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(Shares – Stock Code: 563; Convertible bonds due 2011 – Stock Code: 2528)

**ANNOUNCEMENT OF FINAL RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

On behalf of the board of directors (the “Board”) of Shanghai Industrial Urban Development Group Limited (the “Company”), I am pleased to present the final results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2010:

<b>FINANCIAL HIGHLIGHT</b>	<b>For the year ended 31 December 2010</b>	<b>For the eight months ended 31 December 2009</b>	<b>Change %</b>
<b>Financial Highlights (HK\$'000)</b>			
Revenue	<b>4,110,291</b>	513,086	701.1
Loss attributable to equity shareholders of the Company	<b>(749,649)</b>	(2,106,392)	64.41
<b>Financial Information per share (HK cents)</b>			
Loss			
— Basic	<b>(32.55)</b>	(108.26)	
— Diluted	<b>(32.55)</b>	(127.84)	

	<b>As at 31 December 2010</b>	As at 31 December 2009	Change %
Pre-sale proceeds received from customers	<b>8,417,661</b>	8,763,402	(3.95)
<b>Financial Ratios</b>			
Net debt to shareholders' funds (%)	<b>37.2</b>	69.1	
Current ratio	<b>1.56</b>	1.50	

*Notes:* Net debt = total borrowings (including bank borrowings, loan payables, senior notes and convertible notes) less cash and cash equivalents and restricted bank deposits.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

	<i>NOTES</i>	<b>1.1.2010 to 31.12.2010 HK\$'000</b>	1.5.2009 to 31.12.2009 HK\$'000
Revenue	3	<b>4,110,291</b>	513,086
Cost of sales		<u><b>(3,476,750)</b></u>	<u>(448,138)</u>
Gross profit		<b>633,541</b>	64,948
Other income	4	<b>30,841</b>	20,450
Other gains and losses	5	<b>134,497</b>	(23,943)
Fair value changes on investment properties		<b>7,130</b>	(158,337)
Impairment loss in respect of inventories		<b>(178,326)</b>	(124,398)
Distribution and selling expenses		<b>(401,945)</b>	(252,359)
General and administrative expenses		<b>(566,800)</b>	(394,571)
Finance costs	6	<b>(359,661)</b>	(132,342)
(Loss)/gain on redemption of convertible loan notes		<b>(3,163)</b>	426,074
Share of losses of associates		<b>(3,244)</b>	(1,789)
Gain on disposal of subsidiaries		—	336,866
Loss on disposal of an associate		—	(5,100)
Impairment loss on assets classified as held for sale		<u>—</u>	<u>(1,790,000)</u>
Loss before tax		<b>(707,130)</b>	(2,034,501)
Income tax expense	8	<u><b>(128,778)</b></u>	<u>(149,798)</u>
Loss for the year/period	7	<u><b>(835,908)</b></u>	<u>(2,184,299)</u>
Other comprehensive income (expense) for the year/period			
Exchange differences on translation into presentation currency		<b>160,954</b>	(1,235)
Reclassification adjustment for realization of exchange differences transferred to profit or loss upon disposal of interest in subsidiaries		—	(145,234)
Reclassification adjustment for realization of exchange differences transferred to profit or loss upon disposal of interest in an associate		—	(22,681)
Reclassification adjustment for realization of revaluation gains transferred to profit or loss upon sale of completed properties held for sale		<u><b>(17)</b></u>	<u>(270)</u>
Other comprehensive income (expense) for the year/period		<u><b>160,937</b></u>	<u>(169,420)</u>
Total comprehensive expense for the year/period		<u><b>(674,971)</b></u>	<u>(2,353,719)</u>

		<b>1.1.2010 to 31.12.2010</b>	1.5.2009 to 31.12.2009
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the year/period attributable to:			
Owners of the Company		(749,649)	(2,106,392)
Non-controlling interests		<u>(86,259)</u>	<u>(77,907)</u>
		<u><b>(835,908)</b></u>	<u><b>(2,184,299)</b></u>
Total comprehensive expense attributable to:			
Owners of the Company		(607,721)	(2,275,812)
Non-controlling interests		<u>(67,250)</u>	<u>(77,907)</u>
		<u><b>(674,971)</b></u>	<u><b>(2,353,719)</b></u>
Loss per share			
Basic (HK cents)	9	<u><b>(32.55)</b></u>	<u><b>(108.26)</b></u>
Diluted (HK cents)		<u><b>(32.55)</b></u>	<u><b>(127.84)</b></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AT 31 DECEMBER 2010*

