



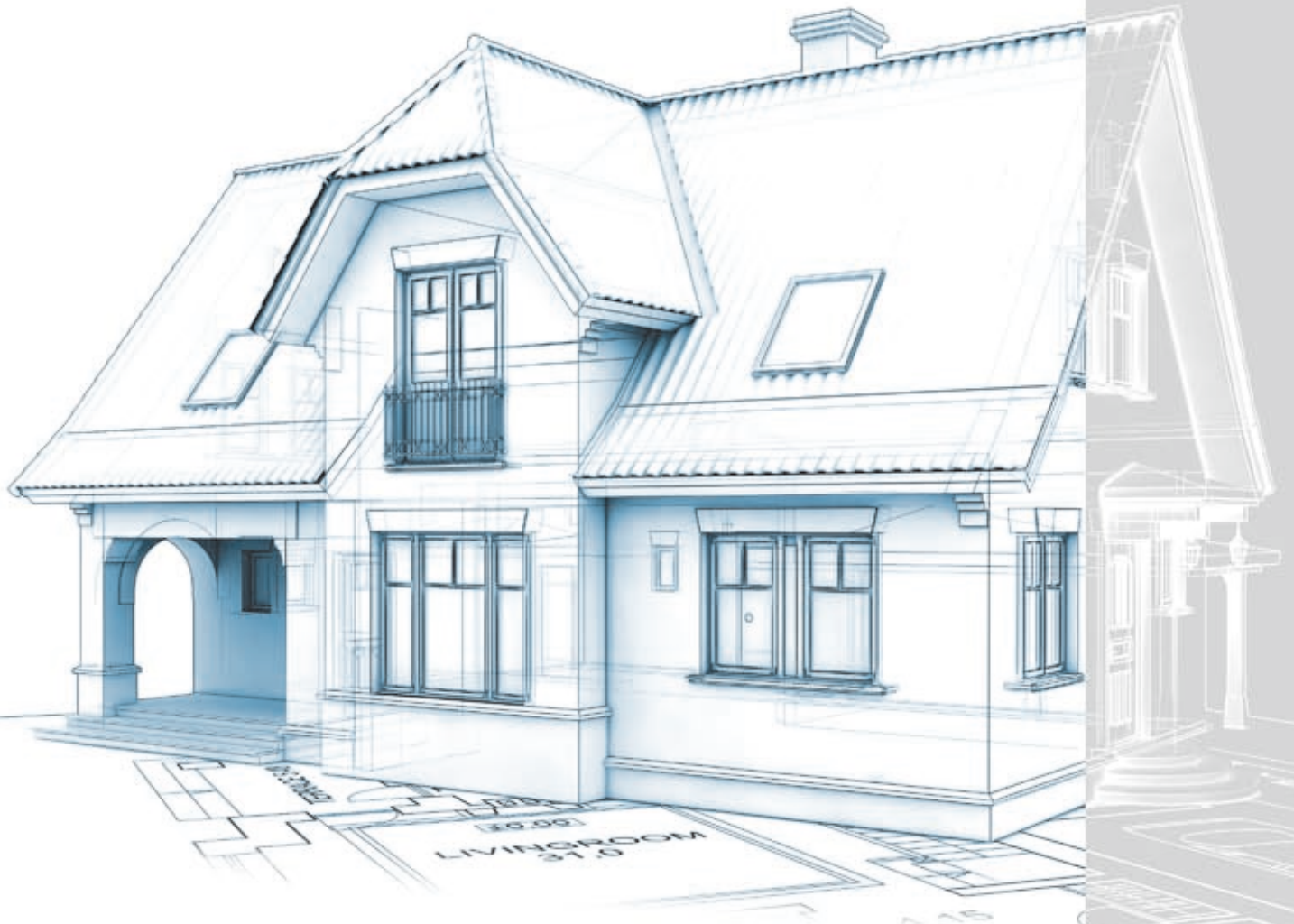
上海實業城市開發集團有限公司  
SHANGHAI INDUSTRIAL URBAN DEVELOPMENT GROUP LIMITED

(Incorporated in Bermuda with limited liability)  
Stock Code: 563



# Constructing Greater **Success**

Interim Report 2011



## The Company

Shanghai Industrial Urban Development Group Limited (“SIUD”) currently has 15 real estate projects in 11 cities in China, spanning many major cities including **Beijing, Sanhe, Shenyang, Tianjin, Shanghai, Xi’an, Chengdu, Chongqing, Changsha, Shenzhen** and **Zhuhai**. Most of the projects belong to middle- to high-end residential properties, and are already in the construction stage, presenting an excellent foundation for the Group’s long term development with a planned total gross floor area of over 12 million square meters.



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# Corporate Information

## Directors

### Executive Directors

Cai Yu Tian (*Chairman*)  
Ni Jianda  
Qian Shizheng  
Zhou Jun  
Yang Biao  
Chen Anmin  
Jia Bowei

### Independent Non-Executive Directors

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

## Authorized Representatives

Jia Bowei  
Chan Kin Chu, Harry

## Board Committees

### Audit Committee

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

### Remuneration Committee

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

### Nomination Committee

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

### Investment Appraisal Committee

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

## Company Secretary

Chan Kin Chu, Harry

## Principal Share Registrar and Transfer Office

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

## Hong Kong Branch Share Registrar and Transfer Office

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

## Legal Advisers

*As to Hong Kong Law*  
Jackson Woo & Associates in association with Ashurst  
Hong Kong

*As to Bermuda Law*  
Conyers Dill & Pearman

## Registered Office

Clarendon House  
Church Street  
Hamilton HM11  
Bermuda

## Head Office and Principal Place of Business

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

## Website

<http://www.siud.com>

## Principal Banker

The Hongkong and Shanghai Banking Corporation Limited

## Auditors

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)  
Zero Coupon Convertible Bonds due 2011  
(Code: 2528)



