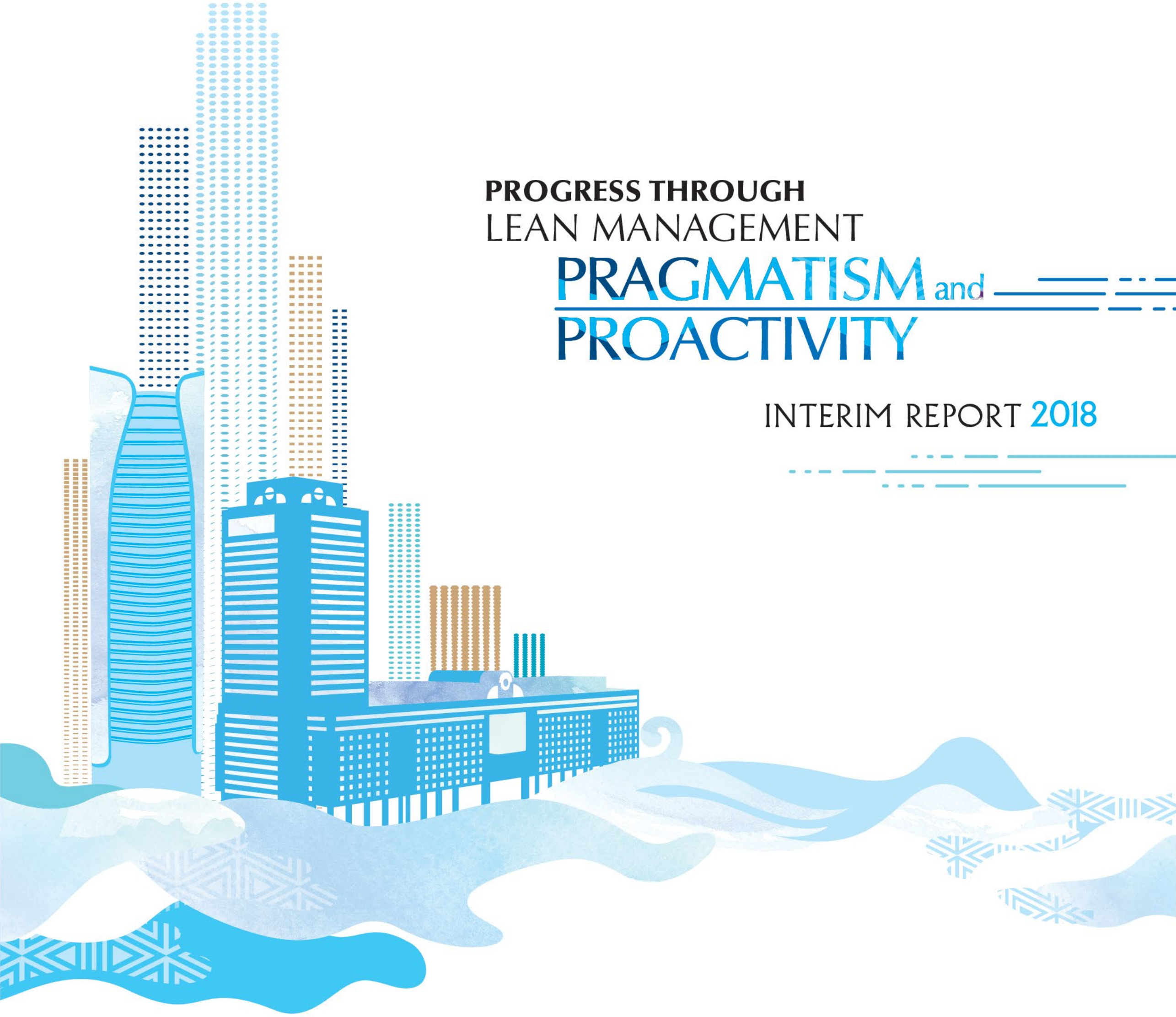
上海實業城市開發集團有限公司
SHANGHAI INDUSTRIAL URBAN DEVELOPMENT GROUP LIMITED

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

PROGRESS THROUGH LEAN MANAGEMENT PRAGMATISM and PROACTIVITY

INTERIM REPORT 2018



PREMIUM ARCHITECTURE THROUGH PAINSTAKING CRAFTSMANSHIP

Shanghai Industrial Urban Development Group Limited ("**SIUD**") currently has 21 real estate projects in 10 major cities in China, mainly located at Shanghai, Kunshan, Wuxi, Beijing, Shenyang, Tianjin, Xi'an, Chongqing, Changsha and Shenzhen. Most of the projects are mid- to high-end residential projects which are under construction at full steam, presenting the Group with approximately 3.68 million square meters saleable floor areas and building a marvelous foundation for our long term development.

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CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Zeng Ming *(Chairman)*
(appointed on 23 May 2018)
Zhou Xiong *(Vice Chairman and President)*
(appointed on 23 May 2018)
Lou Jun
Fei Zuoxiang
Ye Weiqi
Huang Fei
Zhong Tao

Independent Non-Executive Directors

Doo Wai-Hoi, William, *J.P.*
Fan Ren Da, Anthony
Li Ka Fai, David
Qiao Zhigang

AUTHORIZED REPRESENTATIVES

Zeng Ming *(appointed on 23 May 2018)*
Chan Kin Chu, Harry

BOARD COMMITTEES

Audit Committee

Li Ka Fai, David *(Committee Chairman)*
Doo Wai-Hoi, William, *J.P.*
Fan Ren Da, Anthony

Remuneration Committee

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

Nomination Committee

Zeng Ming *(Committee Chairman)*
(appointed on 23 May 2018)
Doo Wai-Hoi, William, *J.P.*
Fan Ren Da, Anthony

Investment Appraisal Committee

Fan Ren Da, Anthony *(Committee Chairman)*
Zhou Xiong *(appointed on 23 May 2018)*
Zhong Tao
Qiao Zhigang

COMPANY SECRETARY

Chan Kin Chu, Harry

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Corporate Services (Bermuda) Limited
Clarendon House,
2 Church Street,
Hamilton, HM11,
Bermuda.

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
Level 22, Hopewell Centre,
183 Queen's Road East,
Hong Kong.

REGISTERED OFFICE

Clarendon House,
2 Church Street,
Hamilton, HM11,
Bermuda.

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 3004-3007,
30th Floor, Great Eagle Centre,
23 Harbour Road,
Wanchai, Hong Kong.
Telephone: (852) 2544 8000
Facsimile: (852) 2544 8004

WEBSITE

http://www.siud.com

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Agricultural Bank of China Limited
China Construction Bank Corporation
China Everbright Bank
Industrial and Commercial Bank of China (Asia) Limited
Shanghai Pudong Development Bank Company Limited
Bank of China Limited

AUDITOR

Deloitte Touche Tohmatsu
35/F., One Pacific Place,
88 Queensway, Hong Kong.

LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
Ordinary Shares
(Stock Code: 563)

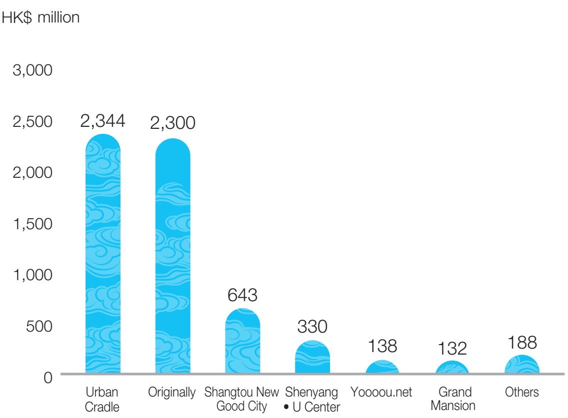
FINANCIAL HIGHLIGHTS

	For the six months ended 30 June 2018	For the six months ended 30 June 2017 (Restated)
Financial Highlights (HK$'000)		
Revenue	**3,838,773**	4,221,912
Profit attributable to equity owners of the Company	**254,473**	316,148
Financial Information per share (HK cent)		
Earnings per share		
— Basic	**5.29**	6.57
— Diluted	**5.29**	6.57

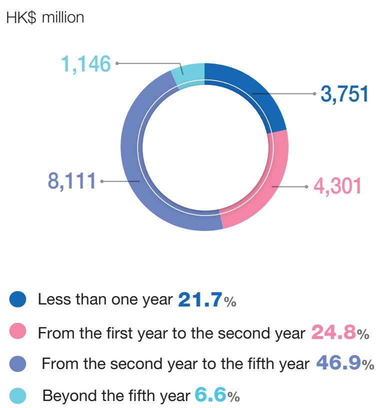
	As at 30 June 2018	As at 31 December 2017 (Restated)
Pre-sale proceeds received on sales of properties (HK$'000)	**6,074,731**	6,969,335
Financial Ratios		
Net debt to total equity (%)	**30.4%**	15.7%
Current ratio	**2.3**	2.2

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

ANALYSIS ON PRE-SALE PROCEEDS RECEIVED ON SALES OF PROPERTIES



DEBT MATURITY PROFILE



CHAIRMAN'S STATEMENT

CHAIRMAN
Zeng Ming

In the first half of 2018, the global development environment became extraordinarily complicated. Under the continuous industrial structure upgrading and acceleration in the change of growth drivers, China's economy still saw consistent quality enhancement. Owing to the differentiated adjustment and control policy over the domestic property industry, there was a "competition for talents" while the short- to mid-term regulation over the property market tightened. The land and property markets in first-tier cities, including Beijing, Shanghai, Guangzhou and Shenzhen, cooled down steadily following the swift implementation of the mid- to long-term supply side mechanism. In contrast, Shanghai remained resilient in transaction volume and property prices due to the robust rigid demand for high quality housing. In face of the current drastic changes in the socio-economy and industrial trends, SIUD strove to maintain steady growth under the challenging market environment through innovation and reforms. During the period under review, the Group posted an overall revenue of HK$3.84 billion and contract sales of RMB2.28 billion. The Group realised after tax profit of approximately HK$628 million. The profit attributable to owners of the Company was HK$254 million.

With a sound foothold in Shanghai, SIUD expanded to other core first- and second-tier cities and constructed famous premium projects in key urban areas as an urban property operator. During the period, Grand Mansion, the Group's flagship project in Shanghai, continued to top the sale. As for the two long-awaited landmark projects in Shanghai, the phase I residential portions of TODTOWN, a symbolic metro superstructure associate project in China, were launched for sale and sold out in just three hours, while Contemporary Art Villa, a low-density urban villa project in Shanghai, has already obtained a sufficient customer pool and achieved huge progress in the application of the pre-sale permit. With preparatory work in full swing, Contemporary Art Villa is targeted to be launched in the second half of the year. Not only will these Shanghai projects become the new profit growth engine of SIUD, they will also redefine the standards for medium- to high-end housing. Moreover, SIUD was also actively formulating its development plans in Xi'an, Tianjin and Shenyang. In particular, during the period, new products continued to roll out under Originally, a low-density ecological project tailored for Xi'an locals occupying the heart of Chanba, and were swiftly sold out soon after being launched. The project continued to champion the regional market in both trading volume and trading prices. During the period, in recognition of its superb property projects, SIUD was assessed as one of "China's Top 50 Listed Real Estate Companies in Overall Strength in 2018" (二零一八中國房地產上市公司綜合實力50強) by the China Real Estate Association.

During the period, SIUD focused its efforts in developing the Ucenter series (which are medium to large urban commercial and office complex projects), Uplaza+ series (which are targeted at post-80s and post-90s, who are in pursuit of quality lifestyle) and urban renewal series (which emphasise on old town redevelopment) of commercial property projects. At present, the operational area of commercial projects and offices completed by SIUD in eight major cities in China is approximately 900,000 sq.m. More than 1 million sq.m. of commercial area will be completed in the next three to five years. In the first half of the year, SIUD recorded rental income of HK$345 million, up by nearly 10% year-on-year. By virtue of its outstanding performance in the commercial property sector, SIUD was recognised as among top 30 of "China's Top 100 Commercial Property Companies in 2018" (二零一八年中國商業房地產百強企業) and received the "2018 Outstanding Commercial Property Product Line Award" (二零一八年優秀商業地產產品線).

SIUD kept an eye for premium land resources in Shanghai and other key cities all over the country and sought to enrich its land bank through participation in bidding, auction and listing-for-sale, equity acquisition, urban renewal and redevelopment. During the period, the Group acquired 35% equity interest in Shanghai Real Estate Northern Region Investment Development Company Limited, which was engaged in primary land development, and the entire equity interest in Shanghai Shangtou Real Estate Investment Company Limited, which was engaged in secondary land development, at the beginning of the year. On 12 July 2018, SIUD acquired the first commercial and office land parcel under the "urban village" renewal project in Shanghai at RMB522.53 million. Planned to be developed into a sophisticated leisure and community commercial project integrating the ideas of lifestyle and social interactions, the land will lay a solid strategic foundation for the long-term development of the Group in Minhang District, Shanghai.

In the second half of 2018, the government will uphold a proactive and steadily easing fiscal policy and a moderately stable monetary policy, and establish a long-term mechanism for the property market by conducting drastic systematic reforms. The Group will adapt to the ever-changing and regulation-focused industrial environment and choose the best timing for developing residential projects and putting them for sale in order to fulfil its annual target. With the emphasis on strengthening its commercial operational capability, SIUD will spare no effort in enhancing its asset operational efficiency. By leveraging on its solid financial structure, the Group will seize the land acquisition windows by taking into account all related factors so as to acquire new land resources at a reasonable risk level and capital costs. We will also keep promoting the cooperation between industrial and financial capital to develop a pan-financial investment expansion model. Being committed to "creating value for the shareholders", SIUD will concentrate on innovation and reforms by carrying on with past successes while creating new achievements in the future. Going forward, SIUD will strive to bring more fruitful and sustainable returns for the shareholders with its solid operating results and sound development.

Finally, on behalf of the Board, I would like to express my sincere gratitude to all of our shareholders, customers and business partners for their unfading support, and to all employees for their dedication and contribution.

Zeng Ming
Chairman

28 August 2018

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY MARKET REVIEW

In the first half of 2018, despite the growing complexity of the market environment, China's economy followed a positive track on the whole and the adjustment and control measures on both the supply and demand sides of the domestic property industry remained stringent, thus pushing the industry back on the track of accommodation instead of speculation. Against this backdrop, property prices in first-tier cities, including Beijing, Shanghai, Guangzhou and Shenzhen, cooled down steadily while the property market in Shanghai was resilient in terms of selling prices and transaction volume due to the strong rigid demand for high quality housing. In the meantime, as the national "competition for talents" and the competition in the property market are getting fiercer and fiercer, it is foreseeable that only urban operators with adequate working capital and low gearing ratio will be able to achieve stable long-term growth in adversity.

