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

(Incorporated in Bermuda with limited liability)

(Stock Code: 563)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

The board of directors (the "**Board**") of Shanghai Industrial Urban Development Group Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2016 (the "**Period**"), together with the comparative figures for the corresponding period in 2015, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**2,456,815**	2,173,156
Cost of sales		**(1,631,817)**	(1,444,365)
Gross profit		**824,998**	728,791
Other income		**150,509**	69,991
Fair value changes on investment properties		**47,523**	(59,061)
Other expenses, gains and losses, net		**(226,042)**	(11,472)
Distribution and selling expenses		**(88,359)**	(68,911)
General and administrative expenses		**(219,217)**	(224,895)
Gain on disposal of subsidiaries		**–**	444,995
Gain on disposal of assets through disposal of a subsidiary	*10*	**1,114,163**	–
Finance costs	*4*	**(337,754)**	(419,938)
Share of gains (losses) of associates		**945**	(5,923)
Profit before tax		**1,266,766**	453,577
Income tax	*5*	**(533,933)**	(265,334)
Profit for the period	*6*	**732,833**	188,243
Other comprehensive expense for the period			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation into presentation currency		**(527,218)**	–
Item that may be reclassified subsequently to profit or loss:			
Net loss on fair value changes of available-for-sale investment, net of tax		**(13,087)**	–
Total comprehensive income for the period		**192,528**	188,243

	NOTE	Six months ended 30 June **2016** ***HK$'000*** **(unaudited)**	 2015 *HK$'000* (unaudited)
Profit for the period attributable to:			
– Owners of the Company		**312,101**	114,005
– Non-controlling interests		**420,732**	74,238
		732,833	188,243
Total comprehensive income attributable to			
– Owners of the Company		**(30,079)**	114,005
– Non-controlling interests		**222,607**	74,238
		192,528	188,243
Earnings per share	*7*		
– Basic (HK cents)		**6.49**	2.37
– Diluted (HK cents)		**6.49**	2.37

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2016

	NOTES	30 June 2016 HK$'000 (unaudited)	31 December 2015 HK$'000 (audited)
Non-current assets			
Investment properties	8	**11,589,101**	11,811,202
Property, plant and equipment		**1,869,214**	1,961,549
Prepaid lease payments		**223,739**	234,523
Intangible assets		**59,517**	60,903
Interests in associates		**1,188,611**	1,215,340
Interest in a joint venture		**65,718**	65,718
Other receivables	11	**213,094**	194,872
Available-for-sale investments		**284,104**	295,441
Pledged bank deposits		**23,439**	43,665
Deferred tax assets		**353,489**	344,564
		15,870,026	16,227,777
Current assets			
Inventories		**25,896,063**	32,548,428
Trade and other receivables	11	**1,452,272**	3,346,931
Amounts due from related companies		**313,054**	–
Prepaid lease payments		**4,958**	5,254
Prepaid income tax and land appreciation tax		**459,678**	170,154
Financial assets at fair value through profit or loss		**4,104**	4,532
Pledged bank deposits		**69,640**	106,185
Bank balances and cash		**11,962,262**	11,371,189
		40,162,031	47,552,673
Assets classified as held-for-sale	9	**6,615,093**	–
		46,777,124	47,552,673

	NOTES	30 June 2016 HK$'000 (unaudited)	31 December 2015 HK$'000 (audited)
Current liabilities			
Trade and other payables	*12*	**6,223,258**	7,137,933
Amounts due to related companies		**2,024,216**	2,035,987
Amounts due to associates		**37,135**	58,007
Consideration payables for acquisition of subsidiaries		**70,020**	127,915
Pre-sale proceeds received on sale of properties		**7,963,583**	4,967,064
Bank and other borrowings	*13*	**1,116,867**	4,990,628
Deposits received for identifying investment projects		**–**	1,991,880
Income tax and land appreciation tax payables		**2,079,837**	1,888,785
Dividend payable		**8,427**	6,976
Dividend payable to non-controlling shareholders		**64,115**	125,340
		19,587,458	23,330,515
Liabilities classified as held-for-sale	*9*	**5,634,816**	–
		25,222,274	23,330,515
Net current assets		**21,554,850**	24,222,158
Total assets less current liabilities		**37,424,876**	40,449,935
Non-current liabilities			
Amount due to a related company		**–**	68,784
Bank and other borrowings	*13*	**14,328,430**	17,243,011
Deferred tax liabilities		**3,524,882**	3,624,389
		17,853,312	20,936,184
		19,571,564	19,513,751
Capital and reserves			
Share capital		**192,451**	192,451
Reserves		**12,178,661**	12,343,455
Equity attributable to owners of the Company		**12,371,112**	12,535,906
Non-controlling interests		**7,200,452**	6,977,845
		19,571,564	19,513,751

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the preparation of condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

During the six months ended 30 June 2016, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA that are mandatorily effective for the accounting period beginning on or after 1 January 2016.