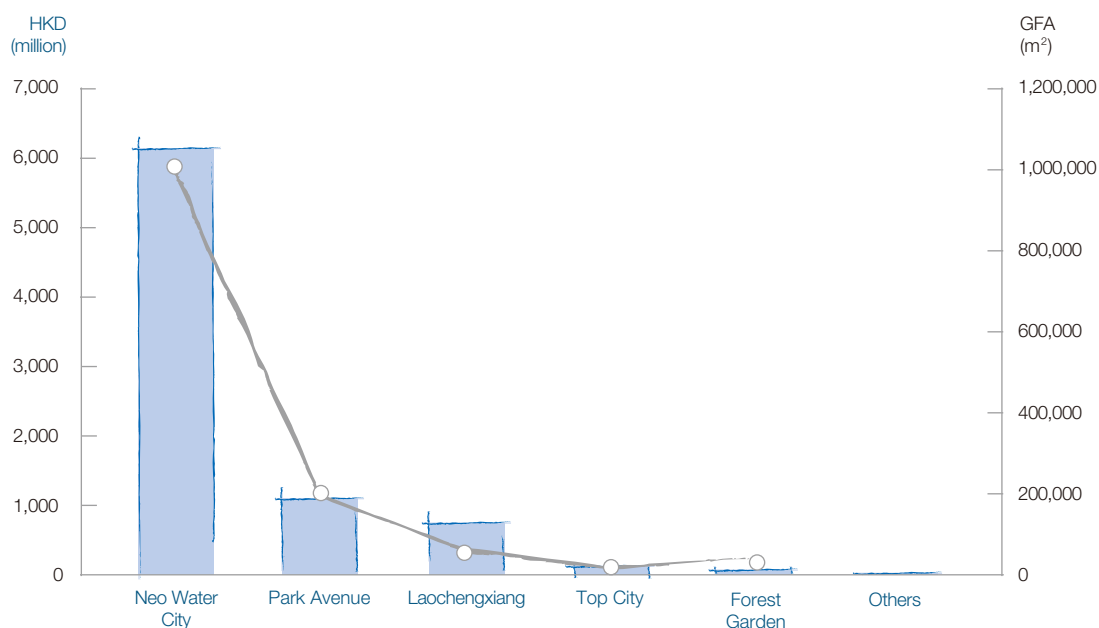
# Financial Highlights

	For the six months ended 30 June 2011	For the six months ended 30 June 2010	Change
<b>Financial Highlights (HK\$'000)</b>			
Revenue	882,472	2,417,334	(63%)
Profit/(Loss) attributable to equity shareholders of the Company	56,700	(645,597)	Turnaround
<b>Financial Information per share (HK cents)</b>			
Earnings (loss)			
– Basic	2.16	(32.74)	Turnaround
– Diluted	2.16	(32.74)	Turnaround

	As at 30 June 2011	As at 31 December 2010
<b>Pre-sale receipts from customers (HK\$'000)</b>	8,295,190	8,417,661
<b>Financial Ratios</b>		
Net debt to equity	59.7%	37.2%
Current ratio	1.48	1.56

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

## Analysis on Accumulated Pre-Sale Receipts from Customers



# Chairman's Statement

**By further integrating our resources, elevating our branding, improving management system and enhancing efficiency, as well as taking advantage of the capital market, the Group strives to become the real estates flagship enterprise under SIHL.**



**CAI Yu Tian**  
*Chairman*

The Group has achieved an encouraging progress in its resources integration and restructuring during the first half of 2011 and further optimized various corporate management systems, including the compliance management system. The operational headquarters has been relocated from Beijing to Shanghai. At the same time, quite a number of professional and experienced mid-to-high level managerial staff have been deployed to lead key project companies. The Group has also refined its business strategies to cope with the challenging real estates market in China, including strengthening strategic investment policies and proactively restructuring the business operations, laying a solid foundation for the next level of development.

The unaudited revenue of the Group for the six months ended 30 June 2011 amounted to HK\$882.4 million. The period has seen a profit attributable to equity owners of the Company of HK\$56.7 million compared to a loss for last year. Excluding revaluation gains, the Group reported a loss of HK\$286.0 million before taxation for the period. However, a significant improvement has been achieved compared to a loss of HK\$513.3 million before taxation for the same period of last year. In particular, in light of the current difficult operating environment, we have come a long way to deliver such results.

The business environment in the first six months of the year was continuously changing with increasingly fierce competition in the market. Property-buyers are paying more attention to the design and planning, transport facilities and brand value of housing estates. The Group is upgrading its properties by means of quality materials and improved facilities as we devote huge efforts to enhance the quality of our products and brand value of the Group. In addition, the management has also re-examined every detail of each project and repeatedly reviewed the tender process and the construction progress, seeking to maximize the return on investment of various projects and enabling property-buyers to experience the ideal home with value for money.

On April 14 of this year, the Group announced that it proposed to acquire 59% of the equity interest of Shanghai Urban Development (Holdings) Co., Ltd (“SUD”) held by Shanghai Industrial Holdings Limited (“SIHL”). SUD, established in 1996, is a renowned real estates enterprise in China which became the flagship real estate company under SIHL in 2007. SUD has 11 projects in various provinces and cities including Shanghai, Jiangsu, Hunan and Chongqing, with a planned total GFA of approximately 4.5 million sq.m., comprising mid- to high-end residential, commercial, hotel and integrated properties. Major projects under construction include Urban Cradle in Shanghai, Ivy Aroma Town in Chongqing, Royal Villa in Kunshan and Toscana in Changsha, etc. Future major development projects include Xujiahui Centre which is located in downtown Shanghai.

Upon completion of the transaction, SIUD’s land bank will be expanded to about 17 million sq.m. in first- and second-tier cities. This will help boost competitiveness of the Group in the long run. At the same time, the mid- to high-end residential projects of SUD will significantly optimize the assets portfolio of SIUD, which will greatly strengthen the operating capabilities of SIUD as a professional real estates developer. For SIHL, the parent company of SIUD, this transaction is a major initiative in integrating its real estates businesses, laying a foundation for building a unified operating and financing platform for the real estates businesses, to boost the operating scale and create synergy.

The impacts of the austerity measures of China on the real estates market are expected to continue in the second half of this year. The industry is gradually adopting the principle that the strongest survives. The competitive strengths of the Group lie in its large-scale quality land bank, strong background of its majority shareholder, capabilities to leverage the opportunities in the capital market, and potential to rise as a top player in the China real estates sector amid the unstable market. Looking forward, the Group will uphold its unfailing and uncompromising spirit, committing to develop more new projects for future sales. By further integrating our resources, elevating our branding, improving management system and enhancing efficiency, as well as taking advantage of the capital market, the Group strives to become the real estates flagship enterprise under SIHL.