BUSINESS REVIEW

Overview

In the first half of 2018, the Group derived its profits mainly from the sales revenue of Urban Cradle and Grand Mansion in Shanghai and Originally in Xi'an as well as the rental income from its investment properties. The Group took the initiative to develop its investment property operation. During the period, by persisting in refining its commercial property footprint, the Group completed a number of commercial projects all over the country and set up complementary business management centers and capital management companies. The Group continued to derive stable rental income from mature properties, such as ShanghaiMart and Urban Development International Tower, while stepping up its efforts in transforming its landmark commercial and office projects in Shanghai, such as Binjiang U Center and TODTOWN, into brand new business lifestyle experience complex. Leveraging on its own resources and strengths for innovation, SIUD made successful attempts to release its potential and create value by taking advantage of the peak in inventory. Under the leadership of a strong, innovative and committed management team, SIUD weathered through difficulties and adhered to the vision of "innovative leadership and continuous reforms" by focusing on developing high quality products, reforming its sales tactics, and perfecting its strategic planning and land acquisition strategies in order to achieve sound development in the challenging market environment.

Contract Sales

During the six months ended 30 June 2018, the contract sales from commodity housing of the Group decreased 51.0% year-on-year to RMB2,275,250,000 (six months ended 30 June 2017: RMB4,644,890,000), representing 50.6% of the sales target of RMB4.5 billion set at the beginning of the year. The Group is confident in fulfilling the annual sales target. Total contract sales in terms of G.F.A. were 110,000 sq.m. during the period, down 59.9% year-on-year. The average selling price rose approximately 22.5% to approximately RMB20,700 per sq.m., which was mainly attributable to slower project launches under the general influence of the price restriction order in China and the general reduction in contract sales area due to the planned launch of its new projects in Shanghai, namely the residential portions of TODTOWN, a metro-oriented comprehensive development project in Shanghai, and Contemporary Art Villa, a low-density urban project in Shanghai, in the second half of 2018. During the period, the key projects Urban Cradle in Shanghai and Originally in Xi'an performed well in sales and remained as the principal sources of revenue of the Group, which delivered sales of RMB1,231,970,000 and RMB740,910,000 respectively, accounting for approximately 54.2% and 32.6% of the total contract sales respectively.

Property Development

During the six months ended 30 June 2018, the Group had 9 projects with a total G.F.A. of 2,296,000 sq.m. under construction, which primarily included TODTOWN, Binjiang U Center, Originally in Xi'an, Shenyang U Center and Contemporary Splendour Villa. The floor space started of the Group was 376,000 sq.m., which mainly came from Originally in Xi'an and Contemporary Splendour Villa. The Group delivered a total G.F.A of 71,000 sq.m., which mainly came from Urban Cradle and Grand Mansion in Shanghai and Originally in Xi'an.

The phase I residential portions of TODTOWN, i.e. the Xinzhuang Metro Superstructure associate project in Minhang District, Shanghai, were already sold out in a few hours on the first day of launch in August. Currently, the pre-launch activities of Contemporary Art Villa, a low-density urban villa project in Shanghai, are progressing in full swing and the project is expected to be launched for sale in the second half of 2018. The sufficient new premium housing inventory supported SIUD in gaining market insights, weighing the pros and cons, responding to the market at opportune times and selling each of its high class property project at the most favourable prices, thus bringing the Group's sales performance to another new height.

Apart from Shanghai, SIUD also launched its projects in Xi'an, Tianjin and Shenyang one by one for sale. During the period, new products continued to roll out under Originally, which is the Group's landmark project in the core area in Chanba, Xi'an, forming a diversified product line covering villas, houses, high-rise buildings and commercial buildings. This project continued to outperform the regional market in both trading volume and trading prices, contributing greatly to the sales revenue of the Group.

Investment Properties

To extend the commercial industry chain, SIUD has set up two major functional divisions, namely business management centers and capital management companies. SIUD is gradually enriching its tenant database to enhance its leasing capability and boost its rental income. As at 30 June 2018, the investment properties held by the Group in major cities, including Shanghai, Beijing, Tianjin and Chongqing, provided an operational G.F.A. of approximately 686,000 sq.m.. The overall rental income of the Group increased 10.7% year-on-year to HK$345,064,000 (as at 30 June 2017: HK$311,703,000), mainly attributable to the rises in the overall letting rate and average unit rental of its projects. Going forward, in view of the future trends and demands, the Group will continue to upgrade and renovate its mature and premium commercial properties, such as ShanghaiMart and Urban Development International Tower, while turning its commercial and office property landmarks in Shanghai, including Binjiang U Center and TODTOWN, into brand new business lifestyle experience complex, with a view to brining stable rental income for the Group and further refining its commercial property operation.

FINANCIAL REVIEW

Revenue

During the six months ended 30 June 2018, the Group's revenue decreased by 9.1% year-on-year to HK$3,838,773,000 (six months ended 30 June 2017: HK$4,221,912,000), primarily due to the delay in project launches and revenue carry-over under the general influence of the price restriction order in Mainland China. During the period, property sales remained as the Group's main source of revenue and amounted to HK$3,349,779,000 (six months ended 30 June 2017: HK$3,789,598,000), accounting for 87.3% (six months ended 30 June 2017: 89.8%) of the Group's total revenue. The revenue contribution from Urban Cradle in Shanghai, Grand Mansion in Shanghai and Originally in Xi'an accounted for 69.9%, 20.4% and 4.4% (six months ended 30 June 2017: 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$345,064,000, HK$9,307,000 and HK$134,623,000 (six months ended 30 June 2017: HK$311,703,000, HK$52,502,000 and HK$68,109,000) respectively and accounting for 9.0%, 0.2% and 3.5% (six months ended 30 June 2017: 7.4%, 1.2% and 1.6%) of the total revenue, respectively.

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2018, the Group's gross profit amounted to HK$2,108,291,000, which was similar to that of the same period in 2017. Gross profit margin was 54.9%, up by 4.9 percentage points as compared to that of the same period last year. This was mainly because most of the projects completed and delivered by the Group during the period were the high-return projects in Shanghai and the Group kept adopting a steadily increasing pricing strategy.

Investment Property Revaluation

For the six months ended 30 June 2018, the Group recorded a net loss on revaluation of investment properties of approximately HK$187,873,000, which was mainly attributable to the Top City project in Chongqing and the Contemporary Art Villa project.

Distribution and Selling Expenses

For the six months ended 30 June 2018, the Group's distribution and selling expenses increased by 31.4% year-on-year to HK$193,316,000 (six months ended 30 June 2017: HK$147,157,000 (restated)), which was mainly attributable to the increase in marketing and promotion expenses due to the launch of new projects.

General and Administrative Expenses

For the six months ended 30 June 2018, the Group's general and administrative expenses increased by 13.3% year-on-year to HK$217,289,000 (six months ended 30 June 2017: HK$191,776,000 (restated)), which was mainly attributable to the increase in preliminary expenses of new projects.

Other Expenses, Gains and Losses, Net

For the six months ended 30 June 2018, the Group recorded a net gain of approximately HK$3,503,000 in other expenses, gains and losses (six months ended 30 June 2017: net loss of HK$2,663,000 (restated)), mainly due to the depreciation of Renminbi during the period, leading to exchange gains from its foreign capital overseas.

Profit

During the six months ended 30 June 2018, the Group's profit decreased year-on-year by 12.6% to HK$628,335,000 (six months ended 30 June 2017: HK$719,174,000 (restated)). During the period, the Group recorded one-off gains of approximately HK$155,140,000 from the disposal of the entire issued share capital of Fine Mark Investment Limited, an indirect wholly-owned subsidiary, and assignment of the outstanding loans for an aggregate consideration of RMB176,750,000 on 17 April 2018. During the first half of the year, the basic and diluted earnings per share amounted to 5.29 HK cents (six months ended 30 June 2017: earnings per share of 6.57 HK cents (restated)).

Liquidity and Capital Resources

The Group manages its capital to ensure that entities within the Group will be able to operate on a going concern while maximising the return to shareholders through optimisation 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 2018, bank balances and cash of the Group were HK$9,983,216,000 (31 December 2017: HK$13,185,306,000 (restated)). The net debt to total equity of the Group (net debt (total bank and other borrowings less bank balances and cash and restricted and pledged bank deposits) to total equity) increased from 15.7% (restated) as at the end of last year to 30.4% as at the period end. Current ratio rose slightly to 2.3 times (31 December 2017: 2.2 times).

As at 30 June 2018, the total borrowings of the Group including bank borrowings, other borrowings and advanced bonds amounted to approximately HK$17,309,183,000 (2017: HK$17,091,255,000 (restated)).

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 2018. However, the Group will adopt necessary measures whenever appropriate to minimise the impact arising from exchange rate fluctuations.

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 30 June 2018, the Group employed 892 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 2018, 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

For the six months ended 30 June 2018, the Group's land bank was developed into 21 highly cost competitive property projects located in 10 major cities in Mainland China, including Shanghai, Beijing, Tianjin, Xi'an, Chongqing, Kunshan, Wuxi, Shenyang, Changsha and Shenzhen, and comprised medium to high class residential and commercial properties, most of which were completed or under construction. With a future saleable planned G.F.A. of approximately 3,680,000 sq.m., the Group's land bank provides strong support for its development pipeline for the next three to five years.

By pursuing a multi-channel land acquisition strategy as ever, the Group continued to enrich its land bank and made some progress with initial achievements through participation in bidding, auction and listing-for-sale, equity acquisition, urban renewal and redevelopment in the primary and secondary markets. In July 2018, SIUD acquired the first commercial and office land parcel under the "urban village" renewal project in Shanghai at RMB522,530,000. With a focus on business community, the land is planned to be developed into a refined living center integrating the functions of business office, culture and education, leisure and entertainment and lifestyle retailing. The land will lay a solid strategic foundation for the long-term development of the Group in Minhang District, Shanghai.

During the period, SIUD acquired 35% equity interest in Shanghai Real Estate Northern Region Investment Development Co., Ltd at a consideration of RMB88,338,100 on 31 January 2018 to allow the Group to expand its investment to the primary land development business in Shanghai. On 28 February 2018, SIUD also acquired the entire equity interest in Shanghai Shangtou Real Estate Investment Co., Ltd at a consideration of RMB530,827,057 to help the Group expand into the secondary land development business. These two strategic acquisitions complemented the principal businesses of the Group and fueled its future development. With a strong foothold in Shanghai, SIUD will continue to seek nationwide expansion and strive to acquire land resources with high appreciation potential at competitive prices in order to further consolidate its leading position in the property market.

OUTLOOK

In the second half of 2018, driven by the acceleration in the adjustment and control of the supply and demand sides as well as the diversification and furtherance of national consumption, transformation and upgrading will continue to prevail in China's property market. The demand for high quality housing is expected to remain robust from home purchasers with rigid demand for residence. An unprecedented golden opportunity has arisen for the development of commercial properties. The flourishing development of city clusters around Yangtze River Delta continued to drive the demand for auxiliary modernised and comprehensive commercial projects. By adapting to the tempo of the housing policies and grasping the opportunities presented by the upgrading of commercial properties, the Group will build on its past achievements and further promote the four main strategic plans of "residential property development + investment property operation + urban renewal service + cooperation between industrial and financial capital". The Group will adjust its pace in residential project development and launch new potential key projects at opportune times, acquire new premium land resources at a reasonable risk level and capital costs to support its future development, focus on strengthening its commercial property operation by actively enhancing its letting rate and rental income, and promote the synergy between industrial and financial capital and explore the pan-financial investment model. In the second half, by strictly following the guiding principle of "lean management in a proactive and pragmatic manner", SIUD will seek to optimise its internal resource allocation, enhance its capital utilization and operational efficiency and proactively realise high quality growth for the Group amidst the complex and ever-changing market environment with a view to creating sustainable fruitful returns for the shareholders.

DETAILS OF PROPERTIES

The Group has 21 projects in 10 cities, comprising mid- to high-end residential units, serviced apartments, commercial and office buildings. As at 30 June 2018, the total GFA of the future saleable land bank of the Group was approximately 3.68 million sq.m.