	<i>NOTES</i>	<b>2010</b>	2009
		<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Non-current Assets</b>			
Investment properties		<b>3,003,575</b>	2,949,328
Property, plant and equipment		<b>857,660</b>	740,362
Prepaid lease payments		<b>85,856</b>	85,238
Interest in an associate		<b>330,401</b>	328,380
Amount due from an associate		<b>80,292</b>	—
Restricted bank deposits		<b>54,191</b>	55,023
Derivative financial instruments			
— Redemption Right of the Issuer		—	600
Deferred tax assets		—	24,142
		<b><u>4,411,975</u></b>	<u>4,183,073</u>
<b>Current Assets</b>			
Inventories		<b>18,042,959</b>	14,462,055
Loan receivables		—	412,626
Trade and other receivables	<i>11</i>	<b>702,770</b>	783,926
Prepaid lease payments		<b>2,339</b>	2,300
Amount due from an associate		—	77,602
Consideration receivables for disposal of assets		<b>21,381</b>	1,370,386
Prepaid income tax and land appreciation tax		<b>362,895</b>	339,673
Bank balances and cash		<b><u>2,381,542</u></b>	<u>1,627,196</u>
		<b>21,513,886</b>	19,075,764
Assets classified as held for sale		—	<u>2,732,943</u>
		<b><u>21,513,886</u></b>	<u>21,808,707</u>

	<i>NOTES</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
<b>Current Liabilities</b>			
Trade and other payables	12	2,358,019	1,918,894
Amounts due to non-controlling shareholders		52,347	48,055
Amounts due to related companies		2,466	2,466
Consideration payables for acquisition of subsidiaries		350,262	443,592
Pre-sale proceeds received on sales of properties		8,417,661	8,763,402
Bank borrowings		120,901	702,240
Loan payables		1,471,810	1,402,200
Derivative financial instruments — Warrants		16,600	29,600
Income tax and land appreciation tax payable		998,891	1,238,927
Dividend payable		6,423	6,473
Convertible loan notes		2,607	—
		<u>13,797,987</u>	<u>14,555,849</u>
Liabilities associated with assets classified as held for sale		<u>—</u>	<u>835</u>
		<u>13,797,987</u>	<u>14,556,684</u>
<b>Net Current Assets</b>		<u>7,715,899</u>	<u>7,252,023</u>
<b>Total Assets less Current Liabilities</b>		<u>12,127,874</u>	<u>11,435,096</u>
<b>Non-current Liabilities</b>			
Bank borrowings		514,408	768,064
Convertible loan notes		—	62,136
Senior notes		2,974,260	2,942,803
Deferred tax liabilities		996,924	1,002,111
		<u>4,485,592</u>	<u>4,775,114</u>
		<u>7,642,282</u>	<u>6,659,982</u>
<b>Capital and Reserves</b>			
Share capital		105,173	77,826
Reserves		7,017,806	5,995,603
Equity attributable to owners of the Company		7,122,979	6,073,429
Non-controlling interests		519,303	586,553
		<u>7,642,282</u>	<u>6,659,982</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

### 1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited company and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Following the capital reorganization during the year, Shanghai Industrial Holdings Limited (“SIHL”) has become the parent of the Company. Its ultimate parent is Shanghai Industrial Investment (Holdings) Company Limited (“SIIC”), a private limited company incorporated in Hong Kong.

The principal activities of the Group are property development, property investment and hotel operations in the PRC.

The consolidated financial statements are presented in Hong Kong dollars as the Company is listed on the Stock Exchange, where most of its investors are located in Hong Kong. The functional currency of the Company is Renminbi (“RMB”).

Pursuant to the board of directors’ meeting on 11 December 2009, the financial year end date of the Group and the Company had been changed from 30 April to 31 December in order to bring the annual reporting period end date of the Group in line with that of its major operating subsidiaries engaged in the business of property development. As a result, the comparative figures (which cover a period of eight months from 1 May 2009 to 31 December 2009) for the consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and related notes to the consolidated financial statements are not comparable with those of the current period which covers a twelve-month period from 1 January 2010 to 31 December 2010.

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HK-Int 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

#### **HKAS 27 (as revised in 2008) Consolidated and Separate Financial Statements**

The application of HKAS 27 (as revised in 2008) has resulted in changes in the Group’s accounting policies for changes in ownership interests in subsidiaries of the Group.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires the Group to derecognize all assets, liabilities and non-controlling interests at their carrying amounts and to recognize the fair value of the consideration received. Any retained interest in the former subsidiary is recognized at its fair value at the date control is lost. The resulting difference is recognized as a gain or loss in profit or loss.

The application of the other new and revised Standards and Interpretations in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised Standards, Amendments and Interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 <sup>1</sup>
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets <sup>3</sup>
HKFRS 9	Financial Instruments <sup>4</sup>
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets <sup>5</sup>
HKAS 24 (as revised in 2009)	Related Party Disclosures <sup>6</sup>
HKAS 32 (Amendments)	Classification of Rights Issues <sup>7</sup>
HK (IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement <sup>6</sup>
HK (IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2010.

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2011.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2013.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2012.

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2011.

<sup>7</sup> Effective for annual periods beginning on or after 1 February 2010.

The amendments to HKAS 12 titled Deferred Tax: Recovery of Underlying Assets mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors anticipate that the application of the amendments to HKAS 12 may have a significant impact on deferred tax recognized for investment properties that are measured using the fair value model. The Group is in the process of making an assessment of the impact of the amendments to HKAS 12.