On behalf of the Board, I hereby express my sincere gratitude to all the shareholders, staff and business partners for their support and dedication, and wish an abundant harvest for the Group and everyone to reap.



**CAI Yu Tian**  
*Chairman*

29 August 2011



# Management Discussion and Analysis

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

## Financial Review

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

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

## Business Review

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

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

In contrast, investment properties are less subject to changes of policies than residential properties. It can also bring steady cash flow for the Group. During the period under review, the Group has strategically increased the proportion of investment properties, with the total assets value increasing from HK\$3 billion to HK\$3.6 billion, and the year-on-year rental income has significantly increased by more than two times. It will facilitate the future sound development of the Group.

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



## Dividend

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

## Outlook

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

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

## Share Capital

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

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

## Liquidity and Capital Resources

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

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

## Human Resources and Remuneration Policies

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

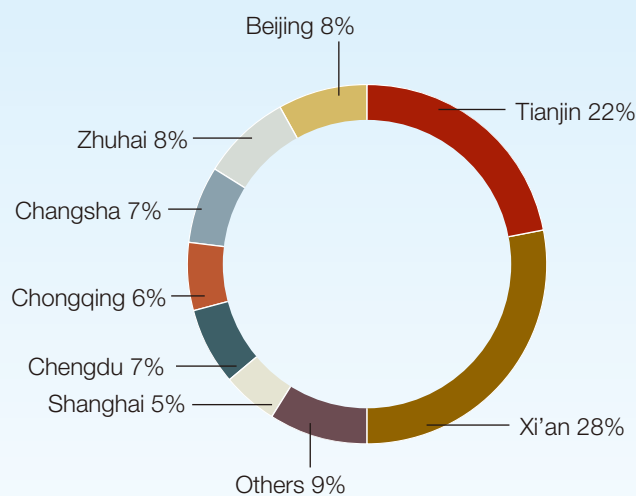
The Group has adopted a share option scheme as an incentive to directors and eligible employees. During the period, training programs relating to work were provided to employees. Activities aiming at building up team spirit were regularly organized for employees, so as to enhance the human capital of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

## Details of Group's Properties

Project	City	G.F.A. (sq.m.)	Saleable G.F.A. (sq.m.)	Completed G.F.A. (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	348,664	295,114	261,653	33,461	2007-2013, in phases	-	100%
West Diaoyutai	Beijing	250,930	230,802	181,514	-	2007-2013, in phases	49,288	90%
Yanjiao	Sanhe	666,600	666,600	-	-	2012-2014, in phases	666,600	100%
Laochengxiang	Tianjin	752,883	646,205	536,967	62,434	2006-2013, in phases	46,804	100%
Beichen	Tianjin	2,263,000	2,125,500	-	-	2012-2014, in phases	2,125,500	40%
Jiujiu Youth City	Shanghai	212,126	164,687	143,819	20,868	2009-2012, in phases	-	100%
Mei Long Nanfang Shangcheng	Shanghai	421,300	421,300	-	-	Planning	421,300	25%
Neo Water City	Xi'an	3,534,736	3,205,699	463,512	1,429,239	2008-2014, in phases	1,312,948	71.5%
Tai Yuan Street	Shenyang	239,651	198,551	-	198,551	2012-2014, in phases	-	80%
Top City	Chongqing	785,225	707,969	534,864	173,105	2008-2014, in phases	-	100%
Park Avenue	Chengdu	625,670	521,836	-	295,482	2011-2014, in phases	226,354	100%
Forest Garden	Changsha	895,705	864,842	190,529	53,690	2007-2014, in phases	620,623	67%
Qi Ao Island	Zhuhai	1,090,000	770,000	-	-	Planning	770,000	100%
Phoenix Tower	Shenzhen	106,190	79,391	79,391	-	Completed	-	91%
<b>Total</b>		<b>12,716,513</b>	<b>11,353,106</b>	<b>2,846,859</b>	<b>2,266,830</b>		<b>6,239,417</b>	

### Planned Total G.F.A. Breakdown (As at 30 June 2011)

#### By location



The Group has 15 projects in 11 cities, comprising mid- to high-end residential units, serviced apartments, hotels, commercial and office buildings. As at 30 June 2011, the total planned G.F.A. of the Group was approximately 12.72 million sq.m.

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



# Project Portfolio

## Beijing

### American Rock

**Address**

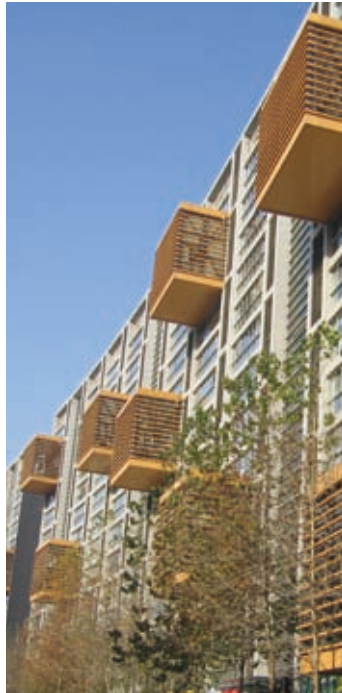
No. 16 Baiziwan Road, Chaoyang District, Beijing

**Type**

Residential/Commercial

**Characteristics**

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



### Youngman Point

**Address**

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

**Type**

Residential/Commercial

**Characteristics**

The project is situated in the junction of Qingnian Road, Chaoyang District and Chaoyang North Road, being close to the metroline # 6 which is under construction. It is opposite to the Chaobei Dayuecheng (朝北大悦城), a large-scale commercial complex in Chaoyang, only 3.8 km from the core of the central business district. The three sides of the project are greenbelts while the remaining side is next to a river, establishing a unique landscape. The entire development project is divided into three phases, of which Phase I and II completed and sold out, while Phase III has entered into the development stage.