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

As at 30 June 2018

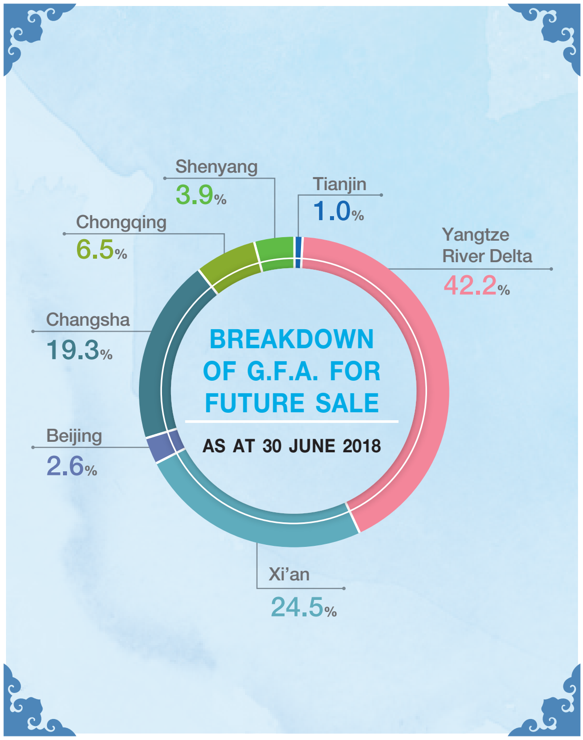
Project	City	Site area (sq.m.)	Planned G.F.A. sq.m.)	Saleable G.F.A. (sq.m.)	1H 2018 pre-sold G.F.A. (sq.m.)	Accumulated G.F.A. sold (sq.m.)	Future saleable G.F.A. (sq.m.)	Saleable G.F.A. under construction (sq.m.)	Saleable G.F.A. for future development (sq.m.)	Expected Completion Date	Ownership (%)
Urban Cradle	Shanghai	943,000	1,226,298	909,054	13,971	783,011	126,043	–	86,330	Completed by phase from 2007 to 2022	53.1%
Binjiang U Center	Shanghai	77,371	525,888	324,600	–	–	324,600	65,900	258,700	Completed by phase from 2019 to 2021	35.4%
Shanghai Youth City	Shanghai	57,944	212,130	164,688	–	139,840	24,848	–	–	Completed	100.0%
Shanghai Jing City	Shanghai	301,908	772,885	609,488	335	560,409	49,079	43,129	–	Completed by phase from 2012 to 2019	59.0%
TODTOWN	Shanghai	117,825	605,000	385,300	–	–	385,300	272,300	113,000	Completed by phase from 2018 to 2022	20.7%
American Rock	Beijing	121,499	523,833	454,610	–	454,563	47	–	–	Completed	100.0%
Youngman Point	Beijing	112,700	348,664	295,114	–	258,814	36,300	–	–	Completed by phase from 2007 to 2021	100.0%
West Diaoyutai	Beijing	42,541	250,930	230,801	–	172,069	58,732	–	49,288	Completed by phase from 2007 to 2021	90.0%
Laochengxiang	Tianjin	244,252	752,883	613,357	–	578,266	35,091	29,795	–	Completed by phase from 2006 to 2019	100.0%
Yoooou.net	Kunshan	34,223	129,498	112,812	45	63,020	49,792	–	–	Completed	30.7%
Royal Villa	Kunshan	205,017	267,701	222,666	4,330	213,375	9,291	–	–	Completed	53.1%
Urban Development International Center	Wuxi	24,041	193,368	143,862	–	42,303	101,559	–	–	Completed	59.0%
Originally	Xi'an	2,101,967	3,899,867	3,202,324	65,852	2,299,760	902,564	370,279	374,960	Completed by phase from 2008 to 2022	71.5%
Shenyang • U Center	Shenyang	22,651	228,768	176,315	14,429	34,175	142,140	176,315	–	Completed by phase from 2015 to 2018	80.0%
Top City	Chongqing	120,014	786,233	616,122	–	376,095	240,027	–	–	Completed	100.0%
Forest Sea	Changsha	679,620	1,032,534	1,016,765	2,755	304,972	711,793	–	704,553	Completed by phase from 2007 to 2025	67.0%
China Phoenix Tower	Shenzhen	11,038	106,190	79,391	–	78,343	1,048	–	–	Completed	91.0%
Contemporary Art Villa	Shanghai	116,308	71,822	71,822	–	31,705	40,117	–	17,000	Completed by phase from 2018 to 2022	100.0%
Contemporary Splendour Villa	Shanghai	120,512	191,636	68,404	–	–	68,404	68,404	–	Completed by phase from 2018 to 2022	100.0%
Shangtou Xinhong	Shanghai	69,495	212,347	145,719	–	–	145,719	–	145,719	Completed in 2021	90.0%
Shangtou New Good City	Shanghai	118,880	306,167	230,142	–	–	230,142	108,105	122,037	Completed by phase from 2019 to 2020	100.0%
Total		**5,642,806**	**12,644,642**	**10,073,356**	**101,717**	**6,390,720**	**3,682,636**	**1,134,227**	**1,871,587**		

MAJOR INVESTMENT PROPERTIES

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

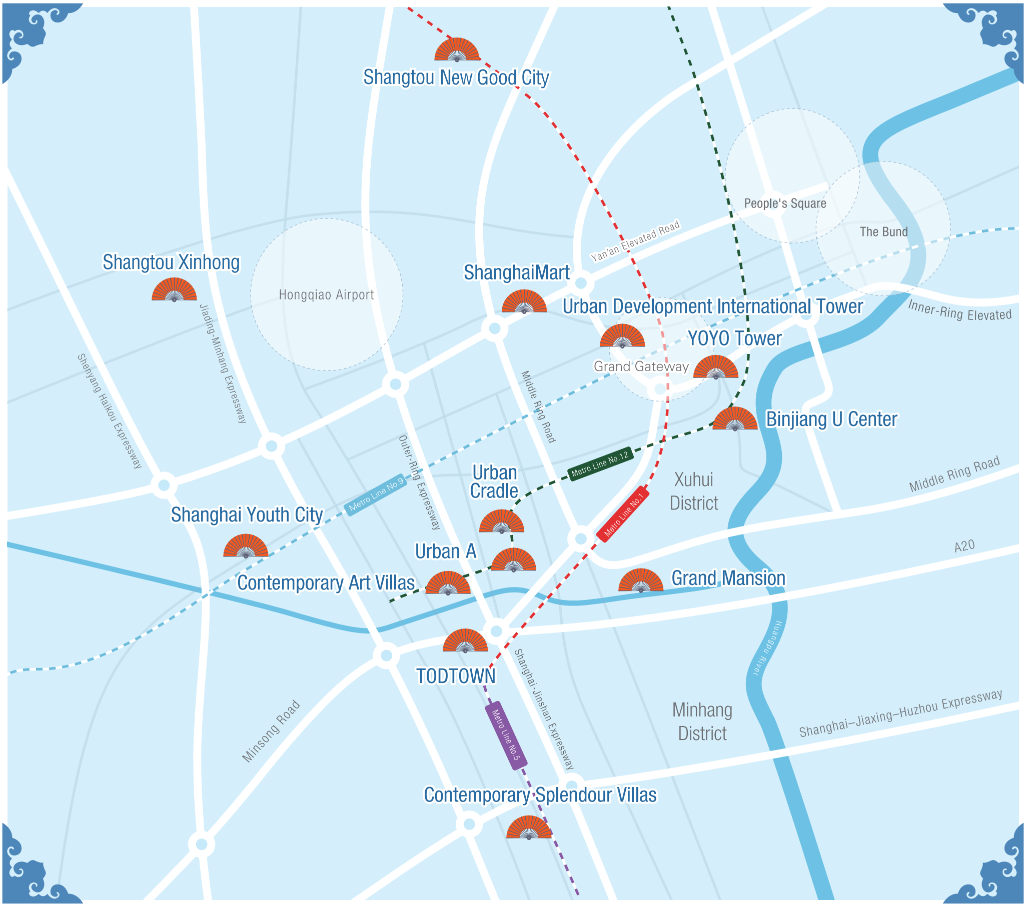
Notes:

1. Included in page 15 of this interim report
2. Address: No. 2299, Yan'an West Road, Changning District, Shanghai
3. Address: No. 355, Hongqiao Road, Xuhui District, Shanghai
4. Address: No. 123, Tianyaoqiao Road, Xuhui District, Shanghai; previously named as "Huimin Commercial Tower"

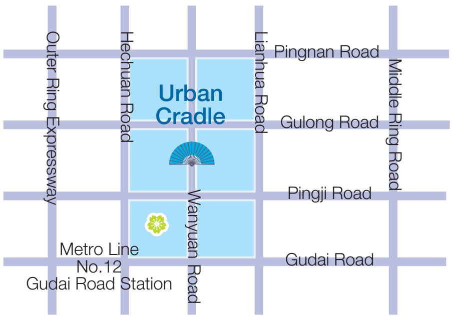


KEY PROJECTS INTRODUCTION

SIUD Shanghai Projects



URBAN CRADLE



Address:
588 Gulong Road,
Minhang District, Shanghai

Category:
Residence/Commerce

Feature:

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

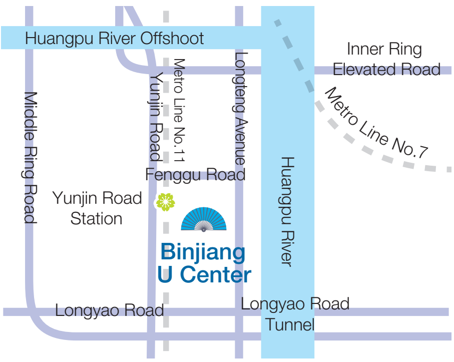
BINJIANG U CENTER

Address:
Xuhui Binjiang, Shanghai

Category:
Office/Commerce

Feature:

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



TODTOWN

Address:
Xinzhuang Town,
Minhang District, Shanghai

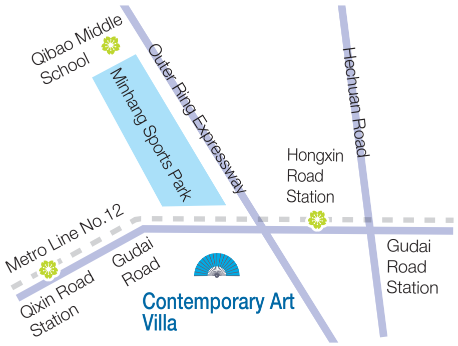
Category:
Residence/Commerce/Hotel/
Office/Apartment office

Feature:

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

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

CONTEMPORARY ART VILLA



Address:

Minhang District, Shanghai

Category:

Residential

Feature:

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

CONTEMPORARY SPLENDOUR VILLA

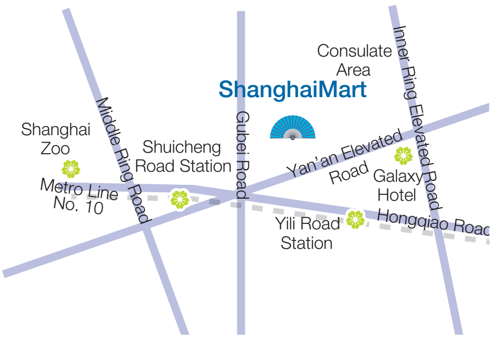
Address:
Minhang District, Shanghai

Category:
Residential

Feature:

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

SHANGHAIMART



Address:

2299 West Yan'an Road, Shanghai

Category:

Exhibition/Commerce/Office

Feature:

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

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

SHANGHAI JING CITY (Including "Grand Mansion")

Address:

Lane 266, Zhumei Road, Shanghai

Category:

Residence/Commerce

Feature:

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

SHANGTOU XINHONG

Address:

Minhang District, Shanghai

Category:

Residence

Feature:

Located at the peripheral area of Hongqiao CBD and next to the sub-city center (Xujing), the project is just one block way from National Exhibition and Convention Center First Road. The project is east of the greenbelt of Hualai Road (in planning), south of Longlian East Road (in planning), west of the greenbelt of Xiaolai Port (in planning) and north of Xinghong West Road (in planning). The project spans a site area of about 70,000 sq.m. with an estimated overground G.F.A. of approximately 150,000 sq.m.. Upon completion, the project will be repurchased by the government for the purpose of relocation settlement. By significantly improving the surrounding urban area of the National Exhibition and Convention Center project and establishing a new urban landscape, the project will facilitate the integrated development of Hongqiao CBD as well as the sound relationship between the government and business enterprises, thereby laying a solid foundation for the future development of the enterprises.

SHANGTOU NEW GOOD CITY

Address:

Guchun Town, Baoshan District, Shanghai

Category:

Residence

Feature:

The project is located at the core area of the urban functional zone of central Baoshan in the expansion area of Shanghai city center. Located at the junction of the Hutai Road urban development axis and the Bao'an Highway comprehensive development axis, the project is currently a new large-scale residential community near Shanghai city center available for regional comprehensive development and construction.

The project comprises totally four residential land parcels (projects), amongst which two land parcels are district-level resettlement housing with a total G.F.A. of approximately 150,000 sq.m. and two land parcels are city-level joint ownership government-supported housing with a total G.F.A. of approximately 150,000 sq.m.. Currently, the project is still at the preliminary stage of development.

BEIJING YOUNGMAN POINT

Address:

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

Category:

Residence/Commerce

Feature:

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

WEST DIAOYUTAI

Address:

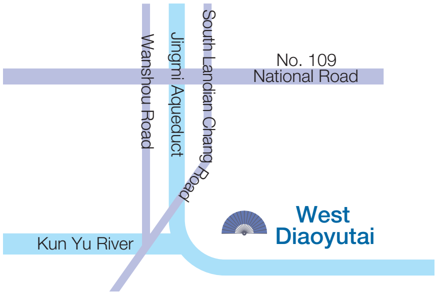
No. 1 and No. 2 Section, West Diaoyutai Village, Haidian District, Beijing

Category:

Residence

Feature:

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



TIANJIN LAOCHENGXIANG

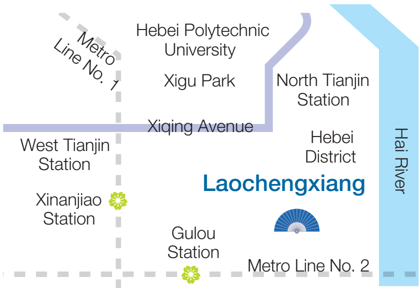
Address:
Laochengxiang,
Nankai District, Tianjin

Category:
Residence/Commerce/Office

Feature:

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

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



SHENYANG
SHENYANG • U CENTER

Address:
South Taiyuan Street,
Heping District, Shenyang

Category:
Commerce/Office/Serviced Apartment

Feature:

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

KUNSHAN YOOOOU.NET

Address:

No. 258, Lvdi Avenue,
Huaqiao Town, Kunshan

Category:

Commerce/Office

Feature:

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

ROYAL VILLA

Address:

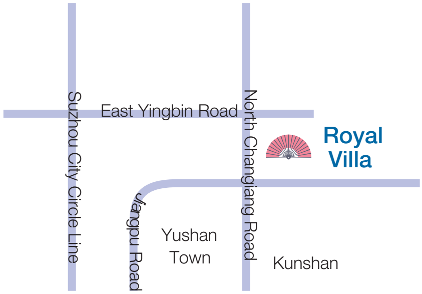
No. 859, East Yingbin Road,
Kunshan (near Changjiang Road)

Category:

Residence

Feature:

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



WUXI
URBAN DEVELOPMENT INTERNATIONAL CENTER

Address:

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

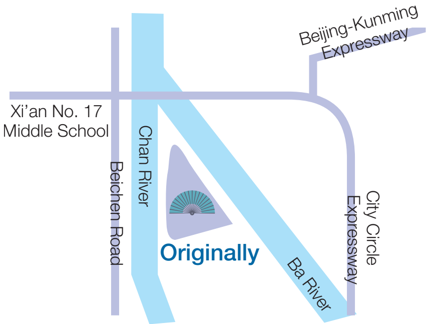
Category:

Commerce/Hotel/Office/Serviced Apartment

Feature:

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

XI'AN ORIGINALLY



Address:

East to Chanhe River,

Chanba Avenue, Chanba Ecotope, Xi'an

Category:

Residence/Commerce/Hotel

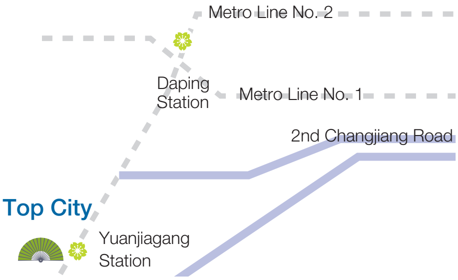
Feature:

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

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

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

CHONGQING TOP CITY



Address:

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

Category:

Residence/Commerce/Office

Feature:

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

CHANGSHA FOREST SEA

Address:

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

Category:

Residence/Commerce

Feature:

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

OTHER INFORMATION

INTERIM DIVIDEND

The board of Directors (the "**Board**") does not recommend the payment of any interim dividend for the six months ended 30 June 2018 (for the six months ended 30 June 2017: Nil).