The directors of the Company anticipate that the application of the other new or revised Standards, Amendments or Interpretations will have no material impact on the financial performance and financial position of the Group.

### 3. REVENUE

Revenue represents revenue from sale of properties (net of business tax), rental income from leasing of properties (net of business tax) and revenue from hotel operations (net of business tax).

An analysis of the Group's revenue for the year/period is as follows:

	<b>1.1.2010 to 31.12.2010 HK\$'000</b>	1.5.2009 to 31.12.2009 HK\$'000
Revenue from sale of properties	4,033,379	477,796
Rental income from leasing of properties	17,278	7,345
Revenue from hotel operations	<u>59,634</u>	<u>27,945</u>
	<u><b>4,110,291</b></u>	<u>513,086</u>

### 4. OTHER INCOME

	<b>1.1.2010 to 31.12.2010 HK\$'000</b>	1.5.2009 to 31.12.2009 HK\$'000
Government unconditional subsidies	16,186	5,980
Interest income on bank deposits	13,884	9,469
Interest charged on delay in refund of deposits in respect of the cancellation of acquisition of a company	—	3,762
Others	<u>771</u>	<u>1,239</u>
	<u><b>30,841</b></u>	<u>20,450</u>

### 5. OTHER GAINS AND LOSSES

	<b>1.1.2010 to 31.12.2010 HK\$'000</b>	1.5.2009 to 31.12.2009 HK\$'000
Exchange gain on senior notes	102,026	—
Gain on fair value change of derivative financial instruments	12,400	3,100
Other net exchange gain	20,071	3,487
Net gain (loss) on disposal of investment properties	—	(23,639)
Net loss on disposal of property, plant and equipment	—	(51)
Impairment loss in respect of trade and other receivables	<u>—</u>	<u>(6,840)</u>
	<u><b>134,497</b></u>	<u>(23,943)</u>

## 6. FINANCE COSTS

	<b>1.1.2010 to 31.12.2010 HK\$'000</b>	1.5.2009 to 31.12.2009 HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	47,724	66,025
Bank borrowings wholly not repayable within five years	41,556	18,728
Loan payables	246,592	227,785
Convertible loan notes	4,634	14,015
Senior notes	<u>335,657</u>	<u>223,097</u>
Total borrowing costs	676,163	549,650
Less: amount capitalized under properties under development	<u>(316,502)</u>	<u>(417,308)</u>
	<u><b>359,661</b></u>	<u><b>132,342</b></u>

Borrowing costs capitalized during the year arose on the general borrowing pool and are calculated by applying a capitalization rate of 10.8% (1.5.2009 to 31.12.2009: 12.7%) per annum to expenditure on qualifying assets.

## 7. LOSS FOR THE YEAR/PERIOD

	<b>1.1.2010 to 31.12.2010 HK\$'000</b>	1.5.2009 to 31.12.2009 HK\$'000
Loss for the year/period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	<b>43,185</b>	29,805
Less: depreciation capitalized into properties under development	<u>(655)</u>	<u>(937)</u>
	<b>42,530</b>	28,868
Amortization of prepaid lease payments	<b>2,339</b>	1,533
Auditors' remuneration	<b>4,300</b>	4,100
Gross rental income from properties ( <i>note</i> )	<b>(17,278)</b>	(7,345)
Less:		
operating expenses	<u>4,533</u>	<u>2,780</u>
	<b>(12,745)</b>	(4,565)
Directors' remuneration	<b>48,308</b>	14,695
Other staff costs		
Retirement benefit scheme contributions	<b>9,504</b>	6,319
Equity-settled share-based payment expenses	<b>37,349</b>	9,219
Salaries, wages and other benefits	<u>111,464</u>	<u>86,782</u>
	<b>158,317</b>	102,320
Total staff costs	<u>206,625</u>	117,015
Less: staff costs capitalized into properties under development	<u>(24,861)</u>	(20,020)
	<b>181,764</b>	96,995
Cost of properties held for sale recognized as an expense	<u>3,459,998</u>	437,015
Cost of inventories for hotel operations recognized as an expense	<u>10,592</u>	<u>12,127</u>

*Note:* Including contingent rental income of HK\$8,327,000 (2009: HK\$2,052,000) from investment properties.

## 8. INCOME TAX

Taxation in the consolidated statement of comprehensive income represents:

	<b>1.1.2010 to 31.12.2010 HK\$'000</b>	1.5.2009 to 31.12.2009 HK\$'000
Current tax:		
PRC EIT	<b>92,412</b>	196,940
PRC LAT	<b>84,103</b>	32,129
	<b><u>176,515</u></b>	<u>229,069</u>
Under(over)provision in prior periods:		
PRC EIT	<b>41,630</b>	—
PRC LAT ( <i>note</i> )	<b>(74,878)</b>	—
	<b><u>(33,248)</u></b>	<u>—</u>
Deferred tax	<b><u>(14,489)</u></b>	<u>(79,271)</u>
	<b><u><u>128,778</u></u></b>	<u><u>149,798</u></u>

*Note:* In 2010, a group entity completed the tax clearance of a property project in Beijing and resulted in an overprovision of LAT of approximately HK\$74,878,000, underprovision of related EIT of approximately HK\$18,720,000.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

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

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

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands, the Group is not subject to any income tax in Bermuda and the British Virgin Islands in respect of the year ended 31 December 2010 (1.5.2009 to 31.12.2009: Nil).

