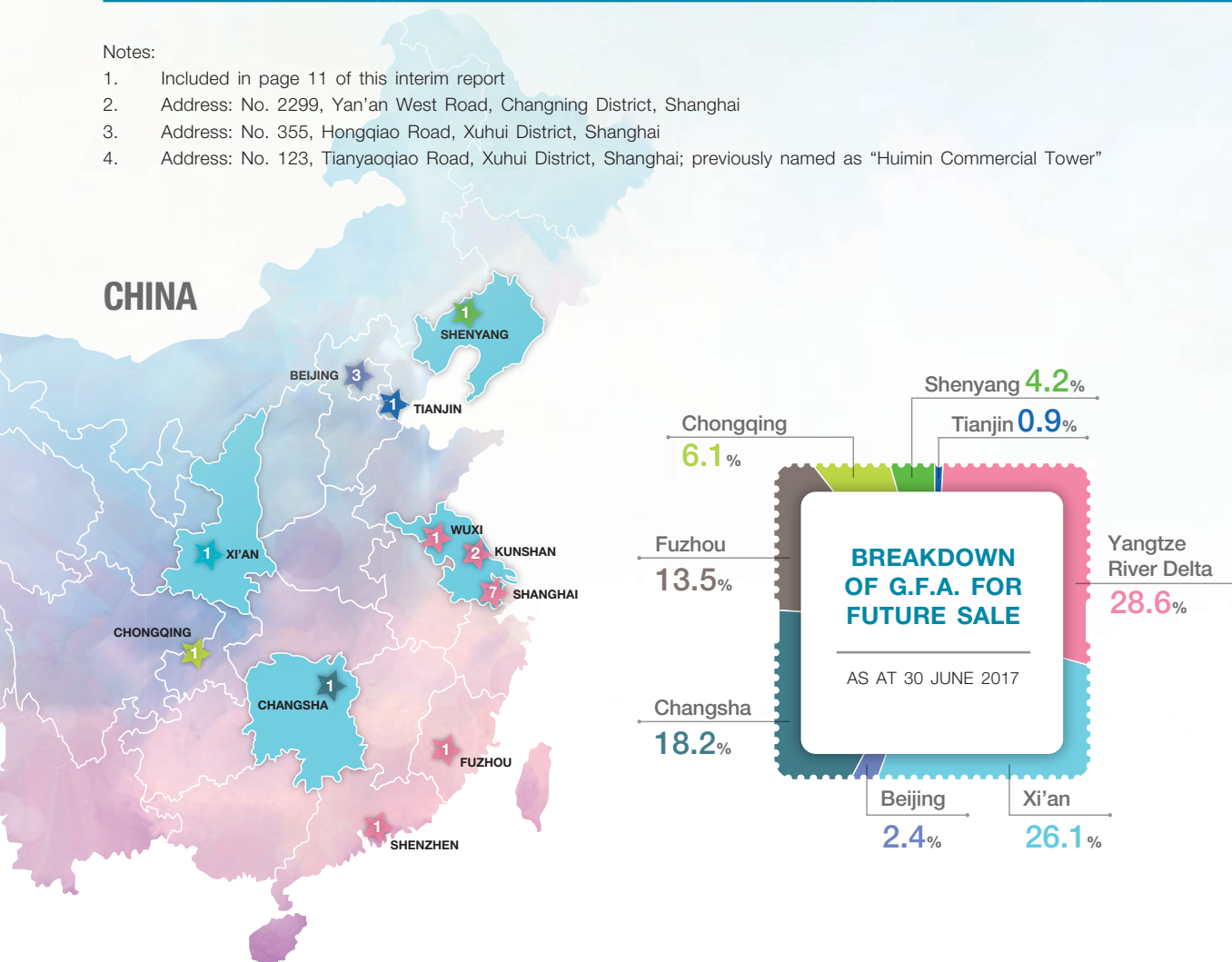
DETAILS OF PROPERTIES

MAJOR INVESTMENT PROPERTIES

Project	City	Property Category	Lease Term	Planned G.F.A. (sq.m.)
Shanghai Youth City	Shanghai	Commercial	Medium-term lease	16,349 ¹
Top City	Chongqing	Commercial, parking lot	Medium-term lease	251,847 ¹
China Phoenix Tower	Shenzhen	Office building	Medium-term lease	1,048 ¹
Youngman Point	Beijing	Commercial	Medium-term lease	19,768 ¹
Contemporary Art Villa	Shanghai	Villa	Medium-term lease	43,976 ¹
ShanghaiMart ²	Shanghai	Exhibition, transaction market, office building and parking lot	Medium-term lease	284,651
Urban Development International Tower ³	Shanghai	Office building	Medium-term lease	45,239
YOYO Tower ⁴	Shanghai	Commercial	Medium-term lease	13,839
Others	Shanghai, Tianjin	Commercial, office building and parking lot	Medium-term lease	9,249
Total				685,966

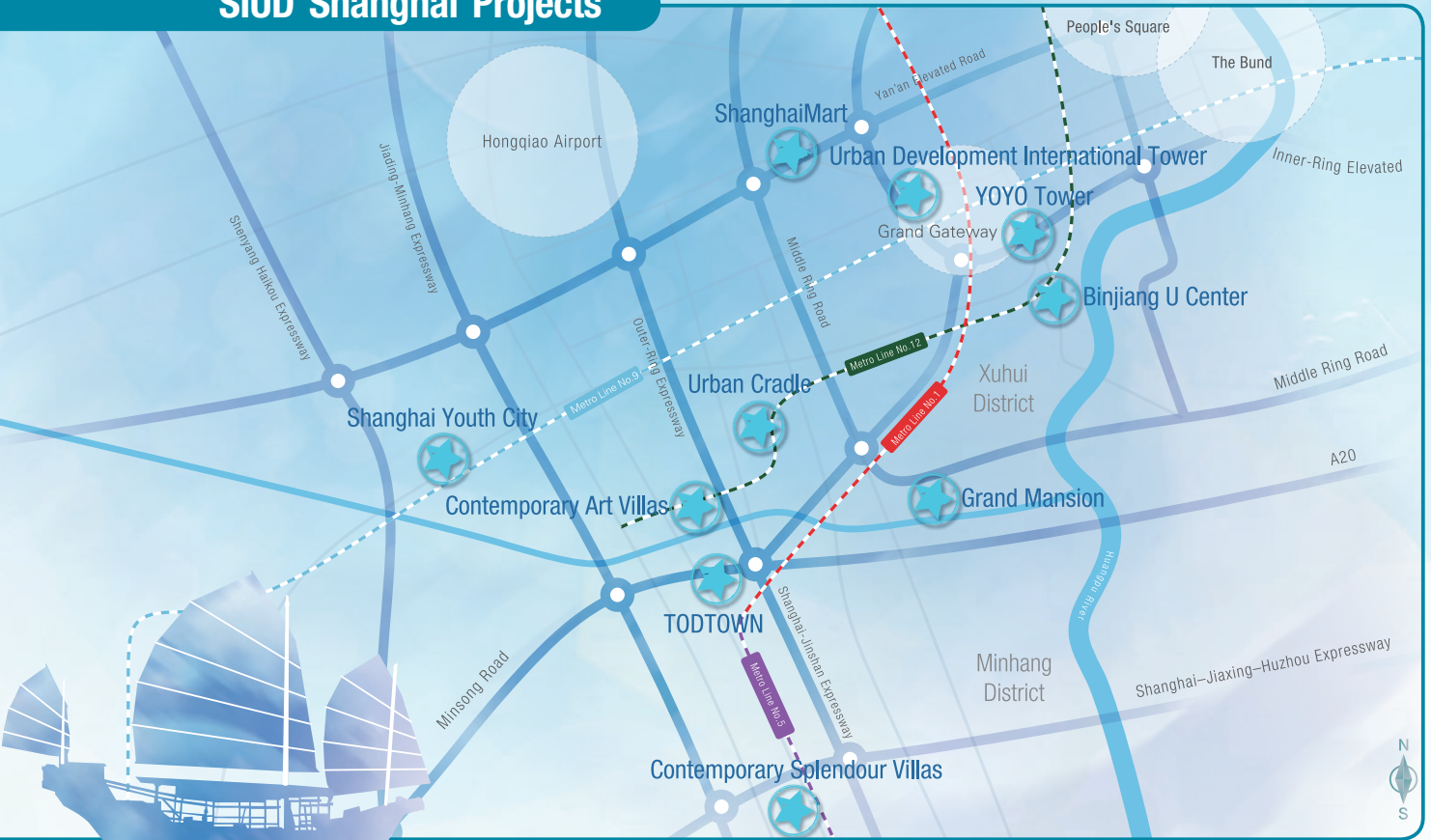
Notes:

1. Included in page 11 of this interim report
2. Address: No. 2299, Yan'an West Road, Changning District, Shanghai
3. Address: No. 355, Hongqiao Road, Xuhui District, Shanghai
4. Address: No. 123, Tianyaoqiao Road, Xuhui District, Shanghai; previously named as "Huimin Commercial Tower"



KEY PROJECTS INTRODUCTION

SIUD Shanghai Projects



Urban Cradle

Address:

588 Gulong Road,
Minhang District, Shanghai

Category:

Residence/
Commerce

Feature:

The project is located in Gumei, Minhang District, Shanghai, west of Lianhua Road, east of Hechuan Road, north of Gudai Road and south of Pingnan Road, less than 700 meters from the middle ring line. The area is a major focal point for large scale residential development in the “10th Five-Year Plan” of Shanghai. The project spans a total site area of about 943,000 sq.m. with a total construction area of about 1.3 million sq.m., including about 770,000 sq.m. of residences, close to nearly 400,000 sq.m. of underground space and more than 100,000 sq.m. for accommodating amenities for the estimated over 20,000 residents. Urban Cradle is an all-engulfing showcase of architectural forms and brilliant products including international-grade apartments, standalone villas, garden houses, deluxe mansions, modern commercial premises and green landscapes, bringing comfortable and stylish living together with commerce, entertainment, culture, education, and business and leisure pursuits.