The application of the amendments to HKFRSs during the six months ended 30 June 2016 has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

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

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

4. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interests on bank and other borrowings	**556,782**	663,131
Less: Amount capitalised under properties under development for sale	**(219,028)**	(243,193)
	337,754	419,938

5. INCOME TAX

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax		
– PRC Enterprise Income Tax ("**EIT**")	**374,054**	52,535
– PRC Land Appreciation Tax ("**LAT**")	**190,704**	255,383
– Capital gains tax on disposal of PRC entities by non-resident companies	**–**	44,499
	564,758	352,417
Deferred tax	**(30,825)**	(87,083)
	533,933	265,334

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.

Pursuant to Circular 698 issued by the China's State Administration of Taxation, the tax rate of EIT applicable to the capital gains from disposal of PRC entities through transfer of shares in non-resident companies is 10%.

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 sale of properties less deductible expenditures including borrowing costs and properties development expenditures in relation to the gains arising from sale 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 period ended 30 June 2016 and 2015.

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting) the following items:		
Depreciation of property, plant and equipment	**54,453**	55,365
Interest income on bank deposits (included in other income)	**(50,386)**	(40,141)
Other interest income (included in other income)	**(63,376)**	(1,178)
Impairment loss recognised on other receivables (included in other expenses, gains and losses, net)	**122,078**	–
Net foreign exchange loss (included in other expenses, gains and losses, net)	**123,104**	14,959

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings:		
Earnings for the purposes of calculating basic and diluted earnings per share Profit for the period attributable to owners of the Company	**312,101**	114,005

	Six months ended 30 June	
	2016	2015
	'000	*'000*
Number of shares:		
Number of ordinary shares for the purposes of calculating basic and diluted earnings per share	**4,811,273**	4,811,523

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

8. MOVEMENTS IN INVESTMENT PROPERTIES

The fair values of the Group's investment properties as at 30 June 2016 have been arrived at on the basis of a valuation carried out by DTZ Debenham Tie Leung Limited ("**DTZ**"), an independent firm of qualified professional valuers not connected with the Group. DTZ has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The Group's investment properties were valued individually, on market value basis, which conforms to the Hong Kong Institute of Surveyors Valuation Standards. The fair values of the Group's investment properties were arrived at by reference to comparable sales transactions available in the relevant markets and where appropriate, investment approach by capitalising the net rental income derived from existing tenancies with due allowance for the reversionary potential of the properties. The resulting increase in fair values of investment properties of approximately HK$47,523,000 has been recognised directly in profit or loss for the six months ended 30 June 2016 (six months ended 30 June 2015: decrease in fair values of approximately HK$59,061,000).

9. ASSETS/LIABILITIES CLASSIFIED AS HELD-FOR-SALE

On 12 May 2016, the Group entered into an equity transfer agreement (the "**ET Agreement**") with Zhonggeng Real Estate Industrial Group Co., Ltd., 中庚地產實業集團有限公司, a connected person of the Company at the subsidiary level. Pursuant to the ET Agreement, the Group agreed to dispose of an exclusive right for the remaining designated portion of the "U Center" project (the "**Remaining Site**") held by SUD Longcheng, through disposal of 40% equity interest in SUD Longcheng (the "**Disposal**"), at a consideration of RMB1,907,000,000 (equivalent to approximately HK$2,225,464,000) (the "**Disposal Consideration**"), of which RMB600,000,000, RMB300,000,000, RMB300,000,000 and RMB707,000,000 would be settled on or before 18 May 2016, 7 November 2016 and 5 February 2017 and 6 May 2017 respectively.

