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 2017

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 2017 (the "**Period**"), together with the comparative figures for the corresponding period in 2016, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

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

	NOTES	Six months ended 30 June 2017 HK$'000 (unaudited)	2016 HK$'000 (unaudited)
Profit for the period attributable to:			
— Owners of the Company		**322,751**	312,101
— Non-controlling interests		**403,206**	420,732
		725,957	732,833
Total comprehensive income attributable to:			
— Owners of the Company		**600,504**	(30,079)
— Non-controlling interests		**699,061**	222,607
		1,299,565	192,528
Earnings per share	*7*		
— Basic (HK cents)		**6.71**	6.49
— Diluted (HK cents)		**6.71**	6.49

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

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

	NOTES	30 June 2017 HK$'000 (unaudited)	31 December 2016 HK$'000 (audited)
Current liabilities			
Trade and other payables	10	**5,139,509**	5,173,828
Amounts due to related companies		**781,382**	609,801
Amounts due to associates		**59,317**	50,371
Consideration payables for acquisition of subsidiaries		**94,520**	342,585
Pre-sale proceeds received on sales of properties		**8,341,961**	7,996,881
Bank and other borrowings	11	**890,053**	854,595
Income tax and land appreciation tax payables		**1,631,064**	2,497,983
Dividend payable		**10,053**	8,384
Dividend payable to non-controlling shareholders		**212,411**	61,344
		17,160,270	17,595,772
Net current assets		**23,141,636**	22,788,325
Total assets less current liabilities		**41,210,773**	40,529,582
Non-current liabilities			
Deferred revenue		**202,214**	195,776
Bank and other borrowings	11	**13,601,672**	13,891,575
Deferred tax liabilities		**4,795,665**	4,722,103
		18,599,551	18,809,454
		22,611,222	21,720,128
Capital and reserves			
Share capital	12	**192,439**	192,451
Reserves		**12,539,635**	12,098,372
Equity contributable to owners of the Company		**12,732,074**	12,290,823
Non-controlling interests		**9,879,148**	9,429,305
		22,611,222	21,720,128

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

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

3. REVENUE AND SEGMENT INFORMATION

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

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

4. FINANCE COSTS

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

5. INCOME TAX

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

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2017	2016
	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	**57,596**	54,453
Interest income on bank deposits (included in other income)	**(68,405)**	(50,386)
Other interest income (included in other income)	**(7,128)**	(63,376)
Impairment loss recognised on other receivables (included in other expenses, gains and losses, net)	**—**	122,078
Net foreign exchange (gain) loss (included in other expenses, gains and losses, net)	**(9,196)**	123,104

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2017	2016
	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	**322,751**	312,101

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

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

8. MOVEMENTS IN INVESTMENT PROPERTIES

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

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

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

9. TRADE AND OTHER RECEIVABLES

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

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

	30 June 2017 *HK$'000* **(unaudited)**	31 December 2016 *HK$'000* (audited)
Within 90 days	**17,876**	12,800
Within 91–180 days	**59**	5,300
Over 180 days	**8,717**	5,998
	26,652	24,098

10. TRADE AND OTHER PAYABLES AND DEFERRED REVENUE

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

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

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

11. BANK AND OTHER BORROWINGS

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

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

12. SHARE CAPITAL

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

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY MARKET REVIEW

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

BUSINESS REVIEW

Overview

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

Property Development

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

Contract Sales

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

Investment Properties

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

FINANCIAL REVIEW

Revenue

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

Gross Profit and Gross Profit Margin

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

Investment Property Revaluation

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

Distribution and Selling Expenses

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

General and Administrative Expenses

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

Other Expenses, Gains and Losses, Net

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

Profit

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

Liquidity and Capital Resources

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

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

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

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

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

Foreign Exchange Risks

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

HUMAN RESOURCES AND REMUNERATION POLICIES

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

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

LAND BANK

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

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

OUTLOOK

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

INTERIM DIVIDEND

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

SHARE CAPITAL

The Company's issued and fully paid share capital as at 30 June 2017 amounted to HK$192,438,927.56 divided into 4,810,973,189 ordinary shares of HK$0.04 each.

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

Repurchase of Shares

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

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

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

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

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

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

Code Provision A.2.1 of the Code

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct regarding dealings in the securities of the Company by the Directors and the relevant employees (who are likely to be in possession of inside information relating to the Company or its securities) (the "**Guidelines for Securities Transactions by Relevant Employees**") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards as set out in the Model Code and its code of conduct regarding directors' securities transactions throughout the six months ended 30 June 2017.

In addition, no incident of non-compliance of the Guidelines for Securities Transactions by Relevant Employees by the relevant employees of the Group was noted by the Company throughout the six months ended 30 June 2017.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

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

The Group's external auditor, Messrs. Deloitte Touche Tohmatsu, has reviewed the Company's unaudited condensed consolidated financial statements for the six months ended 30 June 2017 in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

CHANGES IN INFORMATION OF DIRECTORS

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

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

(b) Mr. Fan has retired as an independent non-executive director and ceased to be the chairman of the audit committee of Guodian Technology & Environment Group Corporation Limited, a company listed on the Stock Exchange with stock code of 1296, with effect from 8 August 2017.

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

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 2017 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, 25 August 2017

As at the date of this announcement, the Board comprises Mr. Ji Gang, Mr. Lou Jun, Mr. Yang Jianwei, Mr. Fei Zuoxiang, Mr. Ye Weiqi, Ms. Huang Fei and Mr. Zhong Tao 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.