KEY PROJECTS INTRODUCTION

BINJIANG U CENTER

Address:

Xuhui Binjiang,
Shanghai

Category:

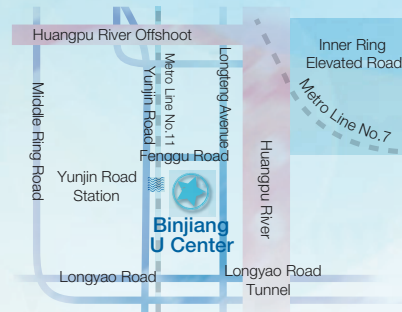
Office/
Commerce

Feature:

Facing Huangpu River in Shanghai, Binjiang U Center is situated at the business hub of Binjiang, Xuhui District and is planned for composite commercial usage, which will be built as property partly for sales and held for rental respectively. The surrounding view of the project is glorious. Also, the transportation network is well established as the project is adjacent to Longyao Road Tunnel that leads to Pudong, coupled with the Yunjin Road Station of metro line 11 is now in use.



Artist Impression



TODTOWN

Address:

Xinzhuang Town,
Minhang District, Shanghai

Category:

Residence/
Commerce/Hotel/
Office/Apartment office

Feature:

Located at the southern and northern squares of the Xinzhuang station, the secondary city center of Shanghai, with Guangtong Road on its north, West Meilong Road on its east and Xinzhu Road and Dushi Road on its south, TODTOWN will be served by an overpass bridge conveniently linking Shuiqing Road at the northern square and Dushi Road at the southern square.

As one of the most advanced TOD (Transit-oriented Development) projects in Shanghai, TODTOWN covers a total site area of approximately 118,000 sq.m. with a total G.F.A. of 605,000 sq.m., of which 100,000 sq.m. is transport-related. Upon completion, TODTOWN will be connected to metro line 1 and line 5, Shanghai-Hangzhou Highspeed Railway and numerous public bus routes, as well as the station to be established for the Jinshan sub-line. Different modes of transport operated by different departments, such as metro lines, public buses and commuter rail services, will be blended into the project to achieve seamless and convenient transition. TODTOWN will be a “city in the sky” encompassing residential, commercial and leisure functions. As a complex equipped with comprehensive systems and facilities, TODTOWN will offer 50,000 sq.m. of offices, 140,000 sq.m. of shopping mall, 20,000 sq.m. of hotel, 90,000 sq.m. of residential units, 85,000 sq.m. of serviced apartments and 20,000 sq.m. of ancillary public facilities.



Artist Impression



CONTEMPORARY ART VILLA

Address:

Minhang District,
Shanghai

Category:

Residential

Feature:

Contemporary Art Villas (tentative name) project is situated in Minhang District in the southwest of Shanghai. The project is adjacent to the outer ring road in the east and adjoins the ground satellite communication station of Shanghai in the west. It extends to Gudai Road in the north and connects Zhandou River in the south. The traffic is convenient as the straight-line distance from the entrance to the community to Hongshen Road Station of metroline #12 in the east is about 390m. It is opposite to Minhang Sports Park on the other side of Gudai Road in the north and Li'an Park with excellent ecological environment on the opposite bank of Zhandou River in the south. The project covers an area of approximately 11.63 hectares and the land's plot ratio is 0.5. The planned G.F.A. is approximately 58,100 sq.m., including planned residential floor area of approximately 48,700 sq.m. and planned public supporting building of approximately 9,300 sq.m. The planned residences of the project are villas.



CONTEMPORARY SPLENDOUR VILLA

Address:

Minhang District,
Shanghai

Category:

Residential

Feature:

Contemporary Splendour Villas (tentative name) project is situated in Zhuanqiao Town, Minhang District, Shanghai, with Shanghai-Jinshan Expressway (S4) in the east and Dushi Road in the west. It connects the branch of Wujiang-Minhang Railway in the south and adjoins Denghui Road in the north. The project enjoys good traffic conditions and cultural environment as the straight-line distance is approximately 1.1km from the west side of the project to Jianchuan Road Station of rail transit line #5 and approximately 1.8km from the east side of the project to rail transit line #15 (under construction), and, to the south of the project, there are Shanghai Jiaotong University and Minhang Campus of East China Normal University. The project covers an area of 12.05 hectares and the land's plot ratio is 0.6. It is planned to be a low-density residential community with the building height of not more than 10m. The ground G.F.A. of the project is approximately 72,300 sq.m., and the plot's ratio of green space is more than 35% and the ratio of concentrated green space is above 15%. The project is planned to be built into premium low-density villas.



KEY PROJECTS INTRODUCTION

SHANGHAIMART

Address:

2299 West Yan'an Road, Shanghai

Category:

Exhibition/ Commerce/ Office

Feature:

Located in the emerging Shanghai Hongqiao Economic and Technological Development Zone, ShanghaiMart is uniquely positioned with Gubei Road and Hongqiao Road on its west, Yan'an Road on its south as well as the Hongqiao consulate area on its north. Situated next to the Inner Ring Road and the exit of an elevated expressway, ShanghaiMart is only a 10-minute drive to the "Hongqiao Comprehensive Transportation Hub", which is a convenient transport network assembling numerous transportation routes, including inter-city high speed railway, maglev trains, metro lines, airport and city buses.

With a total G.F.A. of 285,000 sq.m., ShanghaiMart comprises three main buildings: the Mart, Expo and Tower. As a super trading market integrating the exhibition, trades, office and information functions, ShanghaiMart offers excellent world-class facilities and services to domestic and international merchants and professional buyers.



SHANGHAI JING CITY (Including Grand Mansion)

Address:

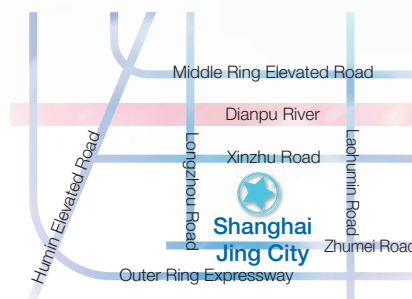
Lane 266, Zhumei Road, Shanghai

Category:

Residence/ Commerce

Feature:

The project is an affordable housing project approved by Shanghai Bureau of Housing Security and Housing Administration. It is a large scale indemnificatory housing project on the list of among major construction projects of Shanghai in 2009. In Meilong Town, Minhang District, the project is on an about 302,000 sq.m. site with construction area totaling about 611,000 sq.m. It will consist of high-rise buildings of 18 to 33 floors and become a major all-encompassing affordable housing community with educational, medical and health care and other community service facilities. Grand Mansion is located at Section 5 of Shanghai Jing City and belongs to commodity housing project.



BEIJING

YOUNGMAN POINT

Address:

No. 2, Middle Lane Ganluyuan,
Qingnian Road,
Chaoyang District, Beijing

Category:

Residence/
Commerce

Feature:

At the intersection of Qingnian Road and North Chaoyang Road in Chaoyang District, the project stands opposite Chaoyang Joy City — a major commercial complex in Chaoyang, and is only 3.8 kilometers away from the CBD. With green belts on the north and a stretch of quiet water on the south, the project presents unique scenic pleasures to its inhabitants. The project has three phases. Phase I and II had been completed and sold out and Phase III has begun development.



WEST DIAOYUTAI

Address:

No. 1 and No. 2 Section,
West Diaoyutai Village,
Haidian District, Beijing

Category:

Residence

Feature:

Located in the west third ring, on the east and north side of Kunyu River and west to the 137-hectare Yuyuantan Park, the project enjoys a 67-hectare expanse of magnificent aquatic scenes, the largest in Beijing where water is a scarce resource, giving it uniqueness and a touch of supremacy. The project has deluxe apartments with river views as its core products aiming to appeal to the affluent on the high-end. The project has three phases. Phase I and II had been completed and demolition work of phase III has been finished more than a half.



KEY PROJECTS INTRODUCTION

TIANJIN

LAOCHENGXIANG

Address:

Laochengxiang,
Nankai District,
Tianjin

Category:

Residence/
Commerce/
Office

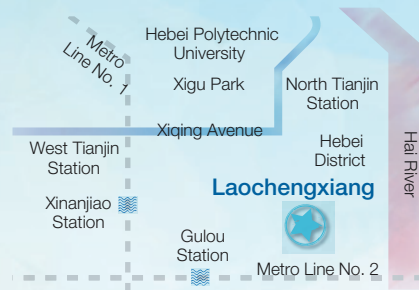
Feature:

Laochengxiang is located in the traditional city center of Tianjin with profound history. It is the cradle of culture and economy for Tianjin and also the only zenithal region in Tianjin. As the development of downtown Tianjin has accelerated in recent years, Laochengxiang has become a favorite destination for investors and property buyers in Tianjin.

The general planning of the district is divided into three parts, namely the core, inner ring and outer ring, with Gulou Commercial and Cultural Street as the center. The project is a large-scale integrated community well served by auxiliary facilities, such as education and medical services, and comprises residences, commercial premises, offices and luxurious villas.



Artist Impression



SHENYANG

SHENYANG • U CENTER

Address:

South Taiyuan Street,
Heping District,
Shenyang

Category:

Commerce/Office/
Serviced Apartment

Feature:

The project is located in the most prosperous business district downtown Shenyang — Taiyuan Street, north of Zhonghua Road, south of Minzhu Road, west of Taiyuan South Street and east of Tianjin South Street, with profound history and an extensive commercial network covering Northeast Asia. Covering a total G.F.A. of 230,000 sq.m., the U Center comprises high-end offices, SOHO, boutique apartments and open commercial blocks with an integration of cultural and creative industries, food and beverage, leisure pleasure, entertainment, offices and luxurious apartments, making it an icon of the city.