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 2018.

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 2018, 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 ("**Mr. Ji**") as the chairman of the Board (the "**Chairman**") since 2 February 2015, there had been a deviation from code provision A.2.1 as Mr. Ji had also been performing the role of chief executive of the Group until 23 May 2018, the date of his retirement as the Chairman, the president and an executive Director. The Board was aware of the said deviation but considered that this arrangement was appropriate and in the best interests of the Group as it helped to maintain the continuity of the Group's policies and strategies and the stability of the operations of the Group. The Board also considered that such arrangement would not impair the balance of power and authority between the Board and the management of the Company as the Board did 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.

Following the retirement of Mr. Ji as the Chairman, the president and an executive Director at the annual general meeting held on 23 May 2018 (the "**2018 AGM**"), Mr. Zeng Ming was appointed as the Chairman and an executive Director while Mr. Zhou Xiong was appointed as the vice chairman, the president and an executive Director with effect from the conclusion of the 2018 AGM. Therefore, there is no longer aforesaid deviation since then.

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 2018.

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 2018.

LOAN AGREEMENT WITH SPECIFIC PERFORMANCE COVENANT ON THE CONTROLLING SHAREHOLDER

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

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

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The audit committee of the Company (the "**Audit Committee**") currently consists of three independent non-executive Directors, namely Mr. Li Ka Fai, David (Committee Chairman), Mr. Doo Wai-Hoi, William, *J.P.* and Mr. Fan Ren Da, Anthony. The Audit Committee is primarily responsible for reviewing the accounting principles and practices adopted by the Group; reviewing the financial reporting process, risk management and internal controls system of the Group; and reviewing the independence and objectivity of the external auditor, the scope of audit services and related audit fees payable to the external auditor. During the six months ended 30 June 2018, 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 2018 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 2018 in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

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

As at 30 June 2018, the interests and short positions of the Directors and chief executives of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

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

Name of Directors	Capacity	Number of issued ordinary shares held	Number of underlying shares subject to options granted[1]	Approximate % of the issued share capital of the Company
Ye Weiqi	Beneficial owner	—	6,000,000	0.12%
Huang Fei	Beneficial owner	—	6,000,000	0.12%
Zhong Tao	Beneficial owner	—	6,000,000	0.12%
Doo Wai-Hoi, William, *J.P.*	Beneficial owner	—	1,000,000	0.02%
Fan Ren Da, Anthony	Beneficial owner	—	1,000,000	0.02%
Li Ka Fai, David	Beneficial owner	—	1,000,000	0.02%

Note:

1. These interests represent the interests in the underlying shares of the Company in respect of share options granted by the Company to these Directors as beneficial owners, details of which are set out in the section headed "SHARE OPTION SCHEME" of this interim report.

Save as disclosed herein, as at 30 June 2018, none of the Directors or chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or pursuant to the Model Code.

SHARE OPTION SCHEME

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

As at 30 June 2018, the Company granted 27,750,000 shares options to subscribe for up to a total of 27,750,000 ordinary shares of nominal value of HK$0.04 each in the capital of the Company under the Share Option Scheme, representing approximately 0.58% of the issued share capital of the Company as at 30 June 2018. The Share Option Scheme expired on 11 December 2012.

The particulars and movements of the share options to subscribe for the Company's shares under the Share Option Scheme during the six months ended 30 June 2018 (the "**Period**") were as follows:

Name of categories	Date of grant	Exercise price per share HK$	Exercise period[1]	Outstanding as at 1.1.2018	Granted during the Period	Exercised during the Period	Cancelled/ Lapsed during the Period	Outstanding as at 30.6.2018
Directors								
Ye Weiqi	24 September 2010	2.98	24 September 2010 to 23 September 2020	6,000,000	–	–	–	6,000,000
Huang Fei	24 September 2010	2.98	24 September 2010 to 23 September 2020	6,000,000	–	–	–	6,000,000
Zhong Tao	24 September 2010	2.98	24 September 2010 to 23 September 2020	6,000,000	–	–	–	6,000,000
Doo Wai-Hoi, William, *J.P.*	24 September 2010	2.98	24 September 2010 to 23 September 2020	1,000,000	–	–	–	1,000,000
Fan Ren Da, Anthony	24 September 2010	2.98	24 September 2010 to 23 September 2020	1,000,000	–	–	–	1,000,000
Li Ka Fai, David	24 September 2010	2.98	24 September 2010 to 23 September 2020	1,000,000	–	–	–	1,000,000
Senior management and employees	24 September 2010	2.98	24 September 2010 to 23 September 2020	6,750,000	–	–	–	6,750,000
Total				**27,750,000**	**–**	**–**	**–**	**27,750,000**

Note:

1. Share options granted in September 2010 under the Share Option Scheme are exercisable during the period from 24 September 2010 to 23 September 2020 in three batches, being:

   — 24 September 2010 to 23 September 2011 (up to 40% of the share options granted are exercisable)

   — 24 September 2011 to 23 September 2012 (up to 70% of the share options granted are exercisable)

   — 24 September 2012 to 23 September 2020 (all share options granted are exercisable)

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

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

The Company had not granted any share options under the New Share Option Scheme since the Adoption Date up to 30 June 2018.

Save as disclosed herein, the Company had not granted any share options to any persons as required to be disclosed under Rule 17.07 of the Listing Rules during the six months ended 30 June 2018.

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

As at 30 June 2018, substantial shareholders and other persons (other than the Directors and chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO and entered in the register required to be kept by the Company pursuant to Section 336 of the SFO, or otherwise notified to the Company were as follows:

Ordinary shares of HK$0.04 each of the Company

Name of substantial shareholders	Capacity	Number of shares of the Company held	Approximate % of the issued share capital of the Company
SIHL	Held by controlled corporation	3,415,883,000(L)[2,3]	71.00%
SIIC	Held by controlled corporation	3,427,683,000(L)[2,3,4]	71.25%

Notes:

1. L denotes long positions.

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

3. These interests include 50,000,000 shares of the Company (short positions) held by Invest Gain Limited (a company beneficially and wholly owned by Mr. Li Song Xiao who ceased to be a substantial shareholder of the Company during the year ended 31 December 2011) which was pledged to Novel Good Limited. Therefore, SIHL and Shanghai Industrial Investment (Holdings) Company Limited ("**SIIC**") are deemed or taken to be interested in these 50,000,000 shares.

4. SIIC through its subsidiaries, namely Shanghai Investment Holdings Limited, SIIC Capital (B.V.I.) Limited, Shanghai Industrial Financial (Holdings) Company Limited, SIIC Treasury (B.V.I.) Limited, SIIC CM Development Funds Limited and SIIC CM Development Limited held approximately 59.63% of the shares of SIHL. Therefore, SIIC is deemed or taken to be interested in the 3,415,883,000 shares of the Company held by SIHL for the purpose of the SFO. Separately, 11,800,000 shares of the Company were held by SIIC Trading Company Limited, a subsidiary of SIIC.

Save as disclosed herein, as at 30 June 2018, the Company had not been notified by any persons (other than the Directors and chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CHANGES IN INFORMATION OF DIRECTORS

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

(a) Mr. Fan Ren Da, Anthony ("**Mr. Fan**"), an independent non-executive director of the Company, has been appointed as a Class II independent non-executive director, the chairman of the audit committee and a member of the nomination committee of Semiconductor Manufacturing International Corporation, a company listed on the Stock Exchange with stock code of 981, with effect from 22 June 2018; and

(b) Mr. Fan has resigned as an independent non-executive director, a member of the audit committee, the remuneration committee and the nomination committee of CGN New Energy Holdings Co., Ltd., a company listed on the Stock Exchange with stock code of 1811, with effect from 26 June 2018.

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

APPRECIATION

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

By order of the Board of
Shanghai Industrial Urban Development Group Limited
Zeng Ming
Chairman

Hong Kong, 28 August 2018

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF
SHANGHAI INDUSTRIAL URBAN DEVELOPMENT GROUP LIMITED
上海實業城市開發集團有限公司
(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Shanghai Industrial Urban Development Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 45 to 100, which comprise the condensed consolidated statement of financial position as of 30 June 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
28 August 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	NOTES	Six months ended 30 June **2018 HK$'000 (unaudited)**	 2017 HK$'000 (unaudited) (restated)
Revenue			
Goods and services	4A	**3,493,709**	3,910,209
Rental		**345,064**	311,703
Total revenue		**3,838,773**	4,221,912
Cost of sales		**(1,730,482)**	(2,108,952)
Gross profit		**2,108,291**	2,112,960
Other income		**200,240**	134,711
Other expenses, gains and losses, net		**3,503**	(2,663)
Fair value changes on investment properties, net		**(187,873)**	(48,927)
Distribution and selling expenses		**(193,316)**	(147,157)
General and administrative expenses		**(217,289)**	(191,776)
Gains on disposal of subsidiaries	17	**234,712**	—
Finance costs	5	**(359,452)**	(315,748)
Share of results of associates		**3,916**	951
Profit before tax		**1,592,732**	1,542,351
Income tax	6	**(964,397)**	(823,177)
Profit for the period	7	**628,335**	719,174
Other comprehensive expense for the period			
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation into presentation currency		**(315,511)**	579,040
Fair value loss on equity instruments at fair value through other comprehensive income, net of tax		**(18,740)**	—
Item that may be reclassified subsequently to profit or loss:			
Fair value gain on available-for-sale investment, net of tax		**—**	2,492
Total comprehensive income for the period		**294,084**	1,300,706

CONDENSED CONSOLIDATED STATEMENT OF
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Six months ended 30 June 2018 HK$'000 (unaudited)	 2017 HK$'000 (unaudited) (restated)
Profit for the period attributable to:			
— Owners of the Company		**254,473**	316,148
— Non-controlling interests		**373,862**	403,026
		628,335	719,174
Total comprehensive income attributable to:			
— Owners of the Company		**64,063**	601,680
— Non-controlling interests		**230,021**	699,026
		294,084	1,300,706
Earnings per share	8		
— Basic (HK cents)		**5.29**	6.57
— Diluted (HK cents)		**5.29**	6.57

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	NOTES	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (restated)
Non-current assets			
Investment properties	9	**14,702,382**	14,946,610
Property, plant and equipment		**2,291,538**	2,387,632
Prepaid lease payments		**216,662**	222,976
Intangible assets		**60,355**	61,261
Interests in associates		**1,309,245**	1,221,279
Interest in a joint venture		**—**	65,718
Available-for-sale investments		**—**	273,458
Equity instruments at fair value through other comprehensive income		**222,056**	—
Pledged bank deposits		**12,364**	30,427
Other receivables	11	**26,384**	26,739
Deferred tax assets		**204,875**	238,033
		19,045,861	19,474,133
Current assets			
Inventories		**28,396,940**	28,495,408
Trade and other receivables	11	**804,124**	1,762,218
Amounts due from related companies	10	**851,317**	862,770
Prepaid lease payments		**4,875**	4,942
Prepaid income tax and land appreciation tax		**542,901**	428,506
Financial assets at fair value through profit or loss		**2,877**	3,506
Restricted and pledged bank deposits		**89,241**	80,586
Bank balances and cash		**9,983,216**	13,185,306
		40,675,491	44,823,242
Assets classified as held-for-sale	16	**530,511**	180,232
		41,206,002	45,003,474

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (restated)
Current liabilities			
Trade and other payables	12	**4,700,425**	5,390,662
Amounts due to related companies	10	**813,453**	1,564,233
Amounts due to associates		**26,456**	5,771
Consideration payables for acquisition of subsidiaries		**161,108**	736,249
Pre-sale proceeds received on sales of properties		**6,074,731**	6,969,335
Bank and other borrowings	13	**3,750,948**	4,068,888
Income tax and land appreciation tax payables		**2,225,613**	2,634,606
Dividend payable		**12,130**	10,044
Dividend payable to non-controlling shareholders		**177,789**	180,180
		17,942,653	21,559,968
Liabilities associated with assets classified as held-for-sale	16	**137,062**	154,804
		18,079,715	21,714,772
Net current assets		**23,126,287**	23,288,702
Total assets less current liabilities		**42,172,148**	42,762,835

	NOTES	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (restated)
Non-current liabilities			
Deferred revenue	12	**183,184**	201,892
Amounts due to related companies	10	**—**	415,615
Bank and other borrowings	13	**13,558,235**	13,022,367
Deferred tax liabilities		**4,688,590**	4,925,666
		18,430,009	18,565,540
		23,742,139	24,197,295
Capital and reserves			
Share capital	14	**192,439**	192,439
Reserves		**13,083,131**	13,575,180
Equity contributable to owners of the Company		**13,275,570**	13,767,619
Non-controlling interests		**10,466,569**	10,429,676
		23,742,139	24,197,295