According to the terms as set out in the ET Agreement, completion of the Disposal will take place within five business days after full payment of the Disposal Consideration by the Purchaser (the "**Completion**"). Following the Completion, the Group will cease to have control on SUD Longcheng and it will cease to be a subsidiary of the Group. As at 30 June 2016, RMB600,000,000 (equivalent to approximately to HK$700,198,000) of the Disposal Consideration was received by the Group and included in "trade and other payables" line item of the condensed consolidated statement of financial position. Up to the date of these condensed consolidated financial statements are authorised for issue, RMB1,607,000,000 of the Disposal Consideration has been received and the directors of the Company expect the remaining RMB300,000,000 of the Disposal Consideration will be received within one year from the interim period ended 30 June 2016.

Given the Group obtained the approval from the major shareholder at the date entering into the ET Agreement and the Disposal has not yet been completed before the period end, the assets and liabilities in relation to the 40% interest in SUD Longcheng has been reclassified to assets and liabilities classified as held-for-sale respectively as at 30 June 2016.

The major classes of assets and liabilities of SUD Longcheng classified as held-for-sale as at 30 June 2016 are as follows:

	HK$'000
Properties, plant and equipment	886
Inventories – properties under development for sale	2,709,309
Deposits and prepayments	705,113
Other receivables	3,095,552
Bank balances and cash	104,233
Total assets classified as held-for-sale	6,615,093
Other payables	424,409
Accrued expenditure on properties under development for sale	193,202
Pre-sale proceeds received on sales of properties	115,816
Bank borrowings	4,901,389
Total liabilities classified as held-for-sale	5,634,816

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

For the six months ended 30 June 2016, the Group disposed of an exclusive right for a designated portion of the "U Center" project (the "**Carved-out Site**") held by a subsidiary, Shanghai Urban Development Group Longcheng Properties Co., Ltd 上海城開集團龍城置業有限公司 ("**SUD Longcheng**"), through disposal of its wholly-owned subsidiary of the Company, Urban Development Green Carbon (Tianjin) Equity Investment Fund ("**Green Carbon Fund**"), a limited partnership established in the PRC, for a total consideration of RMB1,668,000,000 (equivalent to approximately HK$1,991,880,000) (the "**Purchase Consideration**"). The Purchase Consideration will be settled by redemption of the partnership interest in Green Carbon Fund held by SUD, a non wholly-owned subsidiary of the Company, under a redemption agreement dated 8 January 2016 (the "**Redemption Date**") entered into among SUD, Green Carbon Fund, an existing general partner of Green Carbon Fund and two new partners of Green Carbon Fund (the "**New Partners**") (the "**Redemption Agreement**"). As at 30 June 2016, the remaining balance of the Purchase Consideration of RMB300,000,000 (equivalent to approximately HK$350,099,000) has yet been settled and included in "trade and other receivables" line item of the condensed consolidated statement of financial position. This outstanding balance is subjected to penalty interests accrued according to the terms as set out in Redemption Agreement. Up to the date of these condensed consolidated financial statements are authorised for issue, the outstanding balance has been settled in full.

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

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

	HK$'000
Consideration:	
Deposits received during the year ended 31 December 2015 (included in deposits received for identifying investment projects)	1,633,628
Consideration receivables (included in trade and other receivables)	358,252
Total consideration	1,991,880
Analysis of assets and liabilities disposed of:	
Inventories – properties under development for sale	2,393,272
Other receivables	3,045
Accrued expenditure on properties under development for sale	(388,760)
Other payables	(1,129,840)
Net assets disposed of	877,717
Gain on disposal:	
Total cash consideration	1,991,880
Net assets disposed of	(877,717)
Gain on disposal	1,114,163

After the redemption of partnership interest in Green Carbon Fund, SUD still owned 40% equity interest in SUD Longcheng and it continued to exert control over the composition of the board of directors of SUD Longcheng. Therefore, SUD Longcheng would continue to be a subsidiary of the Group and the remaining assets and liabilities and results of SUD Longcheng would continue to be consolidated into financial statements of the Group.

11. TRADE AND OTHER RECEIVABLES

	30 June 2016 *HK$'000* **(unaudited)**	31 December 2015 *HK$'000* (audited)
Trade and other receivables recognised as current assets		
Trade receivables	**29,364**	17,279
Less: Allowance for doubtful debts	**(757)**	(777)
	28,607	16,502
Other receivables	**477,407**	555,680
Advance payments to contractors	**14,663**	31,726
Prepaid other taxes	**447,652**	97,530
Deposits and prepayments	**133,844**	18,209
Consideration receivables in respect of disposal of subsidiaries	**–**	2,627,284
Consideration receivables in respect of disposal of assets through disposal of subsidiary *(note 10)*	**350,099**	–
	1,452,272	3,346,931
Other receivables recognised as non-current assets		
Other receivables	**213,094**	194,872

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

The following is an ageing analysis of trade receivables, net of allowance for doubtful debts, presented based on the date of billing which approximated the revenue recognition date at the end of the reporting period.