## West Diaoyutai

### Address

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

### Type

Residential/ Serviced apartment

### Characteristics

The project is situated in the Western Third Ring (西三環), with Diaoyutai in the east and Kunyu River in the west, and its northern side is in proximity of the 137-hectare Yuyuan Pool (玉淵潭), enjoying the largest watery area in Beijing of 67 hectares. In respect of the scarcity of watery area in Beijing, such rare riverside landscape contributes to the excellence of the project. With the selling point of riverside luxury apartment, the project's target customer group is wealthy people. The entire project is divided into three phases, of which Phase I and Phase II have completed development and sales, while Phase III will be developed soon.

# Sanhe

## Yanjiao

### Address

Yanjiao Economic Technology Development Zone, Hebei Province

### Type

Residential/Commercial/Hotel

### Characteristics

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

### \* Artist's Impression



# Project Portfolio

## Shanghai

### Jiujiu Youth City

**Address**

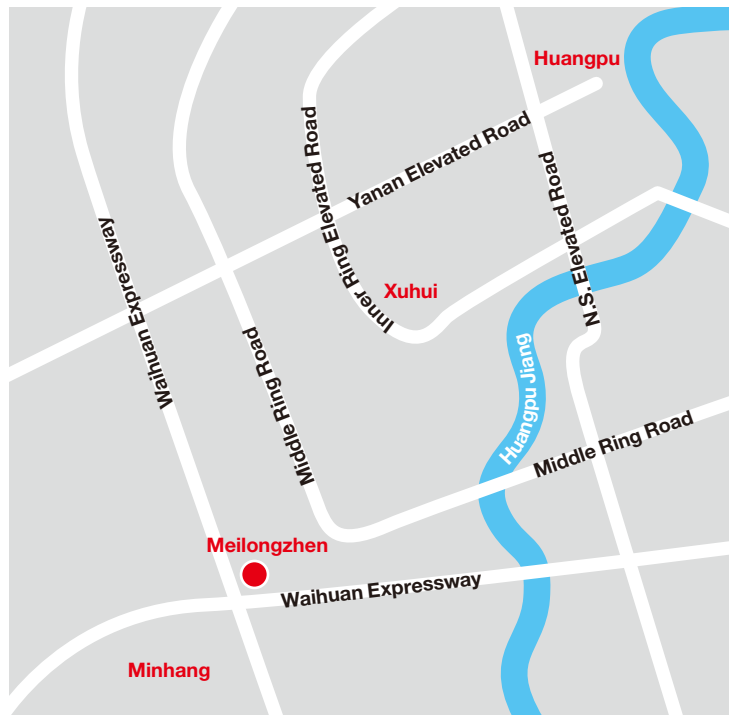
No. 1519 Husong Road,  
Jiuting Zhen, Songjiang District, Shanghai

**Type**

Residential/Commercial

**Characteristics**

The project is 40-km away from downtown Shanghai, and is located at the transportation hub of southwestern part of Shanghai. The project is located on the top of Jiuting Station of metroline # 9, which is the first station upon entering Songjiang from downtown area. The project comprises of eight blocks of small LOFT apartments, a block of office building, a block of mini residences and shops, possessing the characteristics of comprehensive hub of transportation exchange, pedestrian traffic and commercial and business complex. The project is divided into three phases for sale, of which Phase I and Phase II have been sold out, while Phase III will be open for sale in the second half of 2011.



### Mei Long Nanfang Shangcheng

**Address**

Nanfang Shangcheng, Mei Long Town, Minhang District, Shanghai

**Type**

Commercial/Hotel/Office

**Characteristics**

With close proximity with Humin Elevated Road, the project is situated in the major transportation access, and is planned to develop into a large comprehensive commercial property targeting the rapidly growing enterprises surrounding Minhang District. The project is now in the preliminary stage of preparation and design.



# Tianjin



## Laochengxiang

### Address

Lao Cheng Xiang Area, Nankai District, Tianjin

### Type

Residential/Commercial/Office/Hotel

### Characteristics

The project is situated in the core area of Tianjin with excellent location, and has become the landmark construction in the center of Tianjin. Being a large comprehensive community with residences, commercial buildings and hotels, the residential project includes villas, LOFT apartments and high-rise residences, etc.

## Beichen

### Address

Yixingfu Old Village, Tianjin

### Type

Residential/Commercial/  
Apartment/Hotel

### Characteristics

The project is a reconstruction plan of an old village, which is close to Beijing-Tianjin Intercity Railway and is situated in the transportation hub. It is planned to construct a comprehensive residential and commercial area with various types of properties. This large scale project is jointly developed by the Group and Wukuang Zhiye Company (五礦置業公司). The demolition and removal work for Phase I has been completed.

### \* Artist's Impression



# Project Portfolio

## Xi'an

### Neo Water City

**Address**

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

**Type**

Residential/Commercial/Hotel

**Characteristics**

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

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



## Chongqing



### Top City

**Address**

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

**Type**

Residential/Commercial/Office/Hotel

**Characteristics**

Situated in the center of downtown Chongqing, the project is settled in the premium area, which is the junction between Jiulongpo District and Yuzhong District, and is in close proximity to the monorail line # 2, the transportation vein of the city and Chongqing Olympics Sports Center (重慶奧體中心). With the combination of large commercial buildings, five-star hotel, offices and residences, the project is currently one of the largest complex property projects in downtown Chongqing. The project is designed by a renowned Canadian company with the integration of spacious concept embracing diversification, openness and internationalization, bringing the HOPSCA international lifestyle from the West into full play and making it a scarce urban complex with vivid characteristics in Chongqing.



# Shenyang

## \* Artist's Impression



## Tai Yuan Street

### Address

Taiyuan Business Avenue, Heping District, Shenyang

### Type

Hotel/Commercial/Serviced Apartment

### Characteristics

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

# Chengdu

## Park Avenue

### Address

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

### Type

Residential/Commercial

### Characteristics

Situated in the northern side of Guanghua Avenue in Chengdu with Jiangan River in the north, the project is only a few minutes away from downtown Chengdu. In general, the project adopts a layout with boundary formed by different groups, creating an ultra-wide interval among buildings with board view on all sides. Transportation network is also well developed with the access by metroline # 4, monorail and bus. The project is divided into two phases, of which Phase I is under construction.