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the Company													
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (note (iv))	Share options reserve HK$'000	Other revaluation reserve HK$'000 (note (i))	Investment revaluation reserve HK$'000	Statutory reserve HK$'000	Shareholder's contribution/ merger reserve HK$'000 (note (ii))	Other reserve HK$'000 (note (iii))	Exchange reserve HK$'000	Accumulated losses/ retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2018 (audited) (originally stated)	**192,439**	**9,514,684**	**463,586**	**31,892**	**52,526**	**104,174**	**384,442**	**2,214,569**	**(47,317)**	**797,306**	**(173,263)**	**13,535,038**	**10,427,549**	**23,962,587**
Merger adjustments (Note 2)	–	–	–	–	–	–	–	**267,053**	–	**17,220**	**(51,692)**	**232,581**	**2,127**	**234,708**
At 1 January 2018 (restated)	**192,439**	**9,514,684**	**463,586**	**31,892**	**52,526**	**104,174**	**384,442**	**2,481,622**	**(47,317)**	**814,526**	**(224,955)**	**13,767,619**	**10,429,676**	**24,197,295**
Profit for the period	–	–	–	–	–	–	–	–	–	–	**254,473**	**254,473**	**373,862**	**628,335**
Exchange differences arising on translation into presentation currency	–	–	–	–	–	–	–	–	–	**(171,670)**	–	**(171,670)**	**(143,841)**	**(315,511)**
Fair value loss on equity instruments at fair value through other comprehensive income, net of tax	–	–	–	–	–	**(18,740)**	–	–	–	–	–	**(18,740)**	–	**(18,740)**
Total comprehensive income for the period	–	–	–	–	–	**(18,740)**	–	–	–	**(171,670)**	**254,473**	**64,063**	**230,021**	**294,084**
Transfer upon disposal of subsidiaries	–	–	–	–	–	–	–	–	–	**3,087**	**(3,087)**	–	–	–
Transfer	–	–	–	–	–	–	**93**	–	–	–	**(93)**	–	–	–
Distributions of carved-out assets and liabilities of subsidiaries (Note 15)	–	–	–	–	–	–	–	**(358,862)**	–	–	–	**(358,862)**	–	**(358,862)**
Dividends recognised as distributions (Note 23)	–	–	**(197,250)**	–	–	–	–	–	–	–	–	**(197,250)**	–	**(197,250)**
Dividends declared to non- controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	**(193,128)**	**(193,128)**
At 30 June 2018 (unaudited)	**192,439**	**9,514,684**	**266,336**	**31,892**	**52,526**	**85,434**	**384,535**	**2,122,760**	**(47,317)**	**645,943**	**26,338**	**13,275,570**	**10,466,569**	**23,742,139**
At 1 January 2017 (audited) (originally stated)	192,451	10,115,153	22,358	48,202	52,526	130,356	275,678	2,214,569	(47,317)	(74,380)	(638,773)	12,290,823	9,429,305	21,720,128
Merger adjustments	–	–	–	–	–	–	12,481	267,053	–	–	(25,464)	254,070	4,808	258,878
At 1 January 2017 (restated)	192,451	10,115,153	22,358	48,202	52,526	130,356	288,159	2,481,622	(47,317)	(74,380)	(664,237)	12,544,893	9,434,113	21,979,006
Profit for the period	–	–	–	–	–	–	–	–	–	–	316,148	316,148	403,026	719,174
Exchange differences arising on translation into presentation currency	–	–	–	–	–	–	–	–	–	283,040	–	283,040	296,000	579,040
Fair value gain on available-for-sale investment, net of tax	–	–	–	–	–	2,492	–	–	–	–	–	2,492	–	2,492
Total comprehensive income for the period	–	–	–	–	–	2,492	–	–	–	283,040	316,148	601,680	699,026	1,300,706
Transfer to distributable reserve (note (vi))	–	(600,000)	600,000	–	–	–	–	–	–	–	–	–	–	–
Repurchase of ordinary shares (note (v))	(12)	(469)	–	–	–	–	–	–	–	–	–	(481)	–	(481)
Transfer	–	–	–	–	–	–	3,834	–	–	–	(3,834)	–	–	–
Dividends recognised as distributions (Note 23)	–	–	(158,772)	–	–	–	–	–	–	–	–	(158,772)	–	(158,772)
Dividends declared to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(249,218)	(249,218)
At 30 June 2017 (restated)	192,439	9,514,684	463,586	48,202	52,526	132,848	291,993	2,481,622	(47,317)	208,660	(351,923)	12,987,320	9,883,921	22,871,241

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 Shanghai Industrial Urban Development Group Limited (the "Company"). This reserve will be recognised in the profit or loss upon the earlier of the disposal of the subsidiaries or the disposal by the subsidiaries of the assets to which it relates.

(ii) Merger reserve comprises of (1) the difference in the fair value of the consideration paid to the parent company, Shanghai Industrial Holdings Limited ("SIHL"), for the acquisition of subsidiaries controlled by SIHL and the carrying amount of the subsidiaries at the date of the Company and its subsidiaries (collectively referred to as the "Group") and these subsidiaries became under common control in year 2011; and (2) the difference in the fair value of the consideration paid to an entity to which Shanghai Industrial Investment (Holdings) Company Limited ("SIIC"), being the ultimate parent of the Company, exercises the authority as a state-owned shareholder, for acquisition of subsidiaries (after carving out certain assets and liabilities upon completion of acquisition) controlled by this entity and the carrying amount of the subsidiaries at the date of the Group and these subsidiaries became under common control.

Shareholder's contribution represents capital contribution from SIHL and State-Owned Assets Supervision and Administration Commission of Shanghai Xuhui District ("Xuhui SASAC"), being non-controlling interest (based on their respective percentage of equity interest) to a subsidiary of the Group, Shanghai Urban Development (Holdings) Co., Ltd. ("SUD"), as paid-in capital in April 2011. Xuhui SASAC holds 41% interests in SUD.

(iii) Other reserve represents a premium contributed by the owners of the Company on acquiring the remaining 1.0% interests of 上海世界貿易商城有限公司 ("Shanghai World Trade") from a non-controlling shareholder subsequent to the acquisition of Continental Land Development Limited and its partially owned subsidiary in the People's Republic of China (the "PRC"), namely Shanghai World Trade. This acquisition, without changing the Group's control over Shanghai World Trade, was accounted for as an equity transaction. The difference between the fair value of cash consideration of approximately HK$92,274,000 and 1.0% share of net assets by the non-controlling shareholder of approximately HK$44,957,000 amounting to approximately HK$47,317,000 was recognised directly in equity as other reserve and attributable to owners of the Company.

(iv) Contributed surplus, serving as a distributable reserve, represents an amount transferred from the share premium account to contributed surplus account which gives the Company a greater flexibility in its dividend policy and making distributions to the shareholders.

(v) In May 2017, the Company repurchased on the market 300,000 ordinary shares of the Company of HK$0.04 each (the "Share Repurchase") with the average price being HK$1.60 per share and the aggregate consideration for the Share Repurchase was approximately HK$481,000.

(vi) Pursuant to the special resolution passed on 19 May 2017, the Company transferred an amount of HK$600,000,000 from the share premium account to the contributed surplus account which increased the distributable reserve of the Company for making distributions to the shareholders.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	NOTE	Six months ended 30 June 2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited) (restated)
Profit before taxation		**1,592,732**	1,542,351
Adjustments for:			
Finance costs		**359,452**	315,748
Fair value changes on investment properties, net		**187,873**	48,927
Gains on disposal of subsidiaries		**(234,712)**	—
Other non-cash items		**(89,529)**	(101,029)
Operating cash flows before movements in working capital		**1,815,816**	1,805,997
Decrease in inventories		**229,164**	686,691
(Increase) decrease in trade and other receivables		**(163,586)**	122,550
(Decrease) increase in pre-sale proceeds received on sales of properties		**(817,026)**	350,599
Decrease in trade and other payables		**(988,208)**	(348,536)
Other working capital items		**21,557**	7,251
Cash from operations		**97,717**	2,624,552
Income taxes paid		**(1,528,067)**	(1,718,472)
Net cash (used in) from operating activities		**(1,430,350)**	906,080
Net cash (used in) from investing activities:			
Proceeds from disposal of property, plant and equipment		**1,546**	170
Purchase of property, plant and equipment		**(9,889)**	(26,752)
Development costs paid for investment properties		**(154,646)**	(68,153)
Decrease (increase) in restricted and pledged bank deposits		**9,679**	(37,444)
Advance to a related company		**(29,731)**	—
Dividend received from available-for-sale investments		**—**	356
Dividend received from an associate		**4,462**	—
Proceeds from disposal of available-for-sale investments		**—**	11,573
Net cash inflow on disposal of subsidiaries	17	**160,068**	—
Payment for acquisition of an associate		**(108,713)**	—
Payment for acquisition of subsidiaries		**(587,005)**	—
Repayments of consideration payables for acquisition of subsidiaries		**—**	(254,150)
Receipt of consideration receivable in respect of disposal of assets through disposal of a subsidiary		**—**	339,290
Deposit received for disposal of a subsidiary		**235,171**	—
Interest received		**161,449**	75,965
		(317,609)	40,855

	NOTE	Six months ended 30 June 2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited) (restated)
Net cash used in financing activities:			
Dividends paid to non-controlling interests		**(193,128)**	(102,690)
Dividends paid		**(195,164)**	(157,103)
Payments on repurchase of shares		**—**	(481)
Proceeds from new bank and other borrowings		**1,257,915**	943,093
Repayments of bank and other borrowings		**(800,640)**	(1,650,775)
Advances from related companies		**—**	285,648
Repayments to related companies		**(1,187,095)**	(135,716)
Interest paid		**(385,290)**	(330,508)
		(1,503,402)	(1,148,532)
Net decrease in cash and cash equivalents		**(3,251,361)**	(201,597)
Cash and cash equivalents as at 1 January		**13,348,589**	13,039,272
Effect of foreign exchange rate changes		**(88,349)**	406,646
Cash and cash equivalents as at 30 June, represented by bank balances and cash		**10,008,879**	13,244,321
Analysis of cash and cash equivalents as at 30 June represented by bank balances and cash held by			
— the Group		**9,983,216**	13,244,321
— the disposal group held-for-sale	16(c)	**25,663**	—
		10,008,879	13,244,321
Analysis of cash and cash equivalent as at 1 January represented by bank balances and cash held by			
— the Group		**13,185,306**	13,039,272
— the disposal group held-for-sale	16(a)&(b)	**163,283**	—
		13,348,589	13,039,272

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

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. MERGER ACCOUNTING FOR BUSINESS COMBINATION INVOLVING ENTITIES UNDER COMMON CONTROL

In April 2018, the Group acquired an entity, namely Shanghai Shangtou Real Estate Investment Company Limited 上海市上投房地產投資有限公司 ("Shangtou Real Estate") and its subsidiaries (collectively referred to as "Shangtou Real Estate Group"), from Shanghai Shangtou Assets Operations Company Limited 上海上投資產經營有限公司 ("Shangtou Assets") to which SIIC, being the ultimate parent of the Company, exercises the authority as a state-owned shareholder at a cash consideration of approximately RMB530,827,000. Shangtou Real Estate were established in the PRC and principally engaged in secondary land development.

The Group's acquisition of Shangtou Real Estate is considered to be a business combination under common control as the Group and Shangtou Real Estate Group are both controlled by SIIC. As such, this acquisition is accounted for by applying the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("AG 5") as if Shangtou Real Estate Group have always been operated by the Group.

In applying AG 5, the Company's condensed consolidated statement of financial position as at 31 December 2017 and 1 January 2017 has been restated to include the assets and liabilities of Shangtou Real Estate Group as if they were within the Group on these respective dates (see below for the financial impacts). The Company's condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 June 2017 have also been restated to include the financial performance, changes in equity and cash flows of Shangtou Real Estate Group as if they were within the Group since 1 January 2017.

Details of the acquisition of Shangtou Real Estate are set out in note 15.

2. MERGER ACCOUNTING FOR BUSINESS COMBINATION INVOLVING ENTITIES UNDER COMMON CONTROL (CONTINUED)

The effects of adoption of merger accounting on the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2017 are as follows:

	Six months ended 30 June 2017		
	As originally stated HK$'000 (unaudited)	**Adjustments on merger accounting** HK$'000 (note)	**Restated** HK$'000 (unaudited)
Revenue			
Goods and services	3,910,209	—	3,910,209
Rental	311,703	—	311,703
Total revenue	4,221,912	—	4,221,912
Cost of sales	(2,108,952)	—	(2,108,952)
Gross profit	2,112,960	—	2,112,960
Other income	119,085	15,626	134,711
Other expenses, gains and losses, net	4,105	(6,768)	(2,663)
Fair value changes on investment properties, net	(48,927)	—	(48,927)
Distribution and selling expenses	(144,311)	(2,846)	(147,157)
General and administrative expenses	(187,963)	(3,813)	(191,776)
Finance costs	(306,908)	(8,840)	(315,748)
Share of results of associates	951	—	951
Profit before tax	1,548,992	(6,641)	1,542,351
Income tax	(823,035)	(142)	(823,177)
Profit for the period	725,957	(6,783)	719,174
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	7,924	579,040
Item that may be reclassified subsequently to profit or loss:			
Fair value gain on available-for-sale investment, net of tax	2,492	—	2,492
Total comprehensive income for the period	1,299,565	1,141	1,300,706

2. MERGER ACCOUNTING FOR BUSINESS COMBINATION INVOLVING ENTITIES UNDER COMMON CONTROL (CONTINUED)

	Six months ended 30 June 2017		
	As originally stated HK$'000 (unaudited)	**Adjustments on merger accounting** HK$'000 (note)	**Restated** HK$'000 (unaudited)
Profit for the period attributable to:			
— Owners of the Company	322,751	(6,603)	316,148
— Non-controlling interests	403,206	(180)	403,026
	725,957	(6,783)	719,174
Total comprehensive income attributable to:			
— Owners of the Company	600,504	1,176	601,680
— Non-controlling interests	699,061	(35)	699,026
	1,299,565	1,141	1,300,706
Earnings per share			
— Basic (HK cents)	6.71	(0.14)	6.57
— Diluted (HK cents)	6.71	(0.14)	6.57

Note: These adjustments are to include the financial performance of Shangtou Real Estate Group during the six months ended 30 June 2017 into the Company's condensed consolidated financial statements.