	30 June 2016 *HK$'000* **(unaudited)**	31 December 2015 *HK$'000* (audited)
Within 90 days	**20,636**	11,766
Within 91–180 days	**971**	20
Over 180 days	**7,000**	4,716
Total trade receivables	**28,607**	16,502

12. TRADE AND OTHER PAYABLES

	30 June 2016 *HK$'000* **(unaudited)**	31 December 2015 *HK$'000* (audited)
Trade payables	**653,280**	826,573
Accrued expenditure on properties under development for sale	**3,170,043**	4,607,146
Amounts due to former shareholders of the Company's former subsidiaries *(note (i))*	**164,273**	167,589
Compensation payables to customers in respect of late delivery of properties	**44**	1,075
Receipts from customers for payment of expenses on their behalf	**46,710**	49,093
Rental deposits and receipt in advance from tenants	**182,144**	201,800
Interest payables	**169,804**	77,356
Payable to the Shanghai government department *(note (ii))*	**470,969**	370,280
Provision for compensation expense in relation to withdrawal of a legal case	**120,810**	123,621
Provision for an agreed payment in relation to withdrawal from a legal case	**–**	76,427
Deposits received for the Disposal *(note 9)*	**700,198**	–
Accrued charges and other payables	**519,031**	591,755
Other taxes payables *(note (iii))*	**25,952**	45,218
	6,223,258	7,137,933

Notes:

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

(ii) The amount represents the receipts of HK$1,953,458,000 (31 December 2015: HK$1,551,534,000) from the purchasers of affordable housings which were collected on behalf of the Shanghai government department and not yet paid to it, net of receivable of HK$1,482,489,000 (31 December 2015: HK$1,181,254,000) for the construction and other related costs and the agreed profit margin of the affordable housings. The amount is repayable on demand. During the six months ended 30 June 2016, none was repaid to Shanghai government department.

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

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

	30 June 2016 *HK$'000* **(unaudited)**	31 December 2015 *HK$'000* (audited)
Within 30 days	**2,910**	198,534
Within 31–180 days	**497,112**	495,561
Within 181–365 days	**80,094**	30,594
Over 365 days	**73,164**	101,884
Total trade payables	**653,280**	826,573

13. BANK AND OTHER BORROWINGS

During the six months ended 30 June 2016, the Group obtained new bank and other borrowings of approximately RMB6,731,186,000 (equivalent to approximately HK$7,997,132,000) (six months ended 30 June 2015: RMB4,237,500,000 and US$11,009,000 (in aggregate equivalent to approximately HK$5,381,421,000)). As at 30 June 2016, the balances of banks and other borrowings carry variable interest ranging from 2.23% to 7.38% (31 December 2015: 2.23% to 7.38%) per annum and are payable from one to ten years (six months ended 30 June 2015: one to nine years). The loans were obtained for the purpose of property project development of the Group.

During the six months ended 30 June 2016, the Group also repaid the bank and other borrowings of approximately HK$2,826,000,000, RMB4,585,336,000 and US$160,730,000, (in aggregate equivalent to approximately HK$9,527,464,000) (six months ended 30 June 2015: approximately RMB3,486,634,000 and US$11,125,000 (in aggregate equivalent to approximately HK$4,443,978,000)). As at 30 June 2016, bank borrowings of RMB4,200,000,000 (equivalent to approximately of HK$4,901,389,000) has been reclassified to liabilities classified held-for-sale.

Included in bank and other borrowings are borrowings from SIHL Finance Limited, a wholly owned subsidiary of SIHL, of HK$2,337,600,000 (31 December 2015: HK$3,337,600,000). This entire amount is unsecured and comprised of HK$ denominated loan of HK$372,000,000 (31 December 2015: HK$1,372,000,000) and US$ denominated loan of approximately HK$1,965,600,000 (31 December 2015: equivalent to approximately HK$1,965,600,000). An amount of HK$1,000,000,000 included in the HK$ denominated loan as at 31 December 2015 which carried variable interest rate at three months Hong Kong Interbank Offered Rate ("**HIBOR**") plus 4.48% per annum was repaid during the period.