## 9. LOSS PER SHARE

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

	<b>1.1.2010 to 31.12.2010 HK\$'000</b>	1.5.2009 to 31.12.2009 HK\$'000
<b>Losses</b>		
Loss for the purpose of basic loss per share:		
Loss for the year/period attributable to owners of the Company	<b>(749,649)</b>	(2,106,392)
Effect of dilutive potential ordinary shares:		
Interest on convertible loan notes (net of tax)	—	12,925
Gain recognized on the derivative component of convertible notes	—	(600)
Gain recognized on redemption of convertible notes	—	<u>(436,711)</u>
Loss for the purpose of diluted loss per share	<u><b>(749,649)</b></u>	<u>(2,530,778)</u>

### Number of shares

	<b>1.1.2010 to 31.12.2010 '000</b>	1.5.2009 to 31.12.2009 '000
Weighted average number of ordinary shares for the purpose of basic loss per share	<b>2,303,408</b>	1,945,640
Effect of dilutive potential ordinary shares:		
Convertible loan notes	—	<u>33,883</u>
Weighted average number of ordinary shares for the purpose of diluted loss per share	<u><b>2,303,408</b></u>	<u>1,979,523</u>

The computation of diluted loss per share does not assume:

- (i) the conversion of the Company's outstanding convertible notes since their exercise would result in a decrease in loss per share for the year ended 31 December 2010; and
- (ii) the exercise of the Company's options/warrants because the exercise price of those option/warrants was higher than the average market price for the year ended 31 December 2010 and for the period from 1 May 2009 to 31 December 2009.

## 10. SEGMENT INFORMATION

Information reported to the Board of Directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services provided.

Specifically, the Group's operating segments under HKFRS 8 are as follows:

Property development — developing and selling commercial and residential properties in the PRC.

Property leasing — leasing office and residential premises in the PRC to generate rental income and to gain from the appreciation in the properties' values in the long term.

Hotel operations — engaging in renting of hotel room accommodation, leasing of commercial shopping arcades and the provision of food and beverage at restaurant outlets and other services and facilities such as telephone, guest transportation and laundry within hotel premises in the PRC. The Group commenced its hotel operation in July 2008.

### Segment revenue and results

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

#### For the year ended 31 December 2010

	Property development <i>HK\$'000</i>	Property leasing <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Total <i>HK\$'000</i>
REVENUE				
External sales	4,033,379	17,278	59,634	4,110,291
Inter-segment sales	—	—	1,603	1,603
Segment revenue	<u>4,033,379</u>	<u>17,278</u>	<u>61,237</u>	4,111,894
Eliminations				<u>(1,603)</u>
Group revenue				<u>4,110,291</u>
Segment (loss) profit	<u>(280,067)</u>	<u>501</u>	<u>(45,391)</u>	(324,957)
Unallocated finance costs				(338,285)
Unallocated other gains and losses				102,026
Unallocated corporate expenses				(85,785)
Gain on fair value changes on derivative financial instruments				12,400
Loss on redemption of convertible loan notes				(3,163)
Equity-settled share-based payment expenses				<u>(69,366)</u>
Loss before tax				<u>(707,130)</u>

**For the period from 1 May 2009 to 31 December 2009**

	Property development <i>HK\$'000</i>	Property leasing <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Total <i>HK\$'000</i>
REVENUE				
External sales	477,796	7,345	27,945	513,086
Inter-segment sales	<u>—</u>	<u>—</u>	<u>4,591</u>	<u>4,591</u>
Segment revenue	<u>477,796</u>	<u>7,345</u>	<u>32,536</u>	517,677
Eliminations				<u>(4,591)</u>
Group's Revenue				<u>513,086</u>
Segment loss	<u>(583,234)</u>	<u>(219,772)</u>	<u>(44,561)</u>	(847,567)
Unallocated finance costs				(103,330)
Unallocated other gains and losses				8,423
Unallocated corporate expenses				(49,891)
Gain on fair value changes on derivative financial instruments				3,100
Gain on redemption of convertible loan notes				426,074
Equity-settled share-based payment expenses				(13,076)
Impairment loss on assets classified as held for sale				(1,790,000)
Gain on disposal of subsidiaries				336,866
Loss on disposal of an associate				<u>(5,100)</u>
Loss before tax				<u>(2,034,501)</u>

Segment (loss) profit represents the (loss) profit from each segment without allocation of finance costs, unallocated other gains and losses, unallocated corporate expenses, gain on fair value changes on derivatives financial instruments, (loss) gain on redemption of convertible loan notes, equity-settled share-based payment expenses, impairment loss on assets classified as held for sale, gain on disposal of subsidiaries and loss on disposal of an associate. This is the measure reported to the Board of Directors of the Company for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

The Group does not allocate impairment loss on assets held for sale to segment result, whereas the related assets and liabilities of the assets/liabilities held for sales are allocated to segment assets/liabilities.

## Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segment as at 31 December:

### Segment assets

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
<b>Assets</b>		
Property development	20,052,311	19,386,601
Property leasing	3,095,927	3,066,882
Hotel operations	<u>811,077</u>	<u>815,331</u>
Total segment assets	23,959,315	23,268,814
Deferred tax assets	—	24,142
Prepaid income tax and land appreciation tax	362,895	339,673
Consideration receivables for disposal of assets	—	1,349,154
Derivative financial instruments	—	600
Unallocated bank and cash balances	1,436,264	733,465
Unallocated corporate assets	<u>167,387</u>	<u>275,932</u>
Consolidated assets	<u><u>25,925,861</u></u>	<u><u>25,991,780</u></u>

### Segment liabilities

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
<b>Liabilities</b>		
Property development	11,209,867	13,058,678
Property leasing	550,052	435,098
Hotel operations	<u>42,429</u>	<u>44,377</u>
Total segment liabilities	11,802,348	13,538,153
Convertible loan notes	2,607	62,136
Senior notes	2,974,260	2,942,803
Derivative financial instruments	16,600	29,600
Income tax and land appreciation tax payable	998,891	1,238,927
Deferred tax liabilities	996,924	1,002,111
Dividend payable	6,423	6,473
Unallocated loan payables	1,000,000	—
Unallocated corporate liabilities	<u>485,526</u>	<u>511,595</u>
Consolidated liabilities	<u><u>18,283,579</u></u>	<u><u>19,331,798</u></u>

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than deferred tax assets, prepaid income tax and land appreciation tax, consideration receivables for disposal of assets, derivative financial instruments, unallocated bank and cash balances and unallocated corporate assets; and
- all liabilities are allocated to operating segments other than convertible loan notes, senior notes, derivative financial instruments, income tax and land appreciation tax payable, deferred tax liabilities, dividend payable, unallocated loan payables and unallocated corporate liabilities.

### Other segment information

Amounts included in the measure of segment results and segment assets:

	<b>Property development</b>	<b>Property leasing</b>	<b>Hotel operations</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>For the year ended 31 December 2010</b>				
Fair value changes on investment properties	—	7,130	—	7,130
Interest income on bank deposits	4,521	325	38	4,884
Interest expenses	—	(21,376)	—	(21,376)
Depreciation of property, plant and equipment	(10,777)	(424)	(30,518)	(41,719)
Impairment loss in respect of inventory	(178,326)	—	—	(178,326)
Amortization of prepaid lease payments	—	—	(2,339)	(2,339)
Share of loss of associates	(3,244)	—	—	(3,244)
Interests in associates	330,401	—	—	330,401
Additions of property, plant and equipment	<u>6,106</u>	<u>—</u>	<u>125,842</u>	<u>131,948</u>

### For the period from 1 May 2009 to 31 December 2009

Fair value changes on investment properties	—	(158,337)	—	(158,337)
Interest income on bank deposits	4,308	700	27	5,035
Interest expenses	(10,283)	(18,729)	—	(29,012)
Depreciation of property, plant and equipment	(4,984)	(706)	(22,246)	(27,936)
Impairment loss in respect of inventory	(124,398)	—	—	(124,398)
Impairment loss on trade receivables	(6,840)	—	—	(6,840)
Amortization of prepaid lease payments	—	—	(1,533)	(1,533)
Share of loss of associates	(1,789)	—	—	(1,789)
Interests in associates	328,380	—	—	328,380
Assets classified held for sale	2,732,943	—	—	2,732,943
Additions of property, plant and equipment	<u>3,516</u>	<u>—</u>	<u>217,639</u>	<u>221,155</u>

## Revenue from major products and services

The analysis of the Group's revenue from property development, property leasing and hotel operations are set out in note 3.

## Geographical information

As all segments of the Group are operating in the PRC and customers are mostly all located in the PRC, no geographical information was disclosed.

## Information about major customers

For the year ended 31 December 2010 and the period from 1 May 2009 to 31 December 2009, there is no customer contributing more than 10% of total revenue.

## 11. TRADE AND OTHER RECEIVABLES

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Trade receivables	6,769	39,495
Other receivables	33,068	60,811
Advance payments to contractors	65,006	42,377
Prepaid sales commission	156,302	155,354
Prepaid other taxes	418,528	441,461
Deposits and prepayments	<u>23,097</u>	<u>44,428</u>
Total trade and other receivables	<u><u>702,770</u></u>	<u><u>783,926</u></u>

The Group allows an average credit period of 90 days to its corporate hotel customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the date of billing at the end of the reporting period. The analysis includes those classified as part of a disposal group held for sale.