2. MERGER ACCOUNTING FOR BUSINESS COMBINATION INVOLVING ENTITIES UNDER COMMON CONTROL (CONTINUED)

The effects of the adoption of merger accounting on the condensed consolidated statement of financial position as at 31 December 2017 are as follows:

	At 31 December 2017		
	As originally stated	Adjustments on merger accounting	Restated
	HK$'000	HK$'000	HK$'000
	(audited)	(note)	
Non-current assets			
Investment properties	14,932,613	13,997	14,946,610
Property, plant and equipment	2,386,833	799	2,387,632
Prepaid lease payments	222,976	—	222,976
Intangible assets	61,261	—	61,261
Interests in associates	1,221,279	—	1,221,279
Interest in a joint venture	65,718	—	65,718
Available-for-sale investments	249,434	24,024	273,458
Pledged bank deposits	30,427	—	30,427
Other receivables	26,739	—	26,739
Deferred tax assets	226,179	11,854	238,033
	19,423,459	50,674	19,474,133
Current assets			
Inventories	27,546,284	949,124	28,495,408
Trade and other receivables	750,101	1,012,117	1,762,218
Amounts due from related companies	322,229	540,541	862,770
Prepaid lease payments	4,942	—	4,942
Prepaid income tax and land appreciation tax	428,506	—	428,506
Financial assets at fair value through profit or loss	3,506	—	3,506
Restricted and pledged bank deposits	80,586	—	80,586
Bank balances and cash	12,685,436	499,870	13,185,306
	41,821,590	3,001,652	44,823,242
Assets classified as held-for-sale	180,232	—	180,232
	42,001,822	3,001,652	45,003,474

2. MERGER ACCOUNTING FOR BUSINESS COMBINATION INVOLVING ENTITIES UNDER COMMON CONTROL (CONTINUED)

	At 31 December 2017		
	As originally stated HK$'000 (audited)	Adjustments on merger accounting HK$'000 (note)	Restated HK$'000
Current liabilities			
Trade and other payables	5,325,245	65,417	5,390,662
Amounts due to related companies	735,404	828,829	1,564,233
Amounts due to associates	5,771	—	5,771
Consideration payables for acquisition of subsidiaries	98,619	637,630	736,249
Pre-sale proceeds received on sales of properties	6,387,497	581,838	6,969,335
Bank and other borrowings	3,954,956	113,932	4,068,888
Income tax and land appreciation tax payables	2,633,222	1,384	2,634,606
Dividend payable	10,044	—	10,044
Dividend payable to non-controlling shareholders	180,180	—	180,180
	19,330,938	2,229,030	21,559,968
Liabilities associated with assets classified as held-for-sale	154,804	—	154,804
	19,485,742	2,229,030	21,714,772
Net current assets	22,516,080	772,622	23,288,702
Total assets less current liabilities	41,939,539	823,296	42,762,835

2. MERGER ACCOUNTING FOR BUSINESS COMBINATION INVOLVING ENTITIES UNDER COMMON CONTROL (CONTINUED)

	At 31 December 2017		
	As originally stated	**Adjustments on merger accounting**	**Restated**
	HK$'000	HK$'000	HK$'000
	(audited)	(note)	
Non-current liabilities			
Deferred revenue	201,892	—	201,892
Amounts due to related companies	115,315	300,300	415,615
Bank and other borrowings	12,734,079	288,288	13,022,367
Deferred tax liabilities	4,925,666	—	4,925,666
	17,976,952	588,588	18,565,540
	23,962,587	234,708	24,197,295
Capital and reserves			
Share capital	192,439	—	192,439
Reserves	13,342,599	232,581	13,575,180
Equity contributable to owners of the Company	13,535,038	232,581	13,767,619
Non-controlling interests	10,427,549	2,127	10,429,676
	23,962,587	234,708	24,197,295

Note: These adjustments are to include the assets and liabilities of Shangtou Real Estate Group as at 31 December 2017 into the Company's condensed consolidated financial statements.

The adjustment to consideration payables for acquisition of subsidiaries also include an amount of approximately RMB530,827,000 (equivalent to approximately HK$637,630,000), being the cash consideration payable by the Group for acquisition of Shangtou Real Estate Group.

2. MERGER ACCOUNTING FOR BUSINESS COMBINATION INVOLVING ENTITIES UNDER COMMON CONTROL (CONTINUED)

The effects of adoption of merger accounting on the condensed consolidated statement of cash flows for the six months ended 30 June 2017 are as follows:

	Six months ended 30 June 2017		
	As originally stated HK$'000 (unaudited)	**Adjustments on merger accounting** HK$'000	**Restated** HK$'000 (unaudited)
Net cash from operating activities	719,892	186,188	906,080
Net cash from investing activities	40,423	432	40,855
Net cash used in financing activities	(1,139,692)	(8,840)	(1,148,532)
Net increase (decrease) in cash and cash equivalent	(379,377)	177,780	(201,597)
Cash and cash equivalent as at 1 January 2017	12,818,335	220,937	13,039,272
Effect of foreign exchange rate changes	396,827	9,819	406,646
Cash and cash equivalent as at 30 June 2017	12,835,785	408,536	13,244,321

3. 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.

Other than change in accounting policies resulting from application of new and amendments and interpretation to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the preparation of condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Application of new and amendments and interpretation to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments and interpretation to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which result in changes in accounting policies, amounts reported and/or disclosures as described below.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the following operations in the People's Republic of China (the "PRC"):

- Residential and commercial properties development, including sales of properties;

- Property investment, including rental income from leasing of properties and service income from property management; and

- Hotel operations, including revenue from hotel operations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed as at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations.

3.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.1 Impacts and changes in accounting policies of application on HKFRS 15 “Revenue from Contracts with Customers” (continued)

3.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue recognition for each revenue stream of the Group are as follows:

Revenue from sales of properties

Revenue from sales of properties is recognised when the respective properties have been completed and delivered to the customers which is a point in time when customers have the ability to direct the use of the properties and obtain substantially all of the remaining benefits of the properties. Deposits received from customers prior to meeting the aforementioned revenue recognition criteria are regarded as the contract liabilities (see the accounting policy below) and included in current liabilities as pre-sale proceeds received on sales of properties in the condensed consolidated statement of financial position.

Service income from property management

Revenue from provision of property management service is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation as the customers simultaneously receive and consume the benefits provided by the Group when the Group renders the service.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (continued)

3.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (continued)

Revenue from hotel operations

Revenue from hotel operations includes room rental, food and beverage sales and other ancillary services. The Group's performance obligations in relation to the hotel operations are considered to be granting customers a right to access hotel's facilities, products and services. The customers simultaneously receive and consume the benefits provided by the Group in running the hotels. Accordingly, the revenue from hotel operation is recognised over time.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. Upon the application of HKFRS 15, only pre-sale proceeds received on sales of properties of the Group are regarded as the contract liabilities.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (continued)

3.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (continued)

Existence of significant financing component (continued)

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs, mainly sales commissions in relation to the sales of properties, as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

The directors of the Company have assessed that the revenue from residential and commercial properties development represents only one performance obligation from the sales of properties and, accordingly, revenue will be recognised for this performance obligation when control over the corresponding goods is transferred to the customer. The directors of the Company consider that there is no significant impact in respect of revenue recognition on sales of properties under HKFRS 15.

The directors of the Company have assessed that performance obligations in relation to revenue from property investment and hotel operations are satisfied when the related services are performed and that the method currently used to measure the progress towards complete satisfaction of these performance obligations will continue to be appropriate under HKFRS 15.

In the opinion of the directors of the Company, the application of HKFRS 15 has no material impact on the amounts recognised in the condensed consolidated financial statements and classification of items in the condensed consolidated statement of financial position.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments"

During the six months ended 30 June 2018, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and financial guarantee contracts, and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

3.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (continued)

3.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Classification and measurement of financial assets (continued)

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Equity instruments designated as at FVTOCI

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated losses.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (continued)

3.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Classification and measurement of financial assets (continued)

Equity instruments designated as at FVTOCI (continued)

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 3.2.2.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, loan receivables, other receivables, amounts due from related companies, bank balances and cash and financial guarantee contracts). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (continued)

3.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Impairment under ECL model (continued)

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (continued)

3.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Impairment under ECL model (continued)

Significant increase in credit risk (continued)

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (continued)

3.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Impairment under ECL model (continued)

Measurement and recognition of ECL (continued)

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for financial guarantee contracts, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets and financial guarantee contracts for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9.

After performing the assessment of expected credit loss on the Group's existing financial assets and financial guarantee contracts, no expected credit loss allowance was recognised by the Group as at 1 January 2018 as the amount is not material.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (continued)

3.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Classification and measurement of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

After performing the assessment of financial liabilities that have non-substantial modifications but not result in derecognition, no adjustment to the carrying amount of the financial liability was made by the Group as at 1 January 2018 as the amount is not material.

3.2.2 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Note	**Available-for-sale investments** HK$'000	**Equity instruments at FVTOCI** HK$'000
Closing balance at 31 December 2017 (restated in Note 2) — HKAS 39		273,458	—
Effects arising from initial application of HKFRS 9:			
Reclassification			
From available-for-sale investments	(a)	(273,458)	273,458
Opening balance at 1 January 2018		—	273,458

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" (continued)

3.2.2 Summary of effects arising from initial application of HKFRS 9 (continued)

(a) Available-for-sale investments

From AFS equity investments to FVTOCI

The Group elected to present in OCI for the fair value changes of all its equity investments previously classified as available-for-sale, of which HK$118,800,000 related to unquoted equity investments previously measured at cost less impairment under HKAS 39. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, HK$273,458,000 were reclassified from available-for-sale investments to equity instruments at FVTOCI, of which HK$118,800,000 related to unquoted equity investments previously measured at cost less impairment under HKAS 39. After performing assessment of fair value relating to those unquoted equity investments previously carried at cost less impairment that were adjusted to equity instruments at FVTOCI, no fair value change was recognised by the Group as at 1 January 2018 as the amount is immaterial. The fair value losses of HK$24,987,000 relating to those investments previously carried at fair value, net of deferred tax of HK$6,247,000, continued to accumulate in investment revaluation reserve.

4A. REVENUE FROM GOODS AND SERVICES

Disaggregation of revenue

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Types of goods or services		
Sales of properties	**3,349,779**	3,789,598
Property management	**9,307**	52,502
Hotel operations	**134,623**	68,109
Total	**3,493,709**	3,910,209
Timing of revenue recognition		
A point in time	**3,349,779**	3,789,598
Over time	**143,930**	120,611
Total	**3,493,709**	3,910,209

All the revenue of the Group generated from goods and services in respect of contracts with customers were originated from operations in the PRC.

4B. SEGMENT INFORMATION

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 2017, for the purposes of resource allocation and performance assessment. Accordingly, the Group presents only one single operating segment in the PRC and no further analysis is presented.

5. FINANCE COSTS

	Six months ended 30 June	
	2018 **HK$'000** **(unaudited)**	2017 HK$'000 (unaudited) (restated)
Interests on bank and other borrowings	**527,751**	485,580
Less: Amount capitalised under properties under development for sale	**(168,299)**	(169,832)
	359,452	315,748

During the six months ended 30 June 2018, borrowing costs capitalised arising on the general borrowing pool were calculated by applying a capitalisation rate of 5.22% (six months ended 30 June 2017: 5.09%) per annum to expenditure on qualifying assets.

6. INCOME TAX

	Six months ended 30 June	
	2018 **HK$'000** **(unaudited)**	2017 HK$'000 (unaudited) (restated)
Current tax		
— PRC Enterprise Income Tax ("EIT") (note (i))	**336,689**	159,187
— PRC Land Appreciation Tax ("LAT")	**672,479**	496,240
— PRC withholding tax on dividend income	**14,767**	18,095
— Capital gains tax on disposal of PRC entities by a non-resident company (note (ii))	**14,767**	—
	1,038,702	673,522
Deferred tax	**(74,305)**	149,655
	964,397	823,177

6. INCOME TAX (CONTINUED)

Notes:

(i) During the six months ended 30 June 2018, EIT of approximately HK$23,274,000 was provided for the gains on disposal of the Group's entire equity interests in two subsidiaries, namely Shanghai Shenda and Shanghai Commercial (both defined in note 16(a)), incorporated in the PRC, by a resident company. The EIT provided for the gains on disposals of these subsidiaries is calculated at 25% on the gains. Details of these disposals are set out in note 17(a).

(ii) During the six months ended 30 June 2018, capital gains tax of approximately HK$14,767,000 was provided for the gain on disposal of the Group's entire equity interest in Fine Mark (as defined in note 17(b)), which was a non-resident company and jointly owned Fuzhou Chengkai (as defined in note 17(b)). The capital gains tax provided for the gain on this disposal is calculated at 10% on the difference between the consideration for acquisition of equity interest in Fuzhou Chengkai and its contributed capital. Details of this disposal are set out in note 17(b).

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 China's State Administration of Taxation, the tax rate 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 sales of properties less deductible expenditures including borrowing costs and property development expenditures in relation to the gains arising from sales of properties in the PRC effective from 1 January 2004, with an exemption provided for property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

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

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands, the Group is not subject to any income tax in Bermuda and the British Virgin Islands in respect of the six months ended 30 June 2018 and 2017.

7. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited) (restated)
Profit for the period has been arrived at after charging (crediting) the following items:		
Depreciation of property, plant and equipment	**72,200**	58,197
Interest income on bank deposits (included in other income)	**(152,428)**	(68,837)
Other interest income (included in other income) (note)	**(9,021)**	(7,128)
Net foreign exchange gain (included in other expenses, gains and losses, net)	**(340)**	(9,196)

Note: For the six months ended 30 June 2018, the other interest income included an amount of approximately HK$1,812,000 (six months ended 30 June 2017: HK$1,665,000) which represented interest received on interest-bearing other receivables.

8. 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	
	2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited) (restated)
Earnings:		
Earnings for the purposes of calculating basic and diluted earnings per share		
Profit for the period attributable to owners of the Company	**254,473**	316,148

8. EARNINGS PER SHARE (CONTINUED)

	Six months ended 30 June	
	2018	2017
	'000	'000
Number of shares:		
Number of ordinary shares for the purposes of calculating basic and diluted earnings per share	**4,810,973**	4,811,257

The calculation of diluted earnings per share in current interim period and comparative prior interim 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 interim periods.

9. MOVEMENTS IN INVESTMENT PROPERTIES

The fair values of the Group's investment properties as at 30 June 2018 have been arrived at on the basis of a valuation carried out by Cushman & Wakefield Limited ("CWL"), an independent qualified professional valuer not connected to the Group. CWL has appropriate qualification and recent experience in the valuation of similar properties in the relevant locations. The address of CWL is 16/F, 1063 Kings Road, Quarry Bay, Hong Kong. The Group's investment properties were valued individually on market value basis, which conforms to HKIS Valuation Standards 2012 Edition published by Hong Kong Institute of Surveyors. The fair value was arrived at by reference to comparable sales transactions available in the relevant markets and, where appropriate, investment approach by capitalising the net rental income derived from existing tenancies with due allowance for the reversionary potential of the properties. The resulting net decrease in fair values of the Group's investment properties of approximately HK$187,873,000 (six months ended 30 June 2017: HK$48,927,000) has been recognised directly in profit or loss for the six months ended 30 June 2018.

During the six months ended 30 June 2018, the Group incurred subsequent expenditures of approximately RMB125,665,000 (equivalent to approximately HK$154,646,000) (six months ended 30 June 2017: approximately RMB60,261,000 (equivalent to approximately HK$68,153,000)) on certain investment properties.