14. CONTINGENT LIABILITIES

Corporate guarantees

	30 June 2016 *HK$'000* **(unaudited)**	31 December 2015 *HK$'000* (audited)
Guarantee given to banks in respect of banking facilities utilised by:		
– property buyers	**2,194,352**	2,208,403
– an entity controlled by Xuhui SASAC	**193,722**	198,233
– an entity jointly held by a joint venture entity of the Group	**257,906**	263,912
	2,645,980	2,670,548

As at 30 June 2016, the total amount of loans and credit facilities obtained by the Group in respect of which guarantees were provided by Xuhui SASAC was approximately HK$387,443,000 (31 December 2015: HK$396,465,000).

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

In addition to the corporate guarantees as described above, the Group also assessed contingent liabilities in relation to warranty against defects of properties and legal proceedings initiated by third parties against the Company. The directors of the Company, after consulting legal advisors, considered no provision was required during the six months ended 30 June 2016. Detailed disclosures will be set out in the interim report.

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY MARKET REVIEW

In the first half of 2016, due to the city-specific destocking measures actively introduced in China, the property market maintained an upward trend at the end of last year and continued to firm up, with both transaction volume and housing prices climbing up. As various control measures have been adopted in first-tier cities, such as Shanghai and Shenzhen, since March, such cities are faced with narrower average monthly increases in housing prices and transaction volume in the second quarter. Benefited from favourable conditions including sufficient capital and easing policies, certain second-tier cities in China witnessed a larger increase in housing prices than first-tier cities in the second quarter and the property market was generally buoyant. In the first quarter, the transaction volume of the Shanghai property market hit a record high in recent years. Having realized the market trend at the beginning of the year, the Group enhanced strategic focus on its core city – Shanghai without losing its focus on quality. Shanghai Grand Mansion and Shanghai Urban Cradle in Shanghai, both being residential projects, demonstrated a remarkable contract sales performance during the period.

BUSINESS REVIEW

In the first half of 2016, the Group proactively optimised its asset and strategy deployment to strengthen its financial conditions and deepen its strategic cooperation with other enterprises. In February 2016, the Group disposed its 35% interests in Shanghai U Center by redeeming its shares from Green Carbon Fund. The gain before taxation attributable to owners of the Group is expected to be approximately RMB550,470,000. After establishing a strategic partnership with the Government of Minhang District of Shanghai and Ping An Real Estate Co., Ltd. last year, the Group also entered into a cooperation framework agreement with Shanghai Electric Power Construction and PowerChina Real Estate in April to jointly explore investment opportunities on premium properties. Meanwhile, the Group has maintained close communications and reached consensus with the local government, regional and county authorities, property developers and financial institutions via new project development, investment promotion seminars and discussion forum, with a view to laying a solid foundation for its land bank acquisition in the future.

Property Development

During the six months ended 30 June 2016, the Group had 18 projects with a total G.F.A. of 2,050,000 sq.m. under construction, which primarily included TODTOWN in Xinzhuang, Shanghai, Originally in Xi'an and Shenyang U Center, of which 51,100 sq.m. was new construction area from the Laochengxiang project in Tianjin. The Group completed construction with G.F.A. of 49,700 sq.m., which mainly comprised Royal Villa in Kunshan. The Group expected that the new construction G.F.A. and completed G.F.A. will be derived mainly from the second half.

Contract Sales

During the six months ended 30 June 2016, the contract sales from commodity housing and affordable housing of the Group surged 119.1% year-on-year to RMB4,533,000,000 (six months ended 30 June 2015: RMB2,068,000,000), representing 85.5% of the sales target of RMB5,300,000,000 set at the beginning of the year. The Group is confident in fulfilling the annual sales target. Contract sales in terms of G.F.A. were 196,000 sq.m. during the period, up 78.2% year-on-year. The average selling price rose by approximately 22.9% to approximately RMB23,100 per sq.m., mainly due to the increase in sales percentage of Shanghai projects during the period.

The residential market in Shanghai continued to pick up during the first quarter this year. Based on judgement on market trends at the beginning of the year, the management of the Group increased focus in launching property projects in Shanghai. During the first half, the contract sales from commodity housing of the Group rose by 189.8% year-on-year to RMB4,533,000,000 (six months ended 30 June 2015: RMB1,564,000,000). During the period, the flagship projects Grand Mansion and Urban Cradle in Shanghai were the principal projects for sale. Grand Mansion and Urban Cradle recorded sales of RMB1,850,000,000 and RMB1,596,000,000, respectively, accounting for approximately 40.8% and 35.2% of the commodity housing sales.