Artist Impression



KUNSHAN

YOOOOU.NET

Address:

No. 258, Lvdi Avenue,
Huaqiao Town,
Kunshan

Category:

Commerce/
Office

Feature:

Located in the centre of Huaqiao International Commercial City and adjoining the west gate of Shanghai, the project is less than 25 kilometers from downtown Shanghai and can be reached directly riding the Shanghai — Nanjing high-speed railway and Shanghai Metro Line No. 11. With four youthful components — commerce, SOHO Studio, Entrepreneur Incubator and Office, it stands out as a community where young and intellectual industries such as computer games, entertainment and e-commerce can thrive.



ROYAL VILLA

Address:

No. 859,
East Yingbin Road,
Kunshan (near Changjiang Road)

Category:

Residence

Feature:

The project is located in Zhoushi Town of Kunshan City, Jiangsu, the core of the administration center in northern Kunshan. Neighboring the Kunshan Ecological and Sports Park, it comprises 18 high-rise apartment buildings and 92 standalone villas.



KEY PROJECTS INTRODUCTION

WUXI

URBAN DEVELOPMENT INTERNATIONAL CENTER

Address:

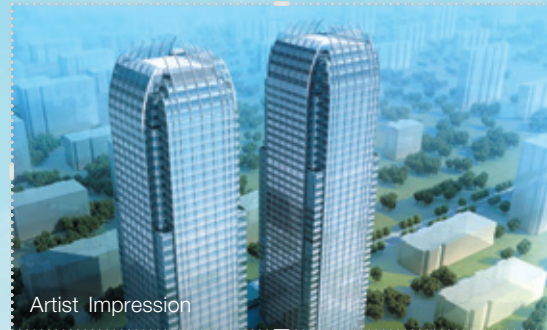
Intersection of Yinxiu Road and Taihu Avenue, Binhu District, Wuxi, Jiangsu

Category:

Commerce/Hotel/ Office/ Serviced Apartment

Feature:

The project is an icon at the heart of the Liyuan Economic Development Zone, the new axis of Wuxi. It is only 5 kilometers from the center of the city with Lihu Lake Scenic Spot, Lihu Central Park and Bogong Island in its vicinity to enjoy. The area is well developed, equipped with all essential facilities and convenient transportation choices. The integrated complex comprises an international five-star hotel, serviced apartments, a 5A-grade office building and a commercial center.



Artist Impression



XI'AN

ORIGINALLY

Address:

East to Chanhe River, Chanba Avenue, Chanba Ecotope, Xi'an

Category:

Residence/ Commerce/Hotel

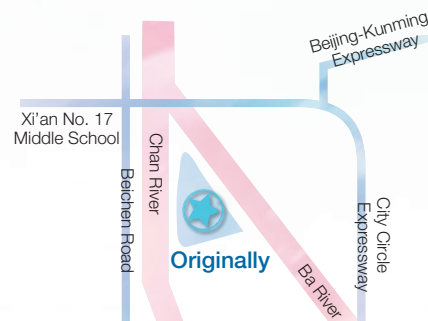
Feature:

In the heart of Xi'an Chanba Ecotope, the project lies where the Chan River and Ba River meet. The project with more than 2,000,000 square meters in terms of site area is the largest eco-district in northwestern China. The area has been well planned and is developing rapidly, enjoying convenient access to road networks and public transports including Metro Line 3 which will soon commence operation.

It is the home of the Euro-Asia Economic Forum as well as the Guangyuntan national wetland park and was where the 2011 International Horticultural Exposition took place, asserting its significance in the development of Xi'an. The project has 12 land parcels in the plan to cater to diverse functions and related necessary facilities completed or soon to be completed to meet community business requirements and educational, medical and shopping needs.



Artist Impression



To demonstrate the premium geographical location of the project, a new brand called "Originally" has been introduced into the project for sale as a new property project starting from the second half of 2014.

CHONGQING

TOP CITY

Address:

No. 1, Aoti Road,
Yuanjiagang, Jiulongpo District,
Chongqing

Category:

Residence/
Commerce/
Office

Feature:

The project is right in the center of Chongqing's main city zone, at the intersection of Jiulongpo District and Yuzhong District with the Chongqing Olympic Sports Center and the city rail line 2 as its neighbors. With prominent business presence, comprising offices and residences, it is currently one of the biggest integrated real estate projects in the main city zone of Chongqing. By the hands of a famed Canadian design company, it embraced diversity, openness and international concept championing the HOPSCA lifestyle of western origins. It is a rare and distinctive metropolis complex that stands out in Chongqing.



Artist Impression



CHANGSHA

FOREST SEA

Address:

No. 1218,
Leifeng North Avenue,
Wangcheng District, Changsha

Category:

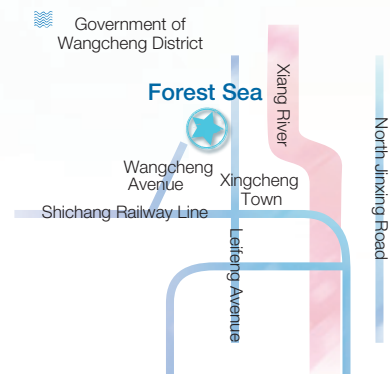
Residence/
Commerce

Feature:

The project not only shares the same area as Wangcheng District, but is also in the Waterfront New Town, a major development focus of the government. Leifeng Avenue and Xiang River View Avenue (Xiaoxiang Avenue) are on its east and the ecological technology industrial park area borders with it on the south. The project, which will serve a strong population of community businesses, is only about 200 meters from the Wangcheng old town on the west and is just on the opposite of the road of the new Wangcheng District Government to its north. Positioned as a million square meter ecological new town, the project has adopted innovative design concept, possessing all required supporting facilities while keeping green landscapes at an overall ratio of more than 40%. Its constituents include high-rise apartment buildings with scenic views, elevator-served garden houses, townhouses and elegant mixed design houses, all in pure Mediterranean architectural styles. They come together to form a low-density residential community that promises high comfort.



Artist Impression



KEY PROJECTS INTRODUCTION

FUZHOU

SWEET SEA

Address:

Tonghe Road,
Langqi Island,
Fuzhou

Category:

Residence/
Commerce

Feature:

SIUD Zhonggeng · Sweet Sea, located on the south side of Tonghe Road, Langqi Island, Fujian Free Trade Zone, and the north side of Yanhang River, enjoys very superior traffic resources as it covers part of both the south and north banks of Yanhang River, the core of the island, and backs against Yanhang River and faces the sea. Langqi benefits from the four national favourable policies, i.e. the fourteenth national new zone of the PRC, one of the second batches of free trade zones in the PRC, core area on the Maritime Silk Road and national ecological tourism island, and is the sole land enjoying the aforementioned policies for development in the PRC. The project consists of 3 land parcels (for commercial purpose) with a total area of 504 Mu and a total G.F.A. of 840,000 sq.m., of which one land parcel for sale covers an area of 200 Mu and has a total construction area of 380,000 sq.m.. It is planned to integrate high-rise buildings, duplex, town houses, commercial buildings, and other products. As the first project on Langqi Island, the project will be built into a global island city for holiday and life integrating high end residences, characteristic commerce, five-star hotel and school education. The surrounding supporting facilities are complete. 12 key projects will contribute to the booming of the internal island including a sports park of 52,000 sq.m., a commercial complex of 260,000 sq.m., the largest Class III Grade A hospital at the mouth of Minjiang River, open to traffic of Langqi Island Ring Road, Langqi International Island Vacation Comprehensive Park, Strait Youth Exchange Camp, construction of free trade zone, headquarters of high-tech enterprises, Taiwan-oriented economic and trade zone, Hongguang Lake Ecological Park, Yanghang Riverside Park, etc. The 12 projects have been included in the agenda for construction. The island vacation and life cycle in the front of Fuzhou is about to make its debut.



OTHER INFORMATION

INTERIM DIVIDEND

The board of Directors (the “**Board**”) does not recommend the payment of any interim dividend for the six months ended 30 June 2017 (for the six months ended 30 June 2016: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Repurchase of Shares

During the six months ended 30 June 2017, the Company repurchased a total of 300,000 ordinary shares of the Company of HK\$0.04 each on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) at an aggregate purchase price of HK\$481,246.56. Details of the repurchase of such ordinary shares were as follows:

Date of repurchase	Number of ordinary shares repurchased	Price per ordinary share		Aggregate purchase price HK\$
		Highest HK\$	Lowest HK\$	
4 May 2017	300,000	1.60	1.60	480,000.00
Total	300,000			480,000.00
Total expenses on shares repurchased				1,246.56
Total				481,246.56

All of the above-mentioned repurchased ordinary shares were cancelled on 20 June 2017. The issued share capital of the Company was accordingly reduced by the par value of the repurchased ordinary shares so cancelled. The above repurchase was effected by the Directors pursuant to the repurchase mandate granted at the annual general meeting of the Company held on 25 May 2016.

Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the six months ended 30 June 2017.

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 the existing shareholders of the Company (the “**Shareholders**”).

CORPORATE GOVERNANCE

During the six months ended 30 June 2017, the Company has complied with the code provisions as set out in the Corporate Governance Code (the “**Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange except as deviated hereunder.

Code Provision A.2.1 of the Code

The code provision A.2.1 of the Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Following the re-designation of Mr. Ji Gang as the Chairman of the Board since 2 February 2015, there has been a deviation from code provision A.2.1 as Mr. Ji Gang has also been performing the role of chief executive of the Group. The Board is aware of the said deviation but considers that this arrangement is appropriate and in the best interests of the Group as it helps to maintain the continuity of the Group’s policies and strategies and the stability of the operations of the Group. The Board also considers that such arrangement would not impair the balance of power and authority between the Board and the management

OTHER INFORMATION

of the Company as the Board does meet regularly on a quarterly basis to review the operations of the Group and to consider other major matters affecting the business development and operations of the Group. Going forward, the Board will periodically review the effectiveness of this arrangement.