During the six months ended 30 June 2018, certain of investment properties with carrying amount of approximately RMB11,514,000 (equivalent to approximately HK$14,253,000) were carved-out from the Group and distributed to an entity controlled by Shangtou Assets in April 2018. Details of the carved-out arrangement are set out in note 15.

The Group did not dispose of any investment properties during the six months ended 30 June 2017.

10. AMOUNTS DUE FROM (TO) RELATED COMPANIES

The Group has the following balances with related parties:

		30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (restated)
Amounts due from related companies recognised in current assets:			
— Non-controlling shareholders	note (ii)(a)	**851,317**	862,770
Amounts due to related companies recognised in current liabilities:			
— Xuhui SASAC and entities controlled by Xuhui SASAC	note (i)	**470,438**	1,305,595
— Non-controlling shareholders	note (ii)(b)	**314,060**	230,175
— SIHL and its subsidiaries	note (iii)	**28,955**	28,463
		813,453	1,564,233
Amounts due to related companies recognised in non-current liabilities:			
— A non-controlling shareholder	note (ii)(b)	**–**	115,315
— An entity controlled by Xuhui SASAC	note (i)	**–**	300,300
		–	415,615

Notes:

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

Included in the amounts due to Xuhui SASAC and entities controlled by Xuhui SASAC as at 30 June 2018 there is an aggregated amount of RMB200,000,000 (equivalent to approximately HK$237,051,000) (31 December 2017: RMB200,000,000 (equivalent to approximately HK$230,256,000)), which represents loans advanced from entities controlled by Xuhui SASAC through entrusted loan agreements administrated by banks, carrying fixed interest at 9% (31 December 2017: 9%) per annum and are repayable in June 2019 (31 December 2017: in June 2018).

Included in the amounts due to an entity controlled by Xuhui SASAC as at 31 December 2017 there are an aggregate amount of RMB690,000,000 (equivalent to approximately HK$828,829,000) in current liabilities and an amount of RMB250,000,000 (equivalent to approximately HK$300,300,000) in non-current liabilities which represented loans advanced from an entity controlled by Xuhui SASAC through entrusted loan agreements administrated by another entity controlled by Xuhui SASAC. The amounts recorded in current liabilities carried fixed interest at 5.22% per annum and were repayable in December 2018. The amount recorded in non-current liabilities carried fixed interest at 6.18% per annum and was repayable in October 2020. During the six months ended 30 June 2018, these amounts were early repaid.

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

10. AMOUNTS DUE FROM (TO) RELATED COMPANIES (CONTINUED)

Notes: (continued)

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

The amounts due from non-controlling shareholders as at 30 June 2018 and 31 December 2017 are non-trade in nature and unsecured.

Included in the amounts due from non-controlling shareholders as at 30 June 2018 there is an amount of RMB268,256,000 (equivalent to approximately HK$317,952,000) (31 December 2017: RMB268,256,000 (equivalent to approximately HK$322,229,000)) which represents an interest-bearing loan to a non-controlling shareholder for resumption of a piece of land in relation to a potential property development project in Shanghai and the amount together with accrued interest are repayable upon completion of the land resumption and land auction procedures regardless of whether the land auction is successful or not. The amount carries variable interest at 90% of People's Bank of China Benchmark Lending Rate (the "PBOC" rate) per annum. During the year ended 31 December 2017, the land resumption was completed. Subsequent to the end of the reporting period, the Group acquired the land and the directors of the Company expect the amount will be refunded to the Group within a year upon completion of relevant administrative procedures by the non-controlling shareholder with the government department.

Included in the amounts due from non-controlling shareholders as at 30 June 2018 there is also an amount of RMB450,000,000 (equivalent to approximately HK$533,365,000) (31 December 2017: RMB450,000,000 (equivalent to approximately HK$540,541,000)) which represents an interest-bearing loan to a non-controlling shareholder for resumption of a piece of land in relation to another potential property project in Shanghai. The amount carries variable interest at 5-year PBOC rate per annum and the amount together with the accrued interest are repayable upon the non-controlling shareholder receives payments from the government department about the land resumption or the land auction is not successful. In the opinion of the directors of the Company, the amount is expected to settle within a year from the end of the reporting period.

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

The entire amounts due to non-controlling shareholders are non-trade in nature and unsecured. Included in the amounts due to non-controlling shareholders as at 30 June 2018 there is an amount of RMB138,566,000 (equivalent to approximately HK$164,237,000) (31 December 2017: RMB163,200,000 (equivalent to approximately HK$196,036,000)), which represents loans advanced from a non-controlling shareholder, carrying variable interest at 120% (31 December 2017: 120%) of PBOC rate per annum, of which amounts of approximately HK$79,649,000 and HK$84,588,000 are repayable on various dates in year 2018 and 2019 respectively, with last repayment in June 2019 (31 December 2017: HK$80,721,000 and HK$115,315,000 are repayable on various dates in year 2018 and 2019, with last repayment in June 2019).

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

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

11. TRADE AND OTHER RECEIVABLES

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (restated)
Trade and other receivables recognised as current assets		
Trade receivables	**30,737**	26,002
Less: Allowance for doubtful debts	**(767)**	(777)
	29,970	25,225
Other receivables (note (i))	**482,168**	529,598
Advance payments to contractors	**68,310**	48,934
Prepaid other taxes	**211,525**	186,676
Deposits and prepayments	**12,151**	9,623
Deposit paid for acquisition of land parcels	**—**	962,162
	804,124	1,762,218
Other receivables recognised as non-current assets		
Other receivables (note (ii))	**26,384**	26,739

Notes:

(i) Other receivables mainly comprised of various warranty deposits placed with the relevant government bodies in respect of properties being sold and receivables in respect of advances made to contractors for resumption of land. Included in current other receivables there are amounts of (1) RMB40,000,000 (equivalent to approximately HK$47,410,000) (31 December 2017: RMB40,000,000 (equivalent to approximately HK$48,048,000)) which represents a loan advanced to a construction contractor of the Group's property development project through an entrusted loan agreement administrated by a bank with maturity date on 7 July 2018; and (2) RMB4,000,000 (equivalent to approximately HK$4,741,000) (31 December 2017: RMB30,340,000 (equivalent to approximately HK$36,444,000)) which represents current portion of loans advanced to a subsidiary of a former tenant of one of the Group's investment properties (the "Borrower") through an entrusted loan agreement administrated by a trust company and the amount is repayable on 31 December 2018. The loan advanced to a construction contractor of the Group carries fixed interest at 7.5% per annum and it is secured by the borrower's receivables on the Group's property development project. Subsequent to the end of the reporting period, the loan advanced to the construction contractor was fully repaid.

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

(ii) As at 30 June 2018, the other receivables recognised as non-current assets of RMB22,260,000 (equivalent to approximately HK$26,384,000) (31 December 2017: RMB22,260,000 (equivalent to approximately HK$26,739,000)) represent non-current portion of loans advanced to the Borrower. The loans with amounts of RMB6,000,000, RMB8,000,000 and RMB8,260,000 (equivalent to RMB22,260,000 in aggregate) are repayable on 31 December 2019, 31 December 2020 and 31 December 2021 respectively. The loans carry fixed interest at 5% per annum. The loans are secured by the registered share capital of the immediate and intermediate holding companies of the Borrower and the loans are also guaranteed by the entity controlled by the beneficial owner of the Borrower for a maximum amount of RMB25,000,000. These companies are principally engaged in commercial properties management.

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

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

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Within 90 days	**19,066**	19,217
Within 91-180 days	**1,399**	1,156
Over 180 days	**9,505**	4,852
	29,970	25,225

12. TRADE AND OTHER PAYABLES AND DEFERRED REVENUE

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (restated)
Trade and other payables recognised as current liabilities		
Trade payables	**417,102**	826,771
Accrued expenditure on properties under development for sale	**2,144,740**	2,458,988
Amounts due to former shareholders of the Company's former subsidiaries (note (i))	**166,501**	167,878
Receipts from customers for payment of expenses on their behalf	**48,018**	42,537
Rental deposits and receipt in advance from tenants	**214,970**	209,770
Interest payables	**229,247**	86,786
Payables to the Shanghai government department (note (ii))	**565,261**	537,540
Provision for compensation expense in relation to settlement of a legal case (note (iii))	**122,700**	124,350
Deposit received for disposal of a subsidiary (note (iv))	**226,503**	—
Deferred revenue (note (v))	**43,694**	44,281
Accrued charges and other payables	**497,606**	785,803
Other taxes payables (note (vi))	**24,083**	105,958
	4,700,425	5,390,662
Deferred revenue recognised as non-current liabilities		
Deferred revenue (note (v))	**183,184**	201,892

Notes:

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

(ii) The amount represents the receipts of approximately HK$1,739,219,000 (31 December 2017: HK$1,708,498,000) from the purchasers of affordable housings which were collected on behalf of Shanghai government department and not yet paid to it, net of receivable of approximately HK$1,173,958,000 (31 December 2017: HK$1,170,958,000) 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 2018, none was repaid to Shanghai government department.

12. TRADE AND OTHER PAYABLES AND DEFERRED REVENUE (CONTINUED)

Notes: (continued)

(iii) In prior years, the Group was in a legal proceeding with a purchaser of its subsidiary regarding the fulfilment of terms and actual performance of the disposal transaction that happened in year 2009. Pursuant to the commitment letter issued by a subsidiary of the Group (the "Seller") to the purchaser, after receiving consideration from the purchaser, the Seller assumed certain liabilities of the subsidiary being disposed of and agreed to settle these liabilities, which would in turn discharge the purchaser's obligation to pay these liabilities. However, the Seller did not settle the liabilities in full in previous years. A court in Beijing of the PRC had made a judgment and ruled that the Seller was required to settle the liabilities of approximately RMB90,333,000 and pay damages of approximately RMB13,188,000 to the purchaser. As at 30 June 2018 and 31 December 2017, these amounts were not yet settled but were fully provided for.

(iv) The amount represents deposit of RMB191,100,000 (equivalent to approximately HK$226,503,000) received about disposal of Hunan Qianshuiwan (as defined in note 16(c)). Details of the disposal are set out in note 16(c).

(v) The balances represent current and non-current portion of the deferred revenue arising from the Group's sales and operating leaseback arrangements.

(vi) Other taxes payables comprise urban real estate tax payable, city maintenance, construction tax payable, business tax payable and value-added tax payable.

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 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (restated)
Within 30 days	–	17,107
Within 31–180 days	73,530	299,016
Within 181–365 days	139,505	248,465
Over 365 days	204,067	262,183
	417,102	826,771

13. BANK AND OTHER BORROWINGS

During the six months ended 30 June 2018, the Group obtained new bank and other borrowings of approximately RMB1,061,303,000 (equivalent to approximately HK$1,257,915,000) (six months ended 30 June 2017: approximately RMB833,883,000 (equivalent to approximately HK$943,093,000)). As at 30 June 2018, the balances of banks and other borrowings carry variable interest ranging from 3.80% to 7.19% (31 December 2017: 2.23% to 7.48%) per annum and are payable from one to twelve years (six months ended 30 June 2017: one to six years). The borrowings were obtained for the purpose of property development projects of the Group.

During the six months ended 30 June 2018, the Group also repaid the bank and other borrowings of approximately RMB650,600,000 (equivalent to approximately HK$800,640,000) (six months ended 30 June 2017: approximately RMB1,459,615,000 (equivalent to approximately HK$1,650,775,000)).

14. SHARE CAPITAL

Ordinary shares of HK$0.04 each.

Issued and fully paid

	Number of shares '000	Share capital HK$'000
As at 1 January 2017	4,811,273	192,451
Shares repurchased and cancelled	(300)	(12)
As at 30 June 2017, 1 January 2018 and 30 June 2018	**4,810,973**	**192,439**

15. ACQUISITIONS OF SUBSIDIARIES

On 28 February 2018, the Group entered into an asset and equity transfer agreement and a supplemental agreement (collectively referred to "Acquisition Agreement") with Shangtou Assets. Pursuant to the agreement, the Group agreed to acquire the entire equity interest in Shangtou Real Estate, at a cash consideration of approximately RMB530,827,000. Pursuant to terms set out in the Acquisition Agreement, certain assets including trade and other receivables, investment properties, inventories and equity instruments at FVTOCI ("Carved-out Assets") and certain liabilities including other payables ("Carved-out Liabilities") of Shangtou Real Estate Group would not form part of the acquisition and would be transferred to an entity controlled by Shangtou Assets at nil consideration prior to completion of the acquisition. Shangtou Real Estate is a company established in the PRC and principally engaged in secondary land development. Shangtou Real Estate holds two secondary land development projects in the PRC.

The acquisition was completed in April 2018 and Carved-out Assets and Carved-out Liabilities with carrying amounts of approximately RMB298,247,000 (equivalent to approximately HK$369,186,000) and approximately RMB8,340,000 (equivalently to approximately HK$10,324,000) were distributed to an entity controlled by Shangtou Assets. As at 30 June 2018, an outstanding consideration of approximately RMB53,827,000 (equivalent to approximately HK$63,799,000) was included in the "consideration payables for acquisition of subsidiaries". As disclosed in note 2, the Group and Shangtou Real Estate Group are under common control of SIIC. This acquisition is a connected transaction and a related party transaction and is accounted for by applying the principles of merger accounting.

16. ASSETS CLASSIFIED AS HELD-FOR-SALE/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD-FOR-SALE

(a) Disposals of Shanghai Shenda and Shanghai Commercial (as defined below)

On 17 November 2017, the Group entered into equity transfer agreements with Shanghai Shangshi Property Management Company Limited 上海上實物業管理有限公司 and Shanghai New Century Real Estate Services Company Limited 上海新世紀房產服務有限公司, both of them are non-wholly owned indirect subsidiaries of SIHL, in relation to disposal of the Group's entire equity interests in Shanghai Shenda Property Company Limited 上海申大物業有限公司 ("Shanghai Shenda") and Shanghai Urban Development Commercial Property Development Company Limited 上海城開商用物業發展有限公司 ("Shanghai Commercial"), both of them were wholly owned subsidiaries of SUD, at a cash consideration of RMB70,000,000 and RMB17,000,000, respectively. According to the terms set out in the agreements, completion of such disposals would take place within 10 business days following the Group received full payment of the consideration for each disposal. Following the completion of these transactions, the Group would cease to have controls on Shanghai Shenda and Shanghai Commercial.