## Project Portfolio

# Changsha

### Forest Garden

**Address**

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

**Type**

Residential/Commercial

**Characteristics**

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



# Shenzhen



### Phoenix Tower

**Address**

No. 2008, Shennan Road, Futian District, Shenzhen

**Type**

Office/Commercial/Apartment

**Characteristics**

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

# Zhuhai

\* Artist's Impression



## Qi Ao Island

### Address

Qi Ao Island, Tang Jia Gaoxin District, Zhuhai

### Type

Tourist resort/Commercial/High-end residential properties

### Characteristics

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

## Other Information

### Directors' and Chief Executive's Interests in Shares and Underlying Shares

As at 30 June 2011, the interests of the Directors and chief executive of the Company in the shares and underlying shares of the Company or any of its associated companies (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests 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 for Securities Transactions by Directors of Listed Issuers set out in the Listing Rules (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

#### (1) Long position

Name of director	Capacity	Number of issued ordinary shares held	Number of underlying shares subject to options granted <sup>1</sup>	Percentage of the issued share capital of the Company
Cai Yu Tian	Beneficial owner	–	9,000,000	0.34%
Ni Jianda	Beneficial owner	–	8,000,000	0.30%
Qian Shizheng	Beneficial owner	–	7,000,000	0.27%
Zhou Jun	Beneficial owner	–	7,000,000	0.27%
Yang Biao	Beneficial owner	–	7,000,000	0.27%
Chen Anmin	Beneficial owner	–	7,000,000	0.27%
Jia Bowei	Beneficial owner	–	7,000,000	0.27%
Doo Wai Hoi, William	Beneficial owner	–	1,000,000	0.04%
Wong Ying Ho, Kennedy	Beneficial owner	–	1,000,000	0.04%
Fan Ren Da, Anthony	Beneficial owner	–	1,000,000	0.04%
Li Ka Fai, David	Beneficial owner	–	1,000,000	0.04%

Note:

- These interests represented the interests in the underlying shares in respect of share options granted by the Company to these directors as beneficial owners, details of which are set out in the section headed "Share Options Scheme", of this Report.

Save as the disclosed above, as at 30 June 2011, none of the Directors or chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) and which were required to be entered into the register required to be kept under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.



## Share Option Scheme

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

As at 30 June 2011, the Company granted 91,000,000 shares options to subscribe for up to total of 91,000,000 ordinary shares of nominal value of HK\$0.04 each in the capital of the Company under the Share Option Scheme, representing 3.46% of the issued share capital of the Company as at 30 June 2011. Particulars of such share options and their movements during the six months period ended on 30 June 2011 were as follows:

Name of category	Date of Grant	Exercise price per share HK\$	Exercise Period <sup>1</sup>	Outstanding at 1.1.2011	Granted during the period	Exercised during the period	Cancelled during the period	Outstanding at 30.06.2011
<b>Directors</b>								
Cai Yu Tian	24 September 2010	HK\$2.98	24 September 2010 to 23 September 2020	9,000,000	-	-	-	9,000,000
Ni Jianda	24 September 2010	HK\$2.98	24 September 2010 to 23 September 2020	8,000,000	-	-	-	8,000,000
Qian Shizheng	24 September 2010	HK\$2.98	24 September 2010 to 23 September 2020	7,000,000	-	-	-	7,000,000
Zhou Jun	24 September 2010	HK\$2.98	24 September 2010 to 23 September 2020	7,000,000	-	-	-	7,000,000
Yang Biao	24 September 2010	HK\$2.98	24 September 2010 to 23 September 2020	7,000,000	-	-	-	7,000,000
Chen Anmin	24 September 2010	HK\$2.98	24 September 2010 to 23 September 2020	7,000,000	-	-	-	7,000,000
Jia Bowei	24 September 2010	HK\$2.98	24 September 2010 to 23 September 2020	7,000,000	-	-	-	7,000,000
Doo Wai Hoi, William	24 September 2010	HK\$2.98	24 September 2010 to 23 September 2020	1,000,000	-	-	-	1,000,000
Wong Ying Ho, Kennedy	24 September 2010	HK\$2.98	24 September 2010 to 23 September 2020	1,000,000	-	-	-	1,000,000
Fan Ren Da, Anthony	24 September 2010	HK\$2.98	24 September 2010 to 23 September 2020	1,000,000	-	-	-	1,000,000
Li Ka Fai, David	24 September 2010	HK\$2.98	24 September 2010 to 23 September 2020	1,000,000	-	-	-	1,000,000
<b>Senior Management and Employees</b>	24 September 2010	HK\$2.98	24 September 2010 to 23 September 2020	55,500,000	-	-	20,500,000	35,000,000
<b>Total</b>				<b>111,500,000</b>	<b>-</b>	<b>-</b>	<b>20,500,000</b>	<b>91,000,000</b>

Note:

1. Grantees can exercise (i) 40% of the total number of share option granted to them from the date of grant; (ii) 70% of the total number of share option granted to them (including those mentioned in (i) above) after the first anniversary of the date of grant; and (iii) all of the share options granted after second anniversary of the date of grant.

Save as disclosed above, the Company had not granted during the six months period ended 30 June 2011 any share options to any persons as required to be disclosed under Rule 17.07 of the Listing Rules.

## Other Information

### Substantial Shareholder's and other persons' Interests in Shares and Underlying Shares

As at 30 June 2011, substantial shareholder and other persons (other than the Directors and chief executive 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:

#### (1) Ordinary shares of HK\$0.04 each of the Company

Name of substantial shareholder	Long/short position	Capacity	No. of shares of the Company interested	% of the Company's issued share capital
SIHL <sup>1</sup>	Long	Held by controlled corporation	3,415,883,000 <sup>2&amp;3</sup>	129.91%
Shanghai Industrial Investment (Holdings) Company Limited ("SIIC") <sup>4</sup>	Long	Held by controlled corporation	3,415,883,000 <sup>2&amp;3</sup>	129.91%
Invest Gain Limited <sup>5</sup>	Long	Beneficial owner	222,156,995	8.45%
	Short	Beneficial owner	50,000,000 <sup>3</sup>	1.90%
Mr. Li Song Xiao <sup>5</sup>	Long	Held by controlled corporation	222,156,995	8.45%
	Long	Beneficial owner	2,407,500	0.09%
	Short	Held by controlled corporation	50,000,000 <sup>3</sup>	1.90%
Ms. Liu Hui <sup>6</sup>	Long	Held by spouse	224,564,495	8.54%
	Short	Held by spouse	50,000,000 <sup>3</sup>	1.90%