Investment Properties

In late June 2016, the Group's Chongqing K-mall was successfully put into trial operation. It is located within Top City, a large-scale existing project of the Group in Chongqing, and is situated in the Yuanjiagang business district (an important business district in Chongqing) adjacent to the Chongqing Olympic Sports Center. In the meantime, renovation has been launched for ShanghaiMart, one of the major investment properties of the Group, for the purpose of expanding the area of its commercial and office portions. The design work for the renovation of the public and thematic zones has been finished.

Material Disposal

In February 2016, the Group indirectly disposed its 35% interests in Shanghai U Center by redeeming its shares from Green Carbon Fund. As of 30 June 2016, the unaudited gain before taxation attributable to owners of the Group is expected to be approximately RMB550,470,000. The remaining 40% interests in Shanghai U Center was approved for disposal in May. The relevant gain before taxation will be realised in the current period upon receiving the consideration. The disposal of Shanghai U Center presented a good opportunity to realise its hidden value. Meanwhile, the Group also owns several large scale investment properties in the surrounding area. The transaction will help optimise the strategic landscape of the Group's investment properties, and the sales proceeds can be used to accelerate the development of its existing projects and to fund acquisition of any new projects.

FINANCIAL REVIEW

Revenue

During the six months ended 30 June 2016, the Group's revenue increased by 13.1% year-on-year to HK$2,456,815,000 (six months ended 30 June 2015: HK$2,173,156,000), primarily due to the increased delivery of completed property. During the period, property sales remained as the Group's main source of revenue and amounted to HK$2,001,800,000 (six months ended 30 June 2015: HK$1,734,958,000), accounting for 81.5% of the Group's total revenue. The revenue contribution from Shanghai Urban Cradle and Shanghai Jing City accounted for 51.0% and 21.0% of property sales, respectively.

Revenue from leasing, property management and services, and hotel operations continued to provide stable revenue sources for the Group, contributing HK$319,015,000, HK$49,984,000 and HK$86,016,000 and accounting for 13.0%, 2.0% and 3.5% (six months ended 30 June 2015: 14.7%, 2.1% and 3.4%) of the total revenue, respectively.

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2016, the Group's gross profit was HK$824,998,000 (six months ended 30 June 2015: HK$728,791,000), representing an increase as compared with the corresponding period last year, which was attributable to an increase of revenue. Gross profit margin was 33.6%, approximately the same level compared with that during the same period last year.

Investment Property Revaluation

For the six months ended 30 June 2016, the Group recorded a net gain on revaluation of investment properties of approximately HK$47,523,000, which was mainly attributable to ShanghaiMart.

Distribution and Selling Expenses

For the six months ended 30 June 2016, the Group's distribution and selling expenses increased by 28.2% year-on-year to HK$88,359,000 (six months ended 30 June 2015: HK$68,911,000) as a result of a significant increase of contract sales during the period.

General and Administrative Expenses

During the six months ended 30 June 2016, the Group recorded general and administrative expenses of approximately HK$219,217,000, a decrease of 2.5% year-on-year (six months ended 30 June 2015: HK$224,895,000), which was mainly attributable to the Group's continual efforts in enhancing its structural integration and improving its internal management efficiency.

Profit

During the six months ended 30 June 2016, the Group's profit increased significantly year-on-year by 2.89 times to approximately HK$732,833,000 (six months ended 30 June 2015: HK$188,243,000), which was mainly attributable to the one-off gain arising from the disposal of the interests in U Center indirectly through withdrawing from the partnership in Green Carbon Fund during the period. During the period, profit attributable to owners of the Company climbed to HK$312,101,000 (six months ended 30 June 2015: profit attributable to owners of the Company of HK$114,005,000). During the first half of the year, the basic and diluted earnings per share amounted to 6.49 HK cents (six months ended 30 June 2015: earnings per share of 2.37 HK cents).

Cash and Financial Position

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

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

As at 30 June 2016, bank balances and cash of the Group were HK$11,962,262,000 (31 December 2015: HK$11,371,189,000). The net debt to total equity of the Group (net debt (total borrowings less cash and cash equivalents and pledged bank deposits) to total equity) decreased from 54.9% as at the end of last year to 41.8%. Current ratio dropped slightly to 1.9 (31 December 2015: 2.0).