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 inside 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. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards as set out in the Model Code and its code of conduct regarding directors’ securities transactions throughout the six months ended 30 June 2017.

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 six months ended 30 June 2017.

LOAN AGREEMENT WITH SPECIFIC PERFORMANCE COVENANT ON THE CONTROLLING SHAREHOLDER

As disclosed in the Company’s announcement dated 24 November 2016, the Company (as the borrower) entered into a loan agreement (the “**Loan Agreement**”) with a bank (as the lender) for a term loan facility in the amount of RMB3,000,000,000 for a term of thirty-six months to repay the shareholders’ loans of the Company denominated in foreign currencies. The Loan Agreement provides that Shanghai Industrial Holdings Limited (“**SIHL**”), a controlling shareholder of the Company, shall maintain not less than 51% shareholding interest in the Company, and maintain the ancillary rights to control and manage the Company pertaining to the voting rights in respect of such 51% shareholding interest (the “**Shareholding Covenant**”). A breach of the Shareholding Covenant will constitute a default under the Loan Agreement. As at the date of this interim report, SIHL is beneficially interested in approximately 71.00% of the total issued share capital of the Company.

Other than as disclosed above, there are no other events which are required to be disclosed by the Company under Rule 13.18 of the Listing Rules.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The audit committee of the Company (the “**Audit Committee**”) currently consists of three independent non-executive Directors, namely Mr. Li Ka Fai, David (Committee Chairman), Mr. Doo Wai-Hoi, William, *J.P.* and Mr. Fan Ren Da, Anthony. The Audit Committee is primarily responsible for reviewing the accounting principles and practices adopted by the Group; reviewing the financial reporting process, risk management and internal controls system of the Group; and reviewing the independence and objectivity of the external auditor, the scope of audit services and related audit fees payable to the external auditor. During the six months ended 30 June 2017, the Audit Committee has reviewed the independence and objectivity of the external auditor, the scope of audit services and related audit fees payable to the external auditor for the Board’s approval. The Audit Committee has also reviewed the unaudited interim financial statements of the Group for the six months ended 30 June 2017 and discussed with the management and the auditor of the Company on the accounting principles and practices adopted by the Group, risk management and internal controls matter, final results and financial statements and the terms of reference for the Audit Committee.

The Group’s external auditor, Messrs. Deloitte Touche Tohmatsu, has reviewed the Company’s unaudited condensed consolidated financial statements for the six months ended 30 June 2017 in accordance with the 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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2017, 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 corporations (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, to be notified to the Company and the Stock Exchange, were as follows:

(1) Long positions in the shares and underlying shares of the Company

Name of Directors	Capacity	Number of issued ordinary shares held	Number of underlying shares subject to options granted ¹	Approximate % of the issued share capital of the Company
Zhou Jun ²	Beneficial owner	–	7,000,000	0.15%
Yang Biao ²	Beneficial owner	–	7,000,000	0.15%
Ye Weiqi	Beneficial owner	–	6,000,000	0.12%
Huang Fei	Beneficial owner	–	6,000,000	0.12%
Zhong Tao ³	Beneficial owner	–	6,000,000	0.12%
Doo Wai-Hoi, William, J.P.	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 represent the interests in the underlying shares of the Company 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 interim report.
- Mr. Zhou Jun and Mr. Yang Biao resigned as executive Directors with effect from 30 June 2017.
- Mr. Zhong Tao was appointed as an executive Director with effect from 30 June 2017.

(2) Long positions in the shares and underlying shares of the associated corporation of the Company SIHL

Name of Director	Capacity	Number of issued ordinary shares held	Number of underlying shares subject to options granted	Approximate % of interest in the corporation
Zhou Jun ¹	Beneficial owner	195,000	–	0.02%

Note:

- Mr. Zhou Jun resigned as an executive Director with effect from 30 June 2017.

OTHER INFORMATION

Save as disclosed herein, as at 30 June 2017, none of the Directors or chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or pursuant to the Model Code.

SHARE OPTION SCHEME

Pursuant to ordinary resolutions passed by the Shareholders 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 2017, the Company granted 41,750,000 shares options to subscribe for up to a total of 41,750,000 ordinary shares of nominal value of HK\$0.04 each in the capital of the Company under the Share Option Scheme, representing approximately 0.87% of the issued share capital of the Company as at 30 June 2017. The Share Option Scheme expired on 11 December 2012.

The particulars and movements of the share options to subscribe for the Company’s shares under the Share Option Scheme during the six months ended 30 June 2017 (the “**Period**”) were as follows:

Name of categories	Date of grant	Exercise price per share HK\$	Exercise period ¹	Outstanding as at 1.1.2017	Granted during the Period	Exercised during the Period	Cancelled/ Lapsed during the Period	Outstanding as at 30.06.2017
Directors								
Zhou Jun ²	24 September 2010	2.98	24 September 2010 to 23 September 2020	7,000,000	—	—	—	7,000,000
Yang Biao ²	24 September 2010	2.98	24 September 2010 to 23 September 2020	7,000,000	—	—	—	7,000,000
Ye Weiqi	24 September 2010	2.98	24 September 2010 to 23 September 2020	6,000,000	—	—	—	6,000,000
Huang Fei	24 September 2010	2.98	24 September 2010 to 23 September 2020	6,000,000	—	—	—	6,000,000
Zhong Tao ³	24 September 2010	2.98	24 September 2010 to 23 September 2020	6,000,000	—	—	—	6,000,000
Doo Wai-Hoi, William, J.P.	24 September 2010	2.98	24 September 2010 to 23 September 2020	1,000,000	—	—	—	1,000,000
Fan Ren Da, Anthony	24 September 2010	2.98	24 September 2010 to 23 September 2020	1,000,000	—	—	—	1,000,000
Li Ka Fai, David	24 September 2010	2.98	24 September 2010 to 23 September 2020	1,000,000	—	—	—	1,000,000
Senior management and employees	24 September 2010	2.98	24 September 2010 to 23 September 2020	6,750,000	—	—	—	6,750,000
Total				41,750,000	—	—	—	41,750,000

Notes:

- Share options granted in September 2010 under the Share Option Scheme are exercisable during the period from 24 September 2010 to 23 September 2020 in three batches, being:
 - 24 September 2010 to 23 September 2011 (up to 40% of the share options granted are exercisable)
 - 24 September 2011 to 23 September 2012 (up to 70% of the share options granted are exercisable)
 - 24 September 2012 to 23 September 2020 (all share options granted are exercisable)

2. Mr. Zhou Jun and Mr. Yang Biao resigned as executive Directors with effect from 30 June 2017.
3. Mr. Zhong Tao was appointed as an executive Director with effect from 30 June 2017.

Pursuant to ordinary resolutions passed by the Shareholders at its annual general meeting held on 16 May 2013 (the “**Adoption Date**”), the Company adopted a new share option scheme (the “**New Share Option Scheme**”).

Reference was made to the circular of the Company dated 16 April 2013 in relation to the adoption of the New Share Option Scheme (the “**Circular**”). Unless the context requires otherwise, terms defined in the Circular shall have the same meanings when used in this interim report. As disclosed in the Circular, the New Share Option Scheme will be valid for ten years since the Adoption Date. The purpose of the New Share Option Scheme is to enable the Company to grant options to the Eligible Participants, as incentives and/or rewards for their contributions to the Group. The Board considers that the New Share Option Scheme will provide the Eligible Participants with the opportunity to acquire shares of the Company and to encourage the Eligible Participants to work towards enhancing the value of the Company and for the benefit of the Company and its shareholders as a whole. The provisions of the New Share Option Scheme comply with the requirements of Chapter 17 of the Listing Rules. Further details of the New Share Option Scheme can be found in the Circular.

The Company had not granted any share options under the New Share Option Scheme since the Adoption Date up to 30 June 2017.

Save as disclosed herein, the Company had not granted any share options to any persons as required to be disclosed under Rule 17.07 of the Listing Rules during the six months ended 30 June 2017.

SUBSTANTIAL SHAREHOLDERS’ AND OTHER PERSONS’ INTERESTS IN THE SHARES AND UNDERLYING SHARES

As at 30 June 2017, substantial shareholders 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 shareholders	Capacity	Number of shares of the Company held	Approximate % of the issued share capital of the Company
SIHL	Held by controlled corporation	3,415,883,000 (L) ^{2,3}	71.00%
SIIC	Held by controlled corporation	3,427,683,000 (L) ^{2,3,4}	71.25%

Notes:

1. L denotes long positions.
2. 3,365,883,000 shares of the Company were held by Smart Charmer Limited. 50,000,000 shares of the Company are deemed to be held by Novel Good Limited under the pledge described in note 3 below. Smart Charmer Limited and Novel Good Limited are both wholly-owned subsidiaries of SIHL.

OTHER INFORMATION

3. These interests include 50,000,000 shares of the Company (short positions) 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 Shanghai Industrial Investment (Holdings) Company Limited ("**SIIC**") are deemed or taken to be interested in these 50,000,000 shares.
4. SIIC through its subsidiaries, namely Shanghai Investment Holdings Limited, SIIC Capital (B.V.I.) Limited, Shanghai Industrial Financial (Holdings) Company Limited, SIIC Treasury (B.V.I.) Limited, SIIC CM Development Funds Limited and SIIC CM Development Limited held approximately 58.95% of the shares of SIHL. Therefore, SIIC is deemed or taken to be interested in the 3,415,883,000 shares of the Company held by SIHL for the purpose of the SFO. Separately, 11,800,000 shares of the Company were held by SIIC Trading Company Limited, a subsidiary of SIIC.