Notes:

- These shares are beneficially held by Novel Good Limited, a wholly owned subsidiary of SIHL.
- These interests include 2,182,191,000 Shares to be issued and allotted to SIHL to settle the consideration for the sale and purchase of the Sale Share and the Shareholder's Loan (2,014,480,651 shares), and the assignment of the Dividend Receivable (167,710,349 shares) pursuant to the notifiable/connected transactions as referred to in the joint announcement of the Company and SIHL dated 14 April 2011, the completion of which is conditional upon the satisfaction of certain conditions precedent, which may or may not be fulfilled.
- These 50,000,000 Shares (short position) held by Invest Gain Limited was pledged to Novel Good Limited. Therefore, SIHL and SIIC are deemed or taken to be interested in these 50,000,000 Shares.
- SIIC through its subsidiaries, namely Shanghai Investment Holdings Ltd., SIIC Capital (B.V.I.) Ltd., SIIC Treasury (B.V.I.) Ltd., Shanghai Industrial Financial (Holdings) Co. Ltd., South Pacific International Trading Ltd., The Tien Chu Ve-Tsin (Hong Kong) Co. Ltd., SIIC Trading Co. Ltd., SIIC CM Development Funds Ltd., Billion More Investments Ltd. and SIIC CM Development Ltd. held approximately 54.93% of the shares of SIHL. Therefore, SIIC is deemed or taken to be interested in the 3,415,883,000 shares held by SIHL for the purpose of the SFO.

5. These shares are held by Invest Gain Limited, a company beneficially and wholly owned by Mr. Li Song Xiao.
6. Ms. Liu Hui was deemed to be interested in the interests/shares held beneficially by her spouse, Mr. Li Song Xiao.

Save as disclosed above, as at 30 June 2011, the Company had not been notified by any persons (other than the Directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of SFO.

### Purchase, Sale or Redemption of Securities

During the Period, the Company repaid all the remaining convertible notes of total principal amount of HK\$2,000,000 for a total payment of HK\$2,714,000 which included principal and accrued interest. Save for the above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period for the six months ended 30 June 2011.

### Pre-Emptive Rights

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

### Corporate Governance

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

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

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

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

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

### Model Code for Securities Transactions by Directors

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

### Audit Committee

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

The main responsibilities of the Audit Committee are:

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



## Other Information

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

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

### Internal Controls

As disclosed in the annual report of the Company for the year ended 31 December 2010 (the "Annual Report"), the Board appointed an independent professional firm (the "Independent Firm") to conduct a follow-up internal control review (the "Follow-up Report") of the findings identified in the Internal Control Report mentioned in the announcement of the Company dated 24 June 2010 (the "Announcement"). The Follow-up Report was completed and issued by the Independent Firm on 17 May 2011. The Follow-up Report was presented to the Board for review. In addition to the findings on two areas, namely "control over contracts for material transactions" and "authorisation of cash payments" which were disclosed in the Annual Report, the Board now announces the status of other areas of internal control weaknesses which were mentioned in the Announcement as follows:

**1. Access to the control system for financial reporting**

Maintenance of user access rights; and the excessive user access rights to use the accounting system for financial reporting have been partially remediated. The remedial actions that are still in progress include further tightening of controls over privileged user accounts in the accounting system, removing excessive access rights and incompatible functions, and disabling the access rights to delete posted journal entries.

**2. Anti-fraud policies and procedures**

The internal policy for anti-fraud procedures has been put in place but requires further enhancement. In addition, the Company has set up a whistle-blowing e-mail address in its internal publishing system for facilitating reporting by internal staff of any suspicious cases. Complaint procedures for suppliers and other third parties are still in progress.

**3. Compliance and disclosure under the Listing Rules and accounting standard**

The Company adopted all the terms of references of all the Board Committees. After the restructuring, the Company now has sufficient number of Independent Non-Executive Directors in the Board and all the Board Committees. The accounting policies and procedures have been further enhanced and weaknesses in this area have been remediated.

**4. Internal Audit**

The organization structure of the internal audit department is being refined, and the staff and their respective roles and responsibilities are also being changed.

**5. Job description, responsibilities and reporting line of key functional departments and management positions**

The human resources department is in the progress of collecting job descriptions, responsibilities and reporting lines from the key functional departments for the preparation and/or update of relevant documents which are yet to be finalised.

**6. Staff code of conduct**

The Company has established a staff code of conduct which, together with the staff handbook, will be distributed to staff of the Company. The notice in relation to the documents was posted in the internal publishing system.



## 7. Risk assessment

The Company has established a risk management department which issued a draft document regarding its roles and responsibilities. The draft document will be further discussed and refined before it is finalised and approved by the Board.

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

## Disclosure under Rule 13.51B(1) of the Listing Rules

Change in Director's information since the date of the Annual Report 2010 of the Company which are required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules are set out below:

### Mr. Li Ka Fai, David ("Mr. Li")

The appointment of Mr. Li as an independent director and chairman of the audit committee of China Vanke Co., Ltd., a company listed on the Shenzhen Stock Exchange ended on 30 March 2011. On 31 March 2011, Mr. Li was appointed as advisor to China Vanke Co., Ltd.

### Dr. Wong Ying Ho, Kennedy, BBS, J.P. ("Dr. Wong")

On 15 July 2011, the Company published an announcement regarding Dr. Wong, an independent non-executive director of the Company, that Dr. Wong has been requested by the Independent Commission Against Corruption to assist them in investigations in relation to the acquisition of shares in Ocean Grand Chemicals Holdings Limited, which has been renamed as Hong Kong Resources Holdings Company Limited (Stock Code: 2882) of which Dr. Wong is the Chairman and an Executive Director.