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
0–90 days	661	16,442
91–180 days	—	6,284
>180 days	<u>6,108</u>	<u>16,769</u>
	<u><u>6,769</u></u>	<u><u>39,495</u></u>

## 12. TRADE AND OTHER PAYABLES

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Accrued expenditure on properties under development	1,765,031	1,054,251
Amounts due to former shareholders of the Company's former subsidiaries ( <i>note (a)</i> )	141,032	137,039
Retentions payable to contractors	1,766	1,712
Receipts from customers for payment of expenses on their behalf	99,799	98,168
Interest payable	143,148	199,085
Accrued charges and other payables	196,765	393,225
Other taxes payables ( <i>note (b)</i> )	<u>10,478</u>	<u>35,414</u>
	<u><b>2,358,019</b></u>	<u><b>1,918,894</b></u>

### *Notes:*

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

## LAND BANK DETAILS

Project	City	GFA (sq.m.)	Saleable GFA (sq.m.)	Completed GFA (sq.m.)	Under development (sq.m.)	Expected Completion Date	Future development (sq.m.)	Ownership (%)
American Rock	Beijing	523,833	454,610	454,610	—	Completed	—	100%
Youngman Point	Beijing	352,905	289,700	256,922	32,778	2007–2011, in phases	—	100%
West Diaoyutai	Beijing	250,836	220,647	175,682	—	2007–2011, in phases	44,965	90%
Yanjiao	Sanhe	460,000	433,333	—	—	2011–2013, in phases	433,333	100%
Laochengxiang	Tianjin	752,883	646,205	498,544	80,750	2006–2012, in phases	66,911	100%
Beichen	Tianjin	2,263,000	2,125,500	—	—	2012–2014, in phases	2,125,500	40%
Jiujiu Youth City	Shanghai	213,755	162,888	140,720	22,168	2009–2012, in phases	—	100%
Mei Long Nanfang Shangcheng	Shanghai	421,300	421,300	—	—	—	421,300	25%
Neo Water City	Xian	3,534,736	3,205,699	467,322	1,441,165	2008–2013, in phases	1,297,212	72%
Tai Yuan Street	Shenyang	244,950	216,215	—	216,215	2010–2012, in phases	—	80%
Top City	Chongqing	802,532	745,080	523,533	221,547	2008–2012, in phases	—	100%
Park Avenue	Chengdu	625,670	521,836	—	295,482	2011–2013, in phases	226,354	100%
Forest Garden	Changsha	1,073,600	1,005,862	157,136	93,197	2007–2013, in phases	755,529	67%
Qi Ao Island	Zhuhai	1,090,000	770,000	—	—	2012–2014, in phases	770,000	100%
Phoenix Tower	Shenzhen	<u>106,190</u>	<u>79,391</u>	<u>79,391</u>	<u>—</u>	Completed	<u>—</u>	91%
Total		<u>12,716,190</u>	<u>11,298,266</u>	<u>2,753,860</u>	<u>2,403,302</u>		<u>6,141,104</u>	

## MANAGEMENT DISCUSSION AND ANALYSIS

As a review of 2010, the Group has successfully completed its equity interest re-organization. Since SIHL completed acquisition and became the controlling shareholder of the Group on 24 June, our financial position has been enhanced significantly. The Group has also completed the reorganization of the Board in the same year, under which a brand new management concept was introduced and the development direction as well as operation strategies were determined, laying a solid foundation for the Group's future development.

The Group's real estate business includes property development and property investment of residential and commercial properties, establishing a solid foundation in real estate industry over past years, with projects spanning in key cities nationwide. SIHL is devoted to create a strong core business, placing its focus on the sectors of real estate, infrastructure facilities and consumer products. As the controlling shareholder, SHIL and the Group could create synergy of complementation, thereby creating a favorable strategic deployment for the business segment for both parties. Under the name of the excellent "Shanghai Industrial" brand, the Group is set to become an important real estate business platform for SIHL.

## **Business Review**

For the year ended 31 December 2010, the Group's revenue for the year amounted to HK\$4.11 billion (for the eight months ended 31 December 2009: HK\$510 million), representing an year-on-year increase of 701.1%. During the year, most of the sales income were generated from three projects, namely Laochengxiang in Tianjin, Jiujiu Youth City in Shanghai and Youngman Point in Beijing, which accounted for approximately 58%, 29% and 11% respectively.

Loss attributable to shareholders amounted to HK\$750 million, representing a significant improvement from the loss of HK\$2.11 billion last year. It was mainly due to the satisfactory sales result. The selling cost has recorded a significant decline as compared to income, while recurring monthly administrative cost dropped, thereby the financing cost was also lowered correspondingly upon the decline of liability level. In 2010, the basic loss per share was HK32.55 cents, and the diluted loss per share was HK32.55 cents (for the eight months ended 31 December 2009: basic loss per share of HK108.26 cents and diluted loss per share of HK127.84 cents).

In January 2010, the Group increased its interests in the Yanjiao Project by 10% at a total consideration of RMB25 million (equivalent to approximately HK\$28 million). After the completion of the transaction, the Group held the entire interests in the Yanjiao Project. In October of the same year, the Group successfully bid for the land use right of a land in Mei Long Nanfang Shangcheng in Shanghai at a total consideration of RMB2.429 billion (equivalent to approximately HK\$2.813 billion) with Shanghai Urban Development (Group) Co., Ltd\* (上海城開 (集團) 有限公司) and Urban Development Green Carbon (Tianjin) Equity Investment Fund Joint Venture\* (城開綠碳 (天津) 股權投資基金合夥企業) via tendering. The total site area of the project was 87,246 sq.m, and a salable area of approximately 421,300 sq.m. The Group has a 25% interest in this project.