Save as disclosed herein, as at 30 June 2017, 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 the SFO.

CHANGES IN INFORMATION OF DIRECTORS

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

- (a) Mr. Fan Ren Da, Anthony ("**Mr. Fan**"), an independent non-executive director of the Company, has retired as independent non-executive director and ceased to be a member of the audit committee, chairman of the remuneration committee and the nomination committee of LT Commercial Real Estate Limited, a company listed on the Stock Exchange with stock code of 112, with effect from 30 June 2017; and
- (b) Mr. Fan has retired as an independent non-executive director and ceased to be the chairman of the audit committee of Guodian Technology & Environment Group Corporation Limited, a company listed on the Stock Exchange with stock code of 1296, with effect from 8 August 2017.

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, our management and all our staff for their dedicated efforts as well as to our customers, suppliers, business partners and shareholders for their continued enthusiastic support to our Group.

By order of the Board of
Shanghai Industrial Urban Development Group Limited
Ji Gang
Chairman

Hong Kong, 25 August 2017

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 30 to 52, which comprise the condensed consolidated statement of financial position as of 30 June 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The 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

25 August 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	NOTES	Six months ended 30 June	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Revenue	3	4,221,912	2,456,815
Cost of sales		(2,108,952)	(1,631,817)
Gross profit		2,112,960	824,998
Other income		119,085	150,509
Other expenses, gains and losses, net		4,105	(226,042)
Fair value change on investment properties, net		(48,927)	47,523
Distribution and selling expenses		(144,311)	(88,359)
General and administrative expenses		(187,963)	(219,217)
Gain on disposal of assets through disposal of a subsidiary	10	—	1,114,163
Finance costs	4	(306,908)	(337,754)
Share of results of associates		951	945
Profit before tax		1,548,992	1,266,766
Income tax	5	(823,035)	(533,933)
Profit for the period	6	725,957	732,833
Other comprehensive expense for the period			
<i>Item that will not be reclassified to profit or loss:</i>			
Exchange differences arising on translation into presentation currency		571,116	(527,218)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Net gain (loss) on fair value changes of available-for-sale investments, net of tax		2,492	(13,087)
Total comprehensive income for the period		1,299,565	192,528
Profit for the period attributable to:			
— Owners of the Company		322,751	312,101
— Non-controlling interests		403,206	420,732
		725,957	732,833
Total comprehensive income attributable to:			
— Owners of the Company		600,504	(30,079)
— Non-controlling interests		699,061	222,607
		1,299,565	192,528
Earnings per share	7		
— Basic (HK cents)		6.71	6.49
— Diluted (HK cents)		6.71	6.49

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	NOTES	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Non-current assets			
Investment properties	8	14,191,112	13,744,306
Property, plant and equipment		1,747,735	1,726,009
Prepaid lease payments		216,888	213,435
Intangible assets		58,715	56,945
Interests in associates		1,171,316	1,135,065
Interest in a joint venture		65,718	65,718
Available-for-sale investments		265,522	265,662
Pledged bank deposits		48,791	20,937
Other receivables	11	106,608	103,394
Deferred tax assets		196,732	409,786
		18,069,137	17,741,257
Current assets			
Inventories		25,706,635	25,483,600
Trade and other receivables	11	813,031	1,259,937
Amounts due from related companies	9	308,836	299,527
Prepaid lease payments		4,736	4,593
Prepaid income tax and land appreciation tax		480,304	375,240
Financial assets at fair value through profit or loss		4,187	5,193
Restricted and pledged bank deposits		148,392	137,672
Bank balances and cash		12,835,785	12,818,335
		40,301,906	40,384,097

CONDENSED CONSOLIDATED
STATEMENT OF FINANCIAL POSITION

	NOTES	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Current liabilities			
Trade and other payables	12	5,139,509	5,173,828
Amounts due to related companies	9	781,382	609,801
Amounts due to associates		59,317	50,371
Consideration payables for acquisition of subsidiaries		94,520	342,585
Pre-sale proceeds received on sales of properties		8,341,961	7,996,881
Bank and other borrowings	13	890,053	854,595
Income tax and land appreciation tax payables		1,631,064	2,497,983
Dividend payable		10,053	8,384
Dividend payable to non-controlling shareholders		212,411	61,344
		17,160,270	17,595,772
Net current assets			
		23,141,636	22,788,325
Total assets less current liabilities			
		41,210,773	40,529,582
Non-current liabilities			
Deferred revenue		202,214	195,776
Bank and other borrowings	13	13,601,672	13,891,575
Deferred tax liabilities		4,795,665	4,722,103
		18,599,551	18,809,454
		22,611,222	21,720,128
Capital and reserves			
Share capital	14	192,439	192,451
Reserves		12,539,635	12,098,372
Equity contributable to owners of the Company		12,732,074	12,290,823
Non-controlling interests		9,879,148	9,429,305
		22,611,222	21,720,128

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the Company											Non-controlling interests	Total	
	Share capital	Share premium	Contributed surplus	Share option reserve	Other revaluation reserve	Investment revaluation reserve	Statutory reserve	Shareholder's contribution/merger reserve	Other 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	HK\$'000	
At 1 January 2017 (audited)	192,451	10,115,153	22,358	48,202	52,526	130,356	275,678	2,214,569	(47,317)	(74,380)	(638,773)	12,290,823	9,429,305	21,720,128
Profit for the period	–	–	–	–	–	–	–	–	–	–	322,751	322,751	403,206	725,957
Exchange differences arising on translation into presentation currency	–	–	–	–	–	–	–	–	–	275,261	–	275,261	295,855	571,116
Net gain on fair value changes of available-for-sale investment, net of tax	–	–	–	–	–	2,492	–	–	–	–	–	2,492	–	2,492
Total comprehensive income for the period	–	–	–	–	–	2,492	–	–	–	275,261	322,751	600,504	699,061	1,299,565
Transfer to distributable reserve (note (vii))	–	(600,000)	600,000	–	–	–	–	–	–	–	–	–	–	–
Repurchase of ordinary shares (note (v))	(12)	(469)	–	–	–	–	–	–	–	–	–	(481)	–	(481)
Transfer	–	–	–	–	–	–	3,834	–	–	–	(3,834)	–	–	–
Dividends recognised as distributions (Note 20)	–	–	(158,772)	–	–	–	–	–	–	–	–	(158,772)	–	(158,772)
Dividends declared to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(249,218)	(249,218)
At 30 June 2017 (unaudited)	192,439	9,514,684	463,586	48,202	52,526	132,848	279,512	2,214,569	(47,317)	200,881	(319,856)	12,732,074	9,679,148	22,611,222
At 1 January 2016 (audited)	192,451	10,115,153	157,073	49,367	52,526	129,917	173,726	2,214,569	(47,317)	559,069	(1,060,628)	12,535,906	6,977,845	19,513,751
Profit for the period	–	–	–	–	–	–	–	–	–	–	312,101	312,101	420,732	732,833
Exchange differences arising on translation into presentation currency	–	–	–	–	–	–	–	–	–	(329,093)	–	(329,093)	(198,125)	(527,218)
Net loss on fair value changes of available-for-sale investment, net of tax	–	–	–	–	–	(13,087)	–	–	–	–	–	(13,087)	–	(13,087)
Total comprehensive income for the period	–	–	–	–	–	(13,087)	–	–	–	(329,093)	312,101	(30,079)	222,607	192,528
Transfer upon disposal of a subsidiary	–	–	–	–	–	–	–	–	–	(5,318)	5,318	–	–	–
Transfer	–	–	–	–	–	–	3,423	–	–	–	(3,423)	–	–	–
Dividends recognised as distributions (Note 20)	–	–	(134,715)	–	–	–	–	–	–	–	–	(134,715)	–	(134,715)
Forfeiture of share options (Note 15)	–	–	–	(1,165)	–	–	–	–	–	–	1,165	–	–	–
At 30 June 2016 (unaudited)	192,451	10,115,153	22,358	48,202	52,526	116,830	177,149	2,214,569	(47,317)	224,658	(745,467)	12,371,112	7,200,452	19,571,564