## Appreciation

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

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

Hong Kong, 29 August 2011

# Report on Review of Interim Financial Information

## **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 interim financial information set out on pages 25 to 40, which comprises the condensed consolidated statement of financial position of Shanghai Industrial Urban Development Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as of 30 June 2011 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information 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 interim financial information 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 interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

#### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

29 August 2011

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

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



# Condensed Consolidated Statement of Financial Position

At 30 June 2011

	NOTES	30 June 2011 HK\$'000 (unaudited)	31 December 2010 HK\$'000 (audited)
<b>Non-current Assets</b>			
Investment properties	8	3,645,847	3,003,575
Property, plant and equipment	9	939,561	857,660
Prepaid lease payments		84,943	85,856
Interests in associates	10	959,021	330,401
Amount due from an associate		81,955	80,292
Restricted bank deposits		51,892	54,191
		<b>5,763,219</b>	4,411,975
<b>Current Assets</b>			
Inventories	11	18,718,153	18,042,959
Trade and other receivables	12	681,799	702,770
Prepaid lease payments		3,122	2,339
Consideration receivables for disposal of assets		21,466	21,381
Prepaid income tax and land appreciation tax		318,522	362,895
Restricted bank deposits		5,015	–
Bank balances and cash		1,223,944	2,381,542
		<b>20,972,021</b>	21,513,886
<b>Current Liabilities</b>			
Trade and other payables	13	2,417,828	2,358,019
Amounts due to non-controlling shareholders		41,183	52,347
Amounts due to related companies		–	2,466
Consideration payables for acquisition of subsidiaries		378,157	350,262
Pre-sale proceeds received on sales of properties		8,295,190	8,417,661
Bank borrowings	14	135,444	120,901
Loan payables	15	1,902,962	1,471,810
Derivative financial instrument – warrants	16	7,854	16,600
Income tax and land appreciation tax payables		1,029,298	998,891
Dividend payable		6,423	6,423
Convertible loan notes	17	–	2,607
		<b>14,214,339</b>	13,797,987
Net current assets		<b>6,757,682</b>	7,715,899
Total assets less current liabilities		<b>12,520,901</b>	12,127,874
<b>Non-current Liabilities</b>			
Bank borrowings	14	619,763	514,408
Senior notes	18	2,991,228	2,974,260
Deferred tax liabilities		1,121,518	996,924
		<b>4,732,509</b>	4,485,592
		<b>7,788,392</b>	7,642,282
<b>Capital and Reserves</b>			
Share capital	19	105,173	105,173
Reserves		7,216,058	7,017,806
Equity attributable to owners of the Company		<b>7,321,231</b>	7,122,979
Non-controlling interests		467,161	519,303
		<b>7,788,392</b>	7,642,282

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011

	Attributable to owners of the Company										
	Share capital	Share premium	Convertible notes equity reserve	Share option reserve	Other revaluation reserve	Other reserve	Exchange reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1 January 2010 (audited)</b>	77,826	5,515,551	2,580	221,460	45,959	-	627,625	(417,572)	6,073,429	586,553	6,659,982
Loss for the period	-	-	-	-	-	-	-	(645,597)	(645,597)	(39,012)	(684,609)
Other comprehensive expense for the period	-	-	-	-	(10)	-	(16,858)	-	(16,868)	(2,071)	(18,939)
Total comprehensive expense for the period	-	-	-	-	(10)	-	(16,858)	(645,597)	(662,465)	(41,083)	(703,548)
Issue of shares	27,347	1,558,818	-	-	-	-	-	-	1,586,165	-	1,586,165
Recognition of equity-settled share-based payments	-	-	-	5,620	-	-	-	-	5,620	-	5,620
<b>At 30 June 2010 (unaudited)</b>	105,173	7,074,369	2,580	227,080	45,949	-	610,767	(1,063,169)	7,002,749	545,470	7,548,219
<b>At 1 January 2011 (audited)</b>	105,173	7,073,988	20	63,743	45,942	-	769,570	(935,457)	7,122,979	519,303	7,642,282
Profit for the period	-	-	-	-	-	-	-	56,700	56,700	(50,055)	6,645
Other comprehensive (expense) income for the period	-	-	-	-	(188)	-	108,300	-	108,112	10,125	118,237
Total comprehensive (expense) income for the period	-	-	-	-	(188)	-	108,300	56,700	164,812	(39,930)	124,882
Transfer to accumulated losses upon redemption of convertible loan notes	-	-	(20)	-	-	-	-	20	-	-	-
Acquisition of additional interest in a subsidiary	-	-	-	-	-	8,071	798	-	8,869	(12,212)	(3,343)
Recognition of equity-settled share-based payments	-	-	-	24,571	-	-	-	-	24,571	-	24,571
Transfer to accumulated losses upon lapse of share options	-	-	-	(11,719)	-	-	-	11,719	-	-	-
<b>At 30 June 2011 (unaudited)</b>	<b>105,173</b>	<b>7,073,988</b>	<b>-</b>	<b>76,595</b>	<b>45,754</b>	<b>8,071</b>	<b>878,668</b>	<b>(867,018)</b>	<b>7,321,231</b>	<b>467,161</b>	<b>7,788,392</b>

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) Other reserve arising during the six months period ended 30 June 2011 and as at 30 June 2011 represented the difference between the amount of consideration paid to non-controlling interests for the acquisition of additional equity interest in a subsidiary, and the corresponding proportionate carrying amount of the net assets of the subsidiary.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

	NOTES	Six months ended 30 June	
		2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Net cash used in operating activities		<b>(751,093)</b>	(857,434)
Net cash (used in) from investing activities:			
Proceeds from disposal of investment properties	8	<b>49,634</b>	78,010
Interest received		<b>1,747</b>	8,601
Proceeds from disposal of property, plant and equipment	9	<b>59</b>	113
Investment in an associate	10	<b>(623,240)</b>	–
Additions of property, plant and equipment		<b>(96,736)</b>	(122,953)
Payment for consideration payable for acquisition of subsidiaries		<b>(24,079)</b>	(49,508)
Net increase in restricted bank deposits		<b>(1,578)</b>	(42,192)
Proceeds from disposal of interest in an associate		–	513,000
Repayment from loan receivables		–	411,896
Proceeds from disposal of subsidiaries (net of cash and cash equivalents disposed of)		–	286,129
Repayment from associates		–	283
		<b>(694,193)</b>	1,083,379
Net cash from financing activities:			
Entrusted loans advance from related parties	15	<b>595,868</b>	–
Proceeds from new bank borrowings	14	<b>159,693</b>	113,792
Interest paid		<b>(227,378)</b>	(381,020)
Repayment of loan payables to third parties	15	<b>(183,563)</b>	(419)
Repayment of bank borrowings	14	<b>(54,045)</b>	(517,797)
(Repayment of) advance from non-controlling shareholders		<b>(13,632)</b>	2,798
Acquisition of additional interest in a subsidiary		<b>(3,343)</b>	–
Redemption of convertible notes	17	<b>(2,714)</b>	–
Proceeds from issue of shares		–	1,586,165
Loan advance from a third party		–	74,833
Advance from related companies		–	2,351
Dividend paid		–	(50)
		<b>270,886</b>	880,653
Net (decrease) increase in cash and cash equivalents		<b>(1,174,400)</b>	1,106,598
Cash and cash equivalents at 1 January		<b>2,381,542</b>	1,662,692
Effect of foreign exchange rate changes		<b>16,802</b>	(4,350)
Cash and cash equivalents at 30 June, represented by			
Bank balances and cash		<b>1,223,944</b>	2,764,940