During the year, the Company successfully raised HK\$1.586 billion via issuing new shares to SIHL, which in turn enhanced our financial position and led to a significant improvement in our liability level. In December 2010, the Group has repaid RMB1.2 billion loan and all of its interests involved in the Zhuhai project. The net borrowing ratio decreased from 69.1% on 31 December 2009 to 37.2% on 31 December 2010. As at 31 December 2010, the Group's cash and cash equivalents amounted to HK\$2.382 billion (31 December 2009: HK\$1.627 billion). The net asset value was HK\$7.64 billion in aggregate (31 December 2009: HK\$6.66 billion), and the current ratio was approximately 1.56 (31 December 2009: 1.50).

## **Dividend**

The Board does not recommend the payment of any final dividend for the year ended 31 December 2010 (for the eight months ended 31 December 2009: Nil).

## **Outlook**

In 2011, although China's real estate industry will encounter various challenges, including inflationary risk, interest rate movement, surge of raw material costs and soaring salary, the Group is still confident about the middle-to-long-term development of the industry. With sustained urbanization and continuous

increase in national income, the demand for quality housing in China will be increased correspondingly. It is believed that the real estate industry will remain in the growth trend in future. The Group's financial position is becoming more solid. Under the leadership of the new management team, the tightening policies adopted in previous years will be altered to pursuit progressive business expansion.

In the coming year, the Group will accelerate the construction progress of existing projects and the pace of product sales, and raise the quality of our products, actively capturing the market shares in regions where our projects are currently located. Neo Water City in Xian will still remain as the major source of pre-sale income, launching both residence and villa. Followed by the Park Avenue in Chengdu, the Top City project in Chongqing and the Jiujiu Youth City in Shanghai, which will all launch new units for sale.

Leveraging the strong competitiveness of SIHL, the Group receives strong support on various aspects such as capital, talents and brand. Looking forward, the Group will actively capture opportunity and seek for potential acquisition target, aiming to become the leader of China's real estate industry with our business focus put on the Yangtze River Delta and vision placed towards all major cities nationwide.

## **CORPORATE GOVERNANCE REPORT**

The Board is pleased to present this Corporate Governance Report in the Company's annual report for the year ended 31 December 2010.

### **Code Of Corporate Governance**

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2010 except for the following:

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

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

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

In accordance with the provisions of the bye-laws of the Company, all directors appointed by the Board during the year shall retire and submit themselves for re-election at general meeting. Furthermore, at each annual general meeting, one-third of the directors for the then time being, or if their number is not three or multiple of three, then the number nearest to but not less than one-third, shall retire from office. The directors to retire by rotation shall be those who have been longest in office since their last re-election or appointment. Details of the arrangement for the year

under review are set out in the Company circular dated 1 April 2011. In view of the existing retirement and re-election requirements of the directors of the Company, the Company considers that it has taken up sufficient measures to comply with the provision as set out in Code A.4.1.

(b) *Provision E.1.2 of the Code (“Code E.1.2”)*

Code E.1.2 specifies that the chairman of the board should attend the annual general meeting.

Mr. Liu Yi, the chairman of the Board has been heavily involved in the business operations of the Group in the PRC and so he was unable to attend the Company’s 2010 annual general meeting held on 28 May 2010. Mr. Gao Ling, the former chairman of the Audit Committee and the Remuneration Committee was unable to attend the said meeting due to urgent business engagement.

## **COMPOSITION OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS OF THE COMPANY**

As a result of the passing away of Mr. Zhang Qing Lin on 19 February 2010, the Company only had two independent non-executive directors and two Audit Committee members, namely Ms. Nie Mei Sheng and Mr. Gao Ling, and accordingly did not meet the requirements under rule 3.10(1) and rule 3.21 of the Listing Rules for the interim period from 19 February 2010 to 4 July 2010. On 5 July 2010, Mr. Doo Wai-Hoi, William, Dr. Wong Ying Ho, Kennedy, Mr. Fan Ren Da, Anthony and Mr. Li Ka Fai, David were appointed as independent non-executive directors, with Ms. Nie Mei Sheng and Mr. Gao Ling resigned as independent non-executive directors on the same date.

## **AUDIT COMMITTEE**

An Audit Committee has been established. It currently consists of four independent non-executive directors, namely Mr. Doo Wai-Hoi, William, Dr. Wong Ying Ho, Kennedy, Mr. Fan Ren Da, Anthony and Mr. Li Ka Fai, David (as Chairman). Before 5 July 2010, the Audit Committee consisted of two members namely Ms. Nie Mei Sheng and Mr. Gao Ling.