CONDENSED CONSOLIDATED
STATEMENT OF CHANGES IN EQUITY

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 the 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. Shareholder's contribution represents capital contribution from SIHL and State-Owned Assets Supervision and Administration Commission of Shanghai Xuhui District ("Xuhui SASAC"), being non-controlling interest, (based on their respective percentage of equity interest) to a subsidiary of the Group, Shanghai Urban Development (Holdings) Co., Ltd. ("SUD"), as paid-in capital in April 2011. Xuhui SASAC holds 41% interests in SUD.
- (iii) Other reserve represents a premium contributed by the owners of the Company on acquiring the remaining 1.0% interests of 上海世界貿易商城有限公司 ("Shanghai World Trade") from a non-controlling shareholder subsequent to the acquisition of Continental Land Development Limited and its partially owned subsidiary in the People's Republic of China (the "PRC"), namely Shanghai World Trade. This acquisition, without changing the Group's control over Shanghai World Trade, was accounted for as an equity transaction. The difference between the fair value of cash consideration of approximately HK\$92,274,000 and 1.0% share of net assets by the non-controlling shareholder of approximately HK\$44,957,000 amounting to approximately HK\$47,317,000 was recognised directly in equity as other reserve and attributable to owners of the Company.
- (iv) Contributed surplus, serving as a distributable reserve, represents an amount transferred from the share premium account to contributed surplus account which gives the Company a greater flexibility in its dividend policy and making distributions to the shareholders.
- (v) In May 2017, the Company repurchased on the market 300,000 ordinary shares of the Company of HK\$0.04 each (the "Share Repurchase") with the average price being HK\$1.60 per share. The aggregate consideration for the Share Repurchase was approximately HK\$481,000 which was funded from the contributed surplus available for dividend distribution of the Company.
- (vi) Pursuant to the special resolution passed on 19 May 2017, the Company transferred an amount of HK\$600,000,000 from the share premium account to the contributed surplus account which increased the distributable reserve of the Company for making distributions to the shareholders.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Profit before taxation	1,548,992	1,266,766
Adjustments for:		
Finance costs	306,908	337,754
Gain on disposal of assets through disposal of a subsidiary	—	(1,114,163)
Impairment loss recognised on other receivables	—	122,078
Other non-cash items	(52,389)	(165,483)
Operating cash flows before movements in working capital	1,803,511	446,952
Decrease in inventories	728,901	1,134,753
Decrease (increase) in trade and other receivables	138,205	(1,326,344)
Increase in pre-sale proceeds received on sales of properties	94,798	3,281,522
(Decrease) increase in trade and other payables	(346,427)	221,157
Other working capital items	7,251	(19,905)
Cash from operations	2,426,239	3,738,135
Income taxes paid	(1,706,347)	(625,191)
Net cash from operating activities	719,892	3,112,944
Net cash from (used in) investing activities:		
Proceeds from disposal of property, plant and equipment	170	425
Purchase of available-for-sale investments	—	(13,069)
Purchase of property, plant and equipment	(26,752)	(5,543)
Development costs paid for investment properties	(68,153)	—
(Increase) decrease in restricted and pledged bank deposits	(37,444)	54,325
Dividend received from available-for-sale investments	356	374
Proceeds from disposal of available-for-sale investments	11,573	—
Advances to a related company	—	(318,707)
Advance to an independent third party	—	(23,066)
Repayments of consideration payables for acquisition of subsidiaries	(254,150)	(26,248)
Payments of construction costs on behalf of owners of the Carved-out Site 1 and 2 (as defined in Note 10)	—	(3,095,552)
Receipts of consideration receivables in respect of disposal of subsidiaries	—	2,563,080
Receipt of consideration receivable in respect of disposal of assets through disposal of a subsidiary	339,290	—
Deposits received for disposal of SUD Longcheng	—	712,843
Interest received from consideration receivables	—	36,492
Interest received	75,533	50,386
	40,423	(64,260)

CONDENSED CONSOLIDATED
STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Net cash used in financing activities:		
Dividends paid to non-controlling interests	(102,690)	(59,427)
Dividends paid	(157,103)	(133,264)
Payments on repurchase of shares	(481)	—
Proceeds from new bank and other borrowings	943,093	7,997,132
Repayments of bank and other borrowings	(1,650,775)	(9,527,464)
Advances from related parties	285,648	173,035
Repayments to related companies	(135,716)	(203,829)
Interest paid	(321,668)	(386,978)
	(1,139,692)	(2,140,795)
Net (decrease) increase in cash and cash equivalents	(379,377)	907,889
Cash and cash equivalents as at 1 January	12,818,335	11,371,189
Effect of foreign exchange rate changes	396,827	(212,583)
Cash and cash equivalents as at 30 June, represented by bank balances and cash	12,835,785	12,066,495
Analysis of cash and cash equivalents as at 30 June represented by bank balances and cash held by		
— the Group	12,835,785	11,962,262
— the disposal group held-for-sale	—	104,233
	12,835,785	12,066,495

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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 on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. 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.

The accounting policies and methods of computation used in the preparation of condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those applied in the preparation of the Group’s annual financial statements for the year ended 31 December 2016.

During the six months ended 30 June 2017, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are mandatorily effective for the accounting period beginning on or after 1 January 2017.

The application of the amendments to HKFRSs during the six months ended 30 June 2017 has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

Additional disclosures about changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes on application of amendments to HKAS 7, will be provided in the consolidated financial statements for the year ending 31 December 2017.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for goods sold by the Group in the normal course of business to outside customers, net of discounts and sales related taxes for the period. The Group is principally engaged in the residential and commercial properties development, property investment and hotel operation in the People’s Republic of China (the “PRC”).

The directors of the Company, being the chief operating decision maker, only reviews the overall results and the financial position of the Group, which are prepared based on the same accounting policies used in the preparation of the Group’s annual financial statements for the year ended 31 December 2016, for the purposes of resource allocation and performance assessment. Accordingly, the Group presents only one single operating segment and no further analysis is presented.

NOTES TO THE CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**4. FINANCE COSTS**

	Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Interests on bank and other borrowings	476,740	556,782
Less: Amount capitalised under properties under development for sale	(169,832)	(219,028)
	306,908	337,754

During the six months ended 30 June 2017, borrowing costs capitalised arising on the general borrowing pool were calculated by applying a capitalisation rate of 5.09% (six months ended 30 June 2016: 4.76%) per annum to expenditure on qualifying assets.

5. INCOME TAX

	Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Current tax		
– PRC Enterprise Income Tax (“EIT”) (note)	159,045	374,054
– PRC Land Appreciation Tax (“LAT”)	496,240	190,704
– PRC Withholding Tax	18,095	–
	673,380	564,758
Deferred tax	149,655	(30,825)
	823,035	533,933

Note: During the six months ended 30 June 2016, EIT of approximately HK\$278,541,000 was provided for the gain on disposal of partnership interest in Green Carbon Fund (as defined in note 10), which was accounted for as a wholly-owned subsidiary of the Company, by a resident company. The EIT provided for the gain on disposal of partnership interest in Green Carbon Fund is calculated at 25% on the gain. Details of the disposal of partnership interest in Green Carbon Fund are set out in note 10.

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.

NOTES TO THE CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**5. INCOME TAX (CONTINUED)**

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 property 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 2017 and 2016.

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Profit for the period has been arrived at after charging (crediting) the following items:		
Depreciation of property, plant and equipment	57,596	54,453
Interest income on bank deposits (included in other income)	(68,405)	(50,386)
Other interest income (included in other income) (note)	(7,128)	(63,376)
Impairment loss recognised on other receivables (included in other expenses, gains and losses, net)	—	122,078
Net foreign exchange (gain) loss (included in other expenses, gains and losses, net)	(9,196)	123,104

Note: For the six months ended 30 June 2016, other interest income included an amount of approximately HK\$36,492,000 which represented interest received on the consideration receivable in respect of disposal of subsidiaries on 28 December 2015 (the "Disposal Date"). According to the sales and purchase agreement of such disposal, the purchaser was required to pay a daily interest on the consideration receivable from the Disposal Date until the consideration receivable was settled in full. The daily interest rate was calculated on the basis of (i) for the first 90 days after the Disposal Date, the PBOC rate (as defined in note 9 (ii)) as of the Disposal Date and divided by 365; and (ii) thereafter, a daily interest rate of 0.05%. The consideration receivable was settled by instalments since the Disposal Date and was settled in full on 18 May 2016. The other interest income also included an amount of approximately HK\$24,188,000 which represented interest received and receivable on the interest bearing non-current other receivables.

For the six months ended 30 June 2017, the other interest income also included an amount of approximately HK\$1,665,000 which represented interest received on interest bearing non-current other receivables.

NOTES TO THE CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**7. EARNINGS PER SHARE**

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

	Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Earnings:		
Earnings for the purposes of calculating basic and diluted earnings per share		
Profit for the period attributable to owners of the Company	322,751	312,101

	Six months ended 30 June	
	2017 '000	2016 '000
Number of shares:		
Number of ordinary shares for the purposes of calculating basic and diluted earnings per share	4,811,257	4,811,273

The calculation of diluted earnings per share in current and prior period does not assume the exercise of the Company's share options because the exercise price of the share options was higher than the average market price for both periods.

8. MOVEMENTS IN INVESTMENT PROPERTIES

The fair values of the Group's investment properties as at 30 June 2017 have been arrived at on the basis of a valuation carried out by DTZ Cushman & Wakefield Limited ("DTZ"), an independent qualified professional valuer not connected to the Group. DTZ has appropriate qualification and recent experience in the valuation of similar properties in the relevant locations. The address of DTZ is 16/F Jardine House, 1 Connaught Place, Central, Hong Kong. The Group's investment properties were valued individually on market value basis, which conforms to HKIS Valuation Standards 2012 Edition published by Hong Kong Institute of Surveyors. The fair value was arrived at by reference to comparable sales transactions available in the relevant markets and, where appropriate, investment approach by capitalising the net rental income derived from existing tenancies with due allowance for the reversionary potential of the properties. The resulting net decrease in fair values of the Group's investment properties of approximately HK\$48,927,000 has been recognised directly in profit or loss for the six months ended 30 June 2017 (six months ended 30 June 2016: net increase in fair values of approximately HK\$47,523,000).

During the six months ended 30 June 2017, the Group incurred subsequent expenditures of approximately RMB60,261,000 (equivalent to approximately HK\$68,153,000) (six months ended 30 June 2016: nil) on certain investment properties.

The Group did not dispose of any investment properties during both interim periods.

NOTES TO THE CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**9. AMOUNTS DUE FROM (TO) RELATED COMPANIES**

The Group has the following balances with related parties:

		30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Amount due from a related company recognised in current assets:			
– A non-controlling shareholder	note (ii)	308,836	299,527
Amounts due to related companies recognised in current liabilities:			
– Xuhui SASAC and entities controlled by Xuhui SASAC	note (i)	471,899	352,715
– Non-controlling shareholders	note (ii)	282,203	230,630
– SIHL	note (iii)	27,280	26,456
		781,382	609,801

Notes:

- (i) The entire amounts due to Xuhui SASAC and entities controlled by Xuhui SASAC are non-trade in nature and unsecured.