As at 30 June 2016, the total borrowings of the Group including bank borrowings, other borrowings, bonds and bank borrowings included in liabilities classified as held-for-sale amounted to approximately HK$20,346,686,000 (31 December 2015: HK$22,233,639,000).

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

Foreign Exchange Risks

During the period, owing to the continuous devaluation of RMB, which affected a lot of domestic property developers holding US and HK$ dollars debts. In light of this, the Group repaid a substantial amount of its foreign currency debts in the first half of 2016 in order to ensure sound financial conditions and minimize the foreign exchange risks. Such debts were cut by approximately HK$4,079,756,000.

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 30 June 2016, the Group employed 1,620 employees (including Hong Kong and PRC offices). The remuneration policies for the employees of the Group are determined according to the performance, qualification, experience and competence of the employees. The emoluments of the directors of the Company (the "**Directors**") is determined by the remuneration committee of the Company, having regard to the operating results of the Group, individual performance and comparable market statistics. Staff benefits include discretionary bonus payments which are linked to the profitability of the Group and individual performances and contributions to the Mandatory Provident Fund Schemes.

The Group had adopted a share option scheme as an incentive to the Directors and eligible employees. During the six months ended 30 June 2016, the Group provided training programs relating to work to employees. Activities aiming at building up team spirit were regularly organized for employees, so as to enhance the human capital of the Group and the sense of belonging of the staff.

LAND BANK

As at 30 June 2016, the Group's land bank is developed into 19 property projects located in 10 cities and is distributed across major cities in China, including Shanghai, Beijing, Shenyang, Tianjin, Kunshan, Wuxi, Xi'an, Chongqing, Changsha and Shenzhen. Most of the land bank is developed into medium to high class residential properties, which are currently under construction. With a future saleable planned G.F.A. of approximately 3,765,000 sq.m., the Group's land bank is sufficient to support its development pipeline for the next three to five years. The Group will continue to explore new resources as its continuous development drivers and support to sharpen and utilise its competitive edge in the Yangtze River Delta region and coastal areas.

Recently, property developers in China have been expanding their financing efforts to develop their land reserve, making 2016 first half with the largest number of "land kings", a reference to a plot sold for a record high price per unit. During the period, the transaction prices and premiums in Shanghai's land market reached a record high. Presently, property developers are sharing the difficulties of scarce new land resources and fierce competition in first-tier cities.

This year, the Group continued to adopt a multi-channel land acquisition strategy. By studying the possibility of acquiring new projects through participation in tender, auction and public listing, equity acquisition, urban renewal and redevelopment, while balancing the structural risks of the market and prudently predicting market trends, we strove to acquire high quality assets for the Group and maximise shareholder returns. In 2015, Shanghai Municipal Government issued the "Implementation Opinions on Renewal of Land Parcels in Urban Villages in Shanghai" and launched 35 pilot projects on "urban village" renewal for the purpose of revitalizing the premium land parcels surrounding the Middle Ring Line. This year, the Group has been granted one of the first batch of urban village renewal projects in Shanghai – the Hangnan land parcel in Minhang District, Shanghai. In future, the Group will also actively participate in several new projects in the southern area of Shanghai, such as Minhang, Pudong and Xuhui districts.

OUTLOOK

Looking ahead, global economic growth faces uncertainty. In the recent "World Economic Outlook" report, taking into account the adverse impact of Brexit, the International Monetary Fund has marked down the global economic growth forecasts for 2016 and 2017 by 0.1% to 3.1% and 3.4%, respectively. Although the impact of Brexit on China is limited, the international economic environment is still rough and complicated.

The supply-side structural reform in China beginning this year has initially borne fruits. China performed steadily as it posted a 6.7% GDP growth in both first and second quarters. The short-term pain associated with readjustment will also persist as the Chinese economy is undergoing a key stage of internal restructuring, transformation and upgrading. Hence, the property industry will remain as an important pillar in the real economic growth.

2016 is the strategic starting year of the Group, with the gradual implementation of its five-year strategic development plan of "Residence + Commerce + X". The Group will continue to focus on developing key regions with Shanghai as the center and stabilise its core industry while expanding commercial development. The Group will also take greater efforts in innovation and extend the industry chain.

Going forward, the Group will further consolidate its strengths and enhance its advantages. The management remains optimistic about the full-year results of the Group and is committed to generating solid returns for the shareholders.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2016 (for the six months ended 30 June 2015: Nil).