The main responsibilities of the Audit Committee are:

1. to review the accounting principles and practices adopted by the Group;
2. to review the financial reporting process and internal control system of the Group; and
3. to review the independence and objectivity of the external auditors, the scope of audit services and related audit fees payable to the external auditors.

There were four Audit Committee meetings held for the year ended 31 December 2010. The Chairman of the Audit Committee, Mr. Li Ka Fai, David, possesses relevant financial management expertise and meets the requirements of rule 3.21 of the Listing Rules.

During the year ended 31 December 2010, the Audit Committee reviewed the independence and objectivity of the external auditors, the scope of audit services and related audit fees payable to the external auditors for the Board's approval. The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the financial statements for the year ended 31 December 2010.

## **LIQUIDITY AND CAPITAL RESOURCES**

As at 31 December 2010, the Group had cash and bank balances of approximately HK\$2.38 billion. Its net assets was about HK\$7.64 billion. The Group's current ratio was approximately 1.56. Consistent with industry practice, the Group monitors its capital structure on the basis of a gearing ratio. This ratio is calculated as net debt divided by total equity attributable to the equity shareholders of the Company. For this purpose, the Group defines net debt as total debt (which includes loans payable and bank borrowings, convertible notes and senior notes) less cash and cash equivalents. As at 31 December 2010, the group's gearing ratio was 37.9%.

The Board believes that liquid assets, funds and future revenue will be sufficient for future expansion and working capital requirements.

## **HUMAN RESOURCES AND REMUNERATION POLICIES**

As at 31 December 2010, the Group employed 586 employees (including Hong Kong and PRC offices) (31 December 2009: 622).

The emolument policy of the employees of the Group is set out by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emolument of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

Staff benefits include contributions to the Mandatory Provident Fund Schemes and discretionary bonus payments which are linked to the profit performance of the Group and individual performances.

The Group has always regarded its staff as its most invaluable asset. For the employment of new staff or maintenance of existing talents, the Group will formulate reasonable remuneration packages with reference to the economic environment and industry practices. The Group has established a share options scheme and other employee incentive schemes to encourage outstanding staff to continue to create value for the Group.

The Group also organizes annual internal conference including off-site meetings and exchanges among operation directors nationwide in order to raise morale and establish team spirit. Meanwhile, to cope with the ever-changing environment and raise our professional standards, the Group also provides training programs to good performing staff, advocating the spirit of life-long learning and preparing the establishment of the Group as an evergreen enterprise.

## **SHARE CAPITAL**

The Company's issued and fully paid share capital as at 31 December 2010 amounted to approximately HK\$105,170,000 divided into 2,629,332,189 ordinary shares of HK\$0.04 each.

During the year ended 31 December 2010, no convertible notes or warrants were converted into ordinary shares of the Company.

## **PRE-EMPTIVE RIGHTS**

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

## **SUFFICIENCY OF PUBLIC FLOAT**

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Company's directors.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

On 24 June 2010, the Company issued 683,692,000 ordinary shares of HK\$0.04 each to Novel Good, a wholly-owned subsidiary of SIH (an intermediate holding company of the Company as at 31 December 2010), at a price of HK\$2.32 per ordinary share. On 15 October 2010, the Company paid in aggregate approximately HK\$65,409,000 to redeem total principal amount of HK\$50,160,000 of the Company's zero coupon convertible bonds due 2011 in respect of which valid put option notices were received. Immediately after the said redemption, approximately HK\$2,000,000 in aggregate principal amount of Bonds remained outstanding. Save for the above, the Company confirms that neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2010.

## **AUDITORS**

Messrs. Deloitte Touche Tohmatsu resigned as auditor of the Company on 10 June 2008 while CCIF CPA Limited was appointed by the Board to fill the casual vacancy.

Following the resignation of Messrs. CCIF CPA Limited due to its merger of business with PCP CPA Limited, Crowe Horwath (HK) CPA Limited was appointed as the auditor of the Company to fill the casual vacancy on 18 January 2010.

Messrs. Crowe Horwath (HK) CPA Limited resigned as the auditor of the Company on 18 November 2010 while Messrs. Deloitte Touche Tohmatsu was appointed by the Board to fill the casual vacancy on 19 November 2010.

Apart from the foregoing, there were no other changes in auditors of the Company in any of the preceding three years.

Deloitte Touche Tohmatsu will retire and being eligible, offer itself for re-appointment. A resolution for the reappointment of Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the AGM.

## **APPRECIATION**

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

On behalf of the Board

**Cai Yu Tian**

*Chairman*

Hong Kong, 18 March 2011

*As at the date hereof, the Board comprises Mr. Cai Yu Tian, Mr. Ni Jian Da, Mr. Qian Shi Zheng, Mr. Zhou Jun, Mr. Yang Biao, Mr. Chen An Min and Mr. Jia Bo Wei as executive Directors and Mr. Doo Wai-Hoi, William, J.P., Dr. Wong Ying Ho, Kennedy, BBS, J.P., Mr. Fan Ren Da, Anthony and Mr. Li Ka Fai, David as independent non-executive Directors.*

\* *for identification purposes only*