Included in the amounts due to Xuhui SASAC and entities controlled by Xuhui SASAC as at 30 June 2017 is an aggregated amount of RMB200,000,000 (equivalent to approximately HK\$230,256,000) (31 December 2016: RMB106,000,000 (equivalent to approximately HK\$118,356,000)), which represent loans advanced from entities controlled by Xuhui SASAC through an entrusted loan agreement administrated by banks, carrying fixed interest at 9% (31 December 2016: 15%) per annum and are repayable within one year.

The remaining balance is interest-free and repayable on demand.

- (ii) The amounts are due from (to) non-controlling shareholders of the Group's subsidiaries.

The amount due from a non-controlling shareholder as at 30 June 2017 and 31 December 2016 is non-trade in nature, unsecured, carries variable interest at 90% of People's Bank of China Benchmark Lending Rate (the "PBOC" rate) per annum. The amount was advanced to a non-controlling shareholder during the year ended 31 December 2016 for resumption of a piece of land in relation to a potential property development project and the amount is repayable upon completion of the land resumption and land auction procedures regardless of whether the land auction is successful or not. During the six months ended 30 June 2017, the land resumption was completed and the directors of the Company expect the land auction procedures will be completed by end of year 2017.

NOTES TO THE CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**9. AMOUNTS DUE FROM (TO) RELATED COMPANIES (CONTINUED)**

Notes: (continued)

(ii) (continued)

The entire amounts due to non-controlling shareholders are non-trade in nature and unsecured. Included in the amounts due to non-controlling shareholders as at 30 June 2017 is an amount of approximately HK\$1,912,000 (31 December 2016: HK\$1,854,000), which represents loans advanced from a non-controlling shareholder through an entrusted loan agreement administrated by a bank, carrying variable interest at 105% (31 December 2016: 105%) of the PBOC rate per annum and repayable within one year. Included in the amounts due to non-controlling shareholders as at 30 June 2017 is an amount of approximately HK\$138,153,000 (31 December 2016: HK\$91,112,000), which represents loans advanced from a non-controlling shareholder, carrying variable interest at 120% (31 December 2016: 120%) of PBOC rate per annum and of which an amount of approximately HK\$27,631,000 (31 December 2016: HK\$26,798,000) is repayable on 10 December 2017 and an amount of approximately HK\$110,522,000 (31 December 2016: HK\$64,314,000) is repayable on various dates in year 2018 with last payment on 15 April 2018 (31 December 2016: repayable on various dates in year 2017 with last payment on 16 April 2017).

The remaining balance is interest-free and repayable on demand.

(iii) The amount is unsecured, interest-free and repayable on demand.

10. GAIN ON DISPOSAL OF ASSETS THROUGH DISPOSAL OF A SUBSIDIARY

On 8 January 2016 (the "Redemption Date"), the Group disposed of an exclusive right for a designated portion of the "U Center" project (the "Carved-out Site 1") held by a subsidiary of the Company, Shanghai Urban Development Group Longcheng Properties Co., Ltd 上海城開集團龍城置業有限公司 ("SUD Longcheng"), through disposal of its wholly-owned subsidiary of the Company, Urban Development Green Carbon (Tianjin) Equity Investment Fund ("Green Carbon Fund"), a limited partnership established in the PRC, for a cash consideration of RMB1,668,000,000 (equivalent to approximately HK\$1,991,880,000) (the "Purchase Consideration").

In addition to the Purchase Consideration, the New Partners agreed not entitle to exert any influence or share of any appropriations of SUD Longcheng generated from operations or obliged to bear any additional obligations of SUD Longcheng after the Redemption Date, other than its exclusive right for the Carved-out Site 1.

10. GAIN ON DISPOSAL OF ASSETS THROUGH DISPOSAL OF A SUBSIDIARY (CONTINUED)

SUD Longcheng was owned as to 25% by Power Tact Investment Limited (“Power Tact”), 35% by Green Carbon Fund and 40% by SUD. During the year ended 31 December 2013, the Group disposed of its interest in Power Tact through sales of its entire interest in the holding company of Power Tact. Through this disposal, the Group disposed of an exclusive right for another designated portion of the “U Center” project (the “Carved-out Site 2”) and the purchaser agreed not entitle to exert any influence or share of any appropriations of SUD Longcheng generated from operations or obliged to bear any additional obligations of SUD Longcheng after the disposal, other than its exclusive right for the Carved-out Site 2.

As at 30 June 2016, the land use right of the Carved-out Site 1 and Carved-out Site 2 was still held under the name of SUD Longcheng.

The net assets of Green Carbon Fund and assets (including the Carved-out Site 1) at the Redemption Date are as follows:

	HK\$'000
Consideration:	
Deposits received during the year ended 31 December 2015	1,633,628
Consideration receivables	358,252
Total consideration	1,991,880
Analysis of assets and liabilities over which control was lost:	
Inventories — properties under development for sale	2,393,272
Other receivables	3,045
Accrued expenditure on properties under development for sale	(388,760)
Other payables	(1,129,840)
Net assets disposed of	877,717
Gain on disposal of assets through disposal of a subsidiary:	
Total consideration	1,991,880
Net assets disposed of	(877,717)
Gain on disposal	1,114,163

After the redemption of partnership interest in Green Carbon Fund, SUD still owned 40% equity interest in SUD Longcheng and it continued to exert control over the composition of the board of directors of SUD Longcheng. Therefore, SUD Longcheng would continue to be a subsidiary of the Group. The Group disposed of its remaining equity interest in SUD Longcheng in the second half of year 2016. Details of the disposal of the remaining equity interest in SUD are set out in note 11(ii).

NOTES TO THE CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**11. TRADE AND OTHER RECEIVABLES**

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Trade and other receivables recognised as current assets		
Trade receivables	27,397	24,820
Less: Allowance for doubtful debts	(745)	(722)
	26,652	24,098
Other receivables (note (i))	560,719	594,278
Advance payments to contractors	5,170	11,136
Prepaid other taxes	208,484	276,558
Deposits and prepayments	12,006	18,896
Consideration receivable (note (ii))	—	334,971
	813,031	1,259,937
Other receivables recognised as non-current assets		
Other receivables (note (iii))	106,608	103,394

Notes:

- (i) Other receivables mainly comprised of various warranty deposits placed with the relevant government bodies in respect of properties being sold and receivables in respect of advances made to contractors for resumption of land.
- (ii) On 12 May 2016, the Group entered into an equity transfer agreement (the "ET Agreement") with Zhonggeng Real Estate Industrial Group Co., Ltd., 中庚地產實業集團有限公司, a connected person of the Company at the subsidiary level. Pursuant to the ET Agreement, the Group agreed to dispose of an exclusive right for the remaining designated portion of the "U Center" project held by SUD Longcheng, through disposal of 40% equity interest in SUD Longcheng, for a cash consideration of RMB1,907,000,000 (the "Disposal Consideration"). During the six months ended 31 December 2016, the control and legal title of SUD Longcheng was transferred to the purchaser and it ceased to be a subsidiary of the Company. As at 31 December 2016, RMB1,607,000,000 of the Disposal Consideration was received and the remaining RMB300,000,000 (equivalent to approximately HK\$334,971,000) of the Disposal Consideration was expected to be received within five months from the year ended 31 December 2016 according to the terms as set out in the ET Agreement. On 27 June 2017, the remaining amount was fully settled.

NOTES TO THE CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**11. TRADE AND OTHER RECEIVABLES (CONTINUED)**

Notes: (continued)

- (iii) As at 30 June 2017, the other receivables recognised as non-current assets of approximately RMB52,600,000 (equivalent to approximately HK\$60,557,000) (31 December 2016: RMB52,600,000 (equivalent to approximately HK\$58,732,000)) represented loans advanced to a subsidiary of a former tenant of one of the Group's investment properties through an entrusted loan agreement administrated by a trust company. The loans will mature in five years starting from year 2015 which was the year drawing down the loans. The loans carry fixed interest at 10% per annum for the first and second year, 15% per annum for the third and fourth year and 18% per annum for the fifth year, which are payable in arrear semi-annually on 20 June and 20 December each year. The loans are secured by the registered share capital of the immediate and intermediate holding companies of the borrower and these holding companies are principally engaged in commercial properties management.

The remaining balance of other receivables recognised as non-current assets of RMB40,000,000 (equivalent to approximately HK\$46,051,000) (31 December 2016: RMB40,000,000 (equivalent to approximately HK\$44,662,000)) represented loans advanced to a construction contractor of the Group's property development project through an entrusted loan agreement administrated by a bank. The loan will mature on 7 July 2018. The loan carries fixed interest at 7.5% per annum and it is secured by the borrower's receivables on the Group's property development project.

The Group allows an average credit period of 90 days to its corporate hotel customers and generally grants no credit period to property buyers and tenants unless it is specifically approved.