SHARE CAPITAL

The Company's issued and fully paid share capital as at 30 June 2016 amounted to HK$192,450,927.56 divided into 4,811,273,189 ordinary shares of HK$0.04 each.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2016.

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

During the six months ended 30 June 2016, the Company has complied with the code provisions as set out in the Corporate Governance Code (the "**Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") except as deviated hereunder.

Code Provision A.2.1 of the Code

The code provision A.2.1 of the Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Following the re-designation of Mr. Ji Gang as the Chairman of the Board with effect from 2 February 2015, there is a deviation from code provision A.2.1 as Mr. Ji Gang also performs the role of chief executive of the Group. The Board is aware of the said deviation but considers that this arrangement is appropriate and in the best interests of the Group as it helps to maintain the continuity of the Group's policies and strategies and the stability of the operations of the Group. The Board also considers that such arrangement would not impair the balance of power and authority between the Board and the management of the Company as the Board does meet regularly on a quarterly basis to review the operations of the Group and to consider other major matters affecting the business development and operations of the Group. Going forward, the Board will periodically review the effectiveness of this arrangement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct regarding dealings in the securities of the Company by the Directors and the relevant employees (who are likely to be in possession of inside information relating to the Company or its securities) (the "**Guidelines for Securities Transactions by Relevant Employees**") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code and its code of conduct regarding directors' securities transactions throughout the six months ended 30 June 2016.

In addition, no incident of non-compliance of the Guidelines for Securities Transactions by Relevant Employees by the relevant employees of the Group was noted by the Company throughout the six months ended 30 June 2016.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The audit committee of the Company (the "**Audit Committee**") currently consists of three independent non-executive Directors, namely Mr. Li Ka Fai, David (Committee Chairman), Mr. Doo Wai-Hoi, William, *J.P.* and Mr. Fan Ren Da, Anthony. The Audit Committee is primarily responsible for reviewing the accounting principles and practices adopted by the Group; reviewing the financial reporting process, risk management and internal controls system of the Group; and reviewing the independence and objectivity of the external auditor, the scope of audit services and related audit fees payable to the external auditor. During the six months ended 30 June 2016, the Audit Committee has reviewed the independence and objectivity of the external auditor, the scope of audit services and related audit fees payable to the external auditor for the Board's approval. The Audit Committee has also reviewed the unaudited interim financial statements of the Group for the six months ended 30 June 2016 and discussed with the management and the auditor of the Company on the accounting principles and practices adopted by the Group, risk management and internal controls matter, final results and financial statements and the terms of reference for the Audit Committee.

The Group's external auditor, Messrs. Deloitte Touche Tohmatsu, has reviewed the Company's unaudited condensed consolidated financial statements for the six months ended 30 June 2016 in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

CHANGES IN INFORMATION OF DIRECTORS

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

(a) Mr. Zhou Jun ("**Mr. Zhou**"), an executive director of the Company, has been re-designated as the Vice Chairman and Chief Executive Officer of Shanghai Industrial Holdings Limited ("**SIHL**"), a company listed on the Stock Exchange with stock code of 363, with effect from 25 August 2016. Mr. Zhou remains as an executive director of SIHL;

(b) Mr. Fan Ren Da, Anthony ("**Mr. Fan**"), an independent non-executive director of the Company, was appointed as the chairman of the risk management committee of Technovator International Limited, a company listed on the Stock Exchange with stock code of 1206, with effect from 29 March 2016; and

(c) Mr. Fan ceased to be the chairman of the nomination committee and was appointed as a member of the remuneration committee of Uni-President China Holdings Ltd., a company listed on the Stock Exchange with stock code of 220, with effect from 1 April 2016.

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.siud.com). The interim report of the Company for the six months ended 30 June 2016 containing all the applicable information required by the Listing Rules will be despatched to the Shareholders as well as published on the above websites in due course.

APPRECIATION

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

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

Hong Kong, 30 August 2016

As at the date of this announcement, the Board of the Company comprises Mr. Ji Gang, Mr. Zhou Jun, Mr. Yang Jianwei, Mr. Yang Biao, Mr. Ye Weiqi and Ms. Huang Fei as executive Directors and Mr. Doo Wai-Hoi, William, J.P., Mr. Fan Ren Da, Anthony and Mr. Li Ka Fai, David as independent non-executive Directors.