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 1. Basis of preparation

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

## 2. Principal accounting policies

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

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

### Transfer of inventories to investment properties carried at fair value

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

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

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

The Group has applied HKAS 24 “Related Party Disclosures” (as revised in 2009) in full for the first time in the current period. The application of HKAS 24 (as revised in 2009) has resulted in changes in related party disclosures on the following two aspects:

- a) The Group is a government-related entity as defined in HKAS 24 (as revised in 2009). HKAS 24 (as revised in 2009) provides a partial exemption from the disclosure requirements for government-related entities whilst the previous version of HKAS 24 did not contain specific exemption for government-related entities. Under HKAS 24 (as revised in 2009), the Group has been exempted from making the disclosures required by paragraph 18 of HKAS 24 (as revised in 2009) in relation to related party transactions and outstanding balances (including commitments) with (a) the government that has control, joint control and significant influence over the Group and (b) other entities that are controlled, jointly controlled or significantly influenced by the same government. Rather, in respect of these transactions and balances, HKAS 24 (as revised in 2009) requires the Group to disclose (a) the nature and amount of each individually significant transaction, and (b) a qualitative or quantitative indication of the extent of transactions that are collectively, but not individually, significant.
- b) In addition, HKAS 24 (as revised in 2009) has revised the definition of a related party.

HKAS 24 (as revised in 2009) requires retrospective application. The application of HKAS 24 (as revised in 2009) has had no effect on the amounts recognised or recorded in the condensed consolidated financial statements for the current and prior periods. Related party disclosures are set out in note 23 to the condensed consolidated financial statements.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 2. Principal Accounting Policies (continued)

The application of the other new and revised HKFRSs above in current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied new or revised standards that have been issued but are not yet effective. The following new or revised standards have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and are not yet effective:

HKFRS 10	Consolidated Financial Statements <sup>1</sup>
HKFRS 11	Joint Arrangements <sup>1</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>1</sup>
HKFRS 13	Fair Value Measurement <sup>1</sup>
HKAS 1 (Amendments)	Presentation of Financial Statements <sup>2</sup>
HKAS 19 (Revised in 2011)	Employee Benefits <sup>2</sup>
HKAS 27 (Revised in 2011)	Separate Financial Statements <sup>1</sup>
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures <sup>1</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2012

The five new or revised standards on consolidation, joint arrangements and disclosures were issued by the HKICPA in June 2011 and are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five new or revised standards are applied early at the same time. The directors of the Company anticipate that these new or revised standards will be applied in the Group's consolidated financial statements for financial year ending 31 December 2013.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements. Under HKFRS 10, there is only one basis for consolidation, that is control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios including cases where an investor may control an investee with less than majority of voting rights. Overall, the application of HKFRS 10 requires extensive use of judgement. The Group is in the process of accessing the application of HKFRS 10 to the result and financial position to the Group.

Other than disclosed above, the directors of the Company anticipate that the application of these new or revised standards will have no material impact on the results and the financial position of the Group.

## 3. Segment Information

Information reported to the Board of Directors of the Company, being the chief operating decision maker, for the purpose 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 People's Republic of China (the "PRC")
Property leasing –	leasing office, commercial and residential properties in the PRC to generate rental income and to gain from the appreciation in the properties' values in the long run
Hotel operations –	engaging in rental 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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 3. Segment Information (continued)

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

### Six months ended 30 June 2011 (unaudited)

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

### Six months ended 30 June 2010 (unaudited)

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 3. Segment Information (continued)

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

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

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

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

## 4. Finance Costs

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



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 5. Income Tax Expense

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

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

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

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

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 6. Profit (Loss) for the Period

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

## 7. Earnings (Loss) Per Share

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

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

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

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

- (i) the exercise of the Company's share options/warrants because the exercise price of those share option/warrants was higher than the average market price of the Company's shares for the six months ended 30 June 2011 and 2010; and
- (ii) the conversion of the Company's convertible notes since their exercise would result in a decrease in loss per share for the six months ended 30 June 2010.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 8. Movements in Investment Properties

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

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

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

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

## 9. Movements in Property, Plant and Equipment

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

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

## 10. Interests in Associates

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

## 11. Inventories

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

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 12. Trade and Other Receivables

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

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

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

## 13. Trade and Other Payables

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

Notes:

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



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 14. Bank Borrowings

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

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

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

## 15. Loan Payables

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

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

## 16. Warrants

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

## 17. Convertible Notes

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

## 18. Senior Notes

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

## 19. Share Capital

Ordinary shares of HK\$0.04 each.

Issued and fully paid

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 20. Share-Based Payment

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

## 21. Commitments

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

## 22. Contingent Liabilities

### (a) Corporate guarantees

#### Guarantees in respect of mortgage facilities for certain purchasers

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

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

### (b) Warranty against defects of properties

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

### (c) Legal proceedings

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 23. Material Related Party Transactions

### (i) Related party transactions

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

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

### (ii) Related party balances

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

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

### (iii) Compensation of key management personnel

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

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

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2011

## 23. Material Related Party Transactions (continued)

### (iv) Government-related entities

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

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

## 24. Events After the End of the Interim Period

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

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

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

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