The following is an ageing 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 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Within 90 days	17,876	12,800
Within 91–180 days	59	5,300
Over 180 days	8,717	5,998
	26,652	24,098

NOTES TO THE CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**12. TRADE AND OTHER PAYABLES AND DEFERRED REVENUE**

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Trade and other payables recognised as current liabilities		
Trade payables	595,217	469,809
Accrued expenditure on properties under development for sale	2,675,761	2,861,832
Amounts due to former shareholders of the Company's former subsidiaries (note (i))	162,355	158,120
Receipts from customers for payment of expenses on their behalf	50,865	56,952
Rental deposits and receipt in advance from tenants	170,991	193,160
Interest payables	237,272	82,200
Payables to the Shanghai government department (note (ii))	423,521	450,618
Provision for compensation expense in relation to settlement of a legal case (note (iii))	119,182	115,589
Deferred revenue (note (iv))	42,292	38,402
Accrued charges and other payables	591,903	614,729
Other taxes payables (note (v))	70,150	132,417
	5,139,509	5,173,828
Deferred revenue recognised as non-current liabilities		
Deferred revenue (note (iv))	202,214	195,776

Notes:

- (i) The amounts are non-trade in nature, interest-free and repayable on demand.
- (ii) The amount represents the receipts of approximately HK\$1,680,011,000 (31 December 2016: HK\$1,669,228,000) from the purchasers of affordable housings which were collected on behalf of Shanghai government department and not yet paid to it, net of receivable of approximately HK\$1,256,490,000 (31 December 2016: HK\$1,218,610,000) for the construction and other related costs and the agreed profit margin of the affordable housings. The amount is repayable on demand. During the six months ended 30 June 2017, none was repaid to Shanghai government department.
- (iii) In prior years, the Group was in a legal proceeding with a purchaser of its subsidiary regarding the fulfilment of terms and actual performance of the disposal transaction that happened in year 2009. Pursuant to the commitment letter issued by a subsidiary of the Group (the "Seller") to the purchaser, after receiving consideration from the purchaser, the Seller assumed certain liabilities of the subsidiary being disposed of and agreed to settle these liabilities, which would in turn discharge the purchaser's obligation to pay these liabilities. However, the Seller did not settle the liabilities in full in previous years. A court in Beijing of the PRC had made a judgment and ruled that the Seller was required to settle the liabilities of approximately RMB90,333,000 and pay damages of approximately RMB13,188,000 to the purchaser. As at 30 June 2017 and 31 December 2016, these amounts were not yet settled but were fully provided for.
- (iv) The balances represent current and non-current portion of the deferred revenue arising from the Group's sales and operating leaseback arrangements.
- (v) Other taxes payables comprise urban real estate tax payable, city maintenance, construction tax payable, business tax payable and value-added tax payable.

NOTES TO THE CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**12. TRADE AND OTHER PAYABLES AND DEFERRED REVENUE (CONTINUED)**

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

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Within 30 days	68,822	13,372
Within 31–180 days	194,900	278,946
Within 181–365 days	206,926	12,824
Over 365 days	124,569	164,667
	595,217	469,809

13. BANK AND OTHER BORROWINGS

During the six months ended 30 June 2017, the Group obtained new bank and other borrowings of approximately RMB833,883,000 (equivalent to approximately HK\$943,093,000) (six months ended 30 June 2016: RMB6,731,186,000 (equivalent to approximately HK\$7,997,132,000)). As at 30 June 2017, the balances of banks and other borrowings carry variable interest ranging from 3.80% to 5.46% (31 December 2016: 2.23% to 7.07%) per annum and are payable from one to six years (six months ended 30 June 2016: one to ten years). The loans were obtained for the purpose of property project development of the Group.

During the six months ended 30 June 2017, the Group also repaid the bank and other borrowings of approximately RMB1,459,615,000, (equivalent to approximately HK\$1,650,775,000) (six months ended 30 June 2016: approximately HK\$2,826,000,000, RMB4,585,336,000 and US\$160,730,000, (in aggregate equivalent to approximately HK\$9,527,464,000)).

14. SHARE CAPITAL

Ordinary shares of HK\$0.04 each.

Issued and fully paid

	Number of shares '000	Share capital HK\$'000
As at 1 January 2016, 30 June 2016 and 31 December 2016	4,811,273	192,451
Share repurchased and cancelled	(300)	(12)
As at 30 June 2017	4,810,973	192,439

NOTES TO THE CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**15. SHARE-BASED PAYMENT**

As at 30 June 2017, the number of shares of the Company in respect of which options had been granted and remained outstanding under the share option scheme was 41,750,000 (31 December 2016: 41,750,000), representing 0.87% (31 December 2016: 0.87%) of the shares of the Company in issue at that date. During the six months ended 30 June 2017 and 2016, no options were granted or expired. During the six months ended 30 June 2016, 1,000,000 options were forfeited and an amount of approximately HK\$1,165,000 was transferred from share option reserve to accumulated losses.

16. CAPITAL COMMITMENTS

Capital expenditure in respect of properties under development for sale:

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Contracted for but not provided for in the condensed consolidated financial statements		
— additions in properties under development for sale	3,325,603	2,186,789

17. CONTINGENT LIABILITIES**Corporate guarantees**

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Guarantee given to banks in respect of banking facilities utilised by:		
— property buyers	2,153,799	2,349,884
— an entity controlled by Xuhui SASAC	168,087	163,019
— an entity and its subsidiary jointly held by a joint venture of the Group	763,297	391,916
	3,085,183	2,904,819

As at 31 December 2016, the total amount of loans and credit facilities obtained by the Group in respect of which guarantees were provided by Xuhui SASAC was approximately HK\$303,707,000. As at 30 June 2017, no loans and credit facilities obtained by the Group were guaranteed by Xuhui SASAC.

Guarantee given to banks in respect of banking facilities utilised by property buyers

The Group entered into agreements with certain banks with respect to mortgage loans provided to buyers of the Group's property units and made deposits as security to and gave guarantees on mortgage loans provided to the buyers by these banks under the agreements.

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 interests and penalties. Accordingly, no provision has been made in the condensed consolidated financial statements for these guarantees.

17. CONTINGENT LIABILITIES (CONTINUED)**Corporate guarantees (continued)*****Guarantee given to banks in respect of banking facilities utilised by an entity controlled by Xuhui SASAC and an entity and its subsidiary jointly held by a joint venture of the Group***

The Group entered into agreements with banks to provide corporate guarantees with respect to bank loans granted to an entity controlled by Xuhui SASAC. As at 30 June 2017, the maximum liability of the Group under such guarantees is the outstanding amount of the bank loans to the entity controlled by Xuhui SASAC of approximately HK\$168,087,000 (31 December 2016: HK\$163,019,000).

The Group entered into agreements with a bank to provide corporate guarantees with respect to bank loans granted to an entity and its subsidiary, collectively as a group, jointly held by a joint venture of the Group. As at 30 June 2017, the maximum liability of the Group under such guarantees is the outstanding amount of the bank loans to an entity and its subsidiary jointly held by a joint venture of the Group of approximately HK\$763,297,000 (31 December 2016: HK\$391,916,000).

In determining whether financial liabilities should be recognised in respect of the Group's financial guarantee contracts, the directors of the Company exercise judgement in evaluation of the probability of resources outflow that will be required and the assessment of whether a reliable estimate can be made of the amount of the obligation. In the opinion of the directors of the Company, the possibility of default by these parties is remote given their financial background and the quality of assets. Accordingly, no provision has been made in the condensed consolidated financial statements for these guarantees.

In the opinion of the directors of the Company, the fair values of the aforementioned financial guarantee contracts of the Group are insignificant at initial recognition.

18. RELATED PARTY TRANSACTIONS

- (i) Save as disclosed elsewhere in these condensed consolidated financial statements, during the period, the Group had the following significant transactions with related parties:

Related party	Nature of transactions	Six months ended 30 June	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Ultimate holding company	Interest expenses	—	(15,492)
Entities controlled by SIHL	Interest expenses	—	(67,544)
Entity controlled by an independent non-executive director ("INED") of SIHL (Note)	Rental expenses, rate and management fee	—	(3,116)
Associates	Property agency fee	(23,720)	(24,584)
	Rental income	629	697
	Interest income	—	708
	Management fee	(276)	—
Non-controlling shareholders of a subsidiary	Interest expenses	(3,440)	(76)
	Management fee	(3,411)	(592)
An entity controlled by Xuhui SASAC	Interest expenses	(10,133)	(4,133)

Note: This INED of SIHL resigned as INED with effect from 30 June 2016.

NOTES TO THE CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**18. RELATED PARTY TRANSACTIONS (CONTINUED)****(ii) Compensation of key management personnel**

The remuneration of key management personnel of the Group, including amounts paid to the directors of the Company during the period, is as follows:

	Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Short-term employee benefits	6,363	5,771
Post-employment benefits	34	27
	6,397	5,798

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

(iii) Government-related entities

The Group itself is part of a larger group of companies under SIIC Group (SIIC and its subsidiaries are collectively referred to as "SIIC Group") which is controlled by the PRC government. The directors of the Company 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 of the Company 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 of the Company, these transactions are considered as individually and collectively insignificant to the operation of the Group during the six months ended 30 June 2017 and 2016.

19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Other than the financial assets carried at fair value as detailed in the following table and the available-for-sale investments carried at cost less impairment, the directors of the Company consider that the carrying amounts of other financial instruments that are recorded at amortised cost in those condensed consolidated financial statements approximate their fair values.

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	30 June 2017	31 December 2016		
Held-for trading investments	Listed equity securities in the PRC — HK\$4,187,000	Listed equity securities in the PRC — HK\$5,193,000	Level 1	Quoted bid prices in an active market
Available-for-sale investments	Listed equity securities in the PRC — HK\$186,466,000	Listed equity securities in the PRC — HK\$177,563,000	Level 1	Quoted bid prices in an active market

NOTES TO THE CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**20. DIVIDENDS**

Dividends recognised as distribution during the period:

	Six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
2016 final dividend declared — HK1.4 cents (2016: HK1.2 cents for year 2015)	67,358	57,735
2016 special dividend declared — HK1.9 cents (2016: HK1.6 cents for year 2015)	91,414	76,980

A final dividend and a special dividend of HK1.4 cents (2016: HK1.2 cents) per ordinary share and HK1.9 cents (2016: HK1.6 cents) per ordinary share respectively, in an aggregate amount of approximately HK\$158,772,000 (six months ended 30 June 2016: HK\$134,715,000), were declared and an amount of approximately HK\$157,103,000 was paid during the six months ended 30 June 2017 (six months ended 30 June 2016: HK\$133,264,000).

No 2017 interim dividends were proposed during the six months ended 30 June 2017, nor has any dividend been proposed since the end of the reporting period.

21. EVENT AFTER THE END OF THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group successfully bid the land use rights for a piece of land in Shanghai of the PRC and the details are set out in the Company's announcement dated 2 August 2017.