The Company was exempted from obtaining approval from its independent shareholders pursuant to the Listing Rules. Given the disposals had not been completed as at 31 December 2017, the assets and liabilities in relation to Shanghai Shenda and Shanghai Commercial were reclassified to assets classified as held-for-sale and liabilities associated with assets classified as held-for-sale respectively in the condensed consolidated statement of financial position. These disposals were completed in February 2018 and the consideration was fully settled during the six months ended 30 June 2018. As Shanghai Shenda and Shanghai Commercial were disposed to entities under common control of SIHL, the transactions are connected transaction and related party transactions. Details of gains on these disposals are set out in note 17(a).

16. ASSETS CLASSIFIED AS HELD-FOR-SALE/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD-FOR-SALE (CONTINUED)

(a) Disposals of Shanghai Shenda and Shanghai Commercial (as defined below) (continued)

The major classes of Shanghai Shenda's assets classified as held-for-sale and liabilities associated with assets classified as held-for-sale as at 31 December 2017 are as follows:

	HK$'000
Plant and equipment	136
Trade and other receivables	12,637
Bank balances and cash	132,413
Total assets classified as held-for-sale	145,186
Trade and other payables	128,489
Income tax payable	1,132
Total liabilities associated with assets classified as held-for-sale	129,621

The major classes of Shanghai Commercial's assets classified as held-for-sale and liabilities associated with assets classified as held-for-sale as at 31 December 2017 are as follows:

	HK$'000
Plant and equipment	415
Inventories	40
Other receivables	3,721
Bank balances and cash	30,870
Total assets classified as held-for-sale	35,046
Other payables	24,739
Income tax payable	444
Total liabilities associated with assets classified as held-for-sale	25,183

16. ASSETS CLASSIFIED AS HELD-FOR-SALE/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD-FOR-SALE (CONTINUED)

(b) Summary of assets classified as held-for-sale and liabilities associated with assets classified as held-for-sale as at 31 December 2017:

	HK$'000
Assets classified as held-for-sale:	
— Shanghai Shenda	145,186
— Shanghai Commercial	35,046
	180,232
Liabilities associated with assets classified as held-for-sale	
— Shanghai Shenda	129,621
— Shanghai Commercial	25,183
	154,804

(c) Disposal of Hunan Qianshuiwan (as defined below)

On 8 April 2018, the Group entered into an equity transfer agreement with Hengda Real Estate Group Zhangsha Zhiye Company Limited 恒大地產集團長沙置業有限公司 ("Hengda Zhangsha"), in relation to the disposal of the Group's entire equity interest in Hunan Qianshuiwan Xiangya Garden Co., Ltd 湖南淺水灣湘雅溫泉花園有限公司 ("Hunan Qianshuiwan"), a partially-owned subsidiary of the Group, at a cash consideration of RMB637,000,000 (equivalent to approximately HK$755,008,000) which comprises of RMB191,100,000 for disposal of equity interest in Hunan Qianshuiwan and RMB445,900,000 for settlement of intercompany balances. According to the terms set out in the agreement, completion would take place when the consideration was fully settled. Following the completion of this transaction, the Group would cease to have control in Hunan Qianshuiwan. As at 30 June 2018, a consideration of RMB445,900,000 (equivalent to approximately HK$528,505,000) remained outstanding.

Hengda Zhangsha is a non-controlling shareholder of Hunan Qianshuiwan and this transaction is a connected transaction and a related party transaction.

16. ASSETS CLASSIFIED AS HELD-FOR-SALE/LIABILITIES ASSOCIATED WITH CLASSIFIED AS HELD-FOR-SALE (CONTINUED)

(c) Disposal of Hunan Qianshuiwan (as defined below) (continued)

The Company is exempted from obtaining approval from its independent shareholders pursuant to the Listing Rules. Given the disposal has not been completed at the end of the reporting period, the assets and liabilities in relation to Hunan Qianshuiwan have been reclassified to assets classified as held-for-sale and liabilities associated with assets classified as held-for-sale respectively in the condensed consolidated statement of financial position.

The major classes of Hunan Qianshuiwan's assets classified as held-for-sale and liabilities associated with assets classified as held-for-sale as at 30 June 2018 are as follows:

	HK$'000
Plant and equipment	9,463
Trade and other receivables	4,618
Inventories	489,276
Prepaid income tax and land appreciation tax	1,491
Bank balances and cash	25,663
Total assets classified as held-for-sale	530,511
Trade and other payables	42,152
Income tax and land appreciation tax payable	15,205
Pre-sale proceeds received on sales of properties	15,758
Deferred tax liabilities	63,947
Total liabilities associated with assets classified as held-for-sale	137,062

Up to the date these condensed consolidated financial statements are authorised for issue, the disposal has not been completed.

17. GAIN ON DISPOSAL OF SUBSIDIARIES

(a) Disposals of Shanghai Shenda and Shanghai Commercial

As disclosed in note 16(a), the disposals of Shanghai Shenda and Shanghai Commercial were completed in February 2018.

The net assets of Shanghai Shenda at the disposal date are as follows:

	HK$'000
Consideration:	
Cash received	86,881
Analysis of assets and liabilities over which control was lost:	
Plant and equipment	140
Trade and other receivables	4,266
Bank balances and cash	138,642
Trade and other payables	(124,502)
Income tax payable	(697)
Net assets disposed of	17,849
Gain on disposal of Shanghai Shenda:	
Total cash consideration	86,881
Net assets disposed of	(17,849)
Gain on disposal	69,032
Net cash outflow arising on disposal:	
Cash received	86,881
Less: bank balances and cash disposed of	(138,642)
	(51,761)

17. GAIN ON DISPOSAL OF SUBSIDIARIES (CONTINUED)

(a) Disposals of Shanghai Shenda and Shanghai Commercial (continued)

The net assets of Shanghai Commercial at the disposal date are as follows:

	HK$'000
Consideration:	
Cash received	21,100
Analysis of assets and liabilities over which control was lost:	
Plant and equipment	409
Inventories	41
Other receivables	4,309
Bank balances and cash	30,129
Other payables	(23,800)
Income tax payable	(528)
Net assets disposed of	10,560
Gain on disposal of Shanghai Commercial:	
Total cash consideration	21,100
Net assets disposed of	(10,560)
Gain on disposal	10,540
Net cash outflow arising on disposal:	
Cash received	21,100
Less: bank balances and cash disposed of	(30,129)
	(9,029)

17. GAIN ON DISPOSAL OF SUBSIDIARIES (CONTINUED)

(b) Disposal of Fine Mark (as defined below)

On 17 April 2018, the Group entered into a share transfer agreement with Hong Kong Ruimin Investment Co., Limited 香港瑞閩投資有限公司 ("HK Ruimin") in relation to disposal of the Group's entire equity interest in Fine Mark Investment Limited ("Fine Mark"), a wholly-owned subsidiary of the Group, at a cash consideration of RMB176,750,000 (equivalent to approximately HK$220,858,000), which comprised of RMB120,750,000 for the acquisition of equity interest in Fine Mark (the "Sale Share Consideration") and RMB56,000,000 for repayment of assigned debts due to the Company (the "Loan Assignment Consideration").

The principal asset of Fine Mark is interest in a joint venture with a carrying amount of HK$65,718,000 which jointly owned an entity incorporated in the PRC, namely Fuzhou Chengkai Shiye Company Limited 福州城開實業有限公司 ("Fuzhou Chengkai"), and its subsidiary (collectively referred to as "Fuzhou Chengkai Group") had a property development project in Fuzhou in the PRC.

Pursuant to terms set out in the supplemental agreement entered into between the Group and HK Ruimin on 24 April 2018, the disposal would complete when the Group received the full payment of the Sale Share Consideration. On the date of completion of the disposal, HK Ruimin would execute a share charge over the share capital of Fine Mark in favour of the Group as security for the payment of the Loan Assignment Consideration and the discharge of the guarantees given by the Group to a bank in respect of certain banking facilities utilised by Fuzhou Chengkai Group.

During the six months ended 30 June 2018, the Sale Share Consideration and the Loan Assignment Consideration were fully settled and the disposal was completed. At the end of the reporting period, the Group submitted the application for discharging the guarantees to a bank. Up to the date these condensed consolidated financial statements are authorised for issue, the application is still in process.

17. GAIN ON DISPOSAL OF SUBSIDIARIES (CONTINUED)

(b) Disposal of Fine Mark (as defined below) (continued)

The asset of Fine Mark at the disposal date is as follows:

	HK$'000
Consideration:	
Cash received	220,858
The asset over which control was lost:	
Interest in a joint venture	65,718
Gain on disposal of Fine Mark:	
Total consideration	220,858
The asset disposed of	(65,718)
Gain on disposal	155,140
Net cash inflow arising on disposal:	
Cash received	220,858
Less: bank balances and cash disposed of	—
	220,858

Fine Mark disposed of during the six months ended 30 June 2018 did not have any significant contribution to the results and cash flows of the Group during the period prior to the disposal.

(c) Summary of gains on disposal of subsidiaries

	HK$'000
Gains on disposal of subsidiaries:	
— Shanghai Shenda	69,032
— Shenghai Commercial	10,540
— Fine Mark	155,140
	234,712

18. SHARE-BASED PAYMENT TRANSACTIONS

As at 30 June 2018, the number of shares of the Company in respect of which share options had been granted and remained outstanding under the share option scheme was 27,750,000 (31 December 2017: 27,750,000), representing 0.58% (31 December 2017: 0.58%) of the shares of the Company in issue at that date. During the six months ended 30 June 2018 and 2017, no share options were granted or expired.

19. CAPITAL COMMITMENTS

Capital expenditure in respect of properties under development for sale:

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Contracted for but not provided for in the condensed consolidated financial statements — additions in properties under development for sale	**2,452,646**	2,175,315

20. CONTINGENT LIABILITIES

Corporate guarantees

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
Guarantees given to banks in respect of banking facilities utilised by:		
— property buyers	**2,091,431**	2,178,268
— Fuzhou Chengkai Group	**763,297**	796,396
	2,854,728	2,974,664

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

The Group entered into agreements with certain banks with respect to mortgage loans provided to buyers of the Group's property units and made deposits as security to and gave guarantees on mortgage loans provided to the buyers by these banks under the agreements. The directors of the Company consider that the possibility of default by the relevant buyers is remote and, in case of default in payments, the net realisable value of the related properties can recover the repayment of the outstanding mortgage principals together with the accrued interests and penalties. Accordingly, no provision has been made in the condensed consolidated financial statements for these guarantees.

20. CONTINGENT LIABILITIES (CONTINUED)

Corporate guarantees (continued)

Guarantees given to a bank in respect of banking facilities utilised by Fuzhou Chengkai Group

The Group entered into agreements with a bank to provide corporate guarantees with respect to bank loans granted to Fuzhou Chengkai Group. As at 30 June 2018, the maximum liability of the Group under such guarantees is the outstanding amount of the bank loans to Fuzhou Chengkai Group of approximately HK$763,297,000 (31 December 2017: HK$796,396,000). As disclosed in note 17(b), upon disposal of Fine Mark during six months ended 30 June 2018, these guarantees will be applied for discharge. In the opinion of the directors of the Company, only administrative process is required for the discharge and it is expected to complete before 31 December 2018.

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

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

21. RELATED PARTY TRANSACTIONS

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

Related party	Nature of transactions	Six months ended 30 June 2018 HK$'000 (unaudited)	Six months ended 30 June 2017 HK$'000 (unaudited) (restated)
Entities controlled by SIHL	Management fee	**(646)**	–
Associates	Property agency fee	**(13,099)**	(23,720)
	Rental income	**6**	629
	Management fee	**(3,857)**	(276)
Non-controlling shareholders of a subsidiary	Interest expenses	**(5,314)**	(3,440)
	Management fee	**(4,193)**	(3,411)
An entity controlled by Xuhui SASAC	Interest expenses	**(10,565)**	(24,507)

(ii) Compensation of key management personnel

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

	Six months ended 30 June 2018 HK$'000 (unaudited)	Six months ended 30 June 2017 HK$'000 (unaudited)
Short-term employee benefits	**5,134**	6,363
Post-employment benefits	**41**	34
	5,175	6,397

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

21. RELATED PARTY TRANSACTIONS (CONTINUED)

(iii) Government-related entities

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

In addition, the Group has entered into various transactions, including sales, purchases and other operating expenses with other PRC government-related entities. In the opinion of the directors of the Company, these transactions are considered as individually and collectively insignificant to the operation of the Group during the six months ended 30 June 2018 and 2017.

22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Other than the financial assets carried at fair value as detailed in the following table and the available-for-sale investments carried at cost less impairment as at 31 December 2017, the directors of the Company consider that the carrying amounts of other financial instruments that are recorded at amortised cost in these condensed consolidated financial statements approximate their fair values.

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
	30 June 2018 (unaudited)	31 December 2017 (audited)			
Held-for-trading investments	**Listed equity securities in the PRC – HK$2,877,000**	Listed equity securities in the PRC – HK$3,506,000	Level 1	Quoted bid prices in an active market	N/A
Available-for-sale investments	**N/A**	Listed equity securities in the PRC – HK$154,658,000	Level 1	Quoted bid prices in an active market	N/A
Equity instruments at fair value through other comprehensive income	**Listed equity securities in the PRC – HK$128,539,000**	N/A	Level 1	Quoted bid prices in an active market	N/A
	Unlisted equity securities in the PRC – HK$93,517,000	N/A	Level 3	Adjusted net asset value method under cost approach	Discount factor of 20%

All gains and losses included in other comprehensive income relate to equity instruments at FVTOCI held at the end of the reporting period and are reported as changes of investment revaluation reserve.

23. DIVIDENDS

Dividends recognised as distribution during the period:

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
2017 final dividend declared — HK1.6 cents (2017: HK1.4 cents for year 2016)	**76,976**	67,358
2017 special dividend declared — HK2.5 cents (2017: HK1.9 cents for year 2016)	**120,274**	91,414

A final dividend and a special dividend of HK1.6 cents (2017: HK1.4 cents) per ordinary share and HK2.5 cents (2017: HK1.9 cents) per ordinary share respectively, in an aggregate amount of approximately HK$197,250,000 (six months ended 30 June 2017: HK$158,772,000), were declared and an amount of approximately HK$195,164,000 was paid during the six months ended 30 June 2018 (six months ended 30 June 2017: HK$157,103,000).

No 2018 interim dividends were proposed during the six months ended 30 June 2018, nor has any dividend been proposed since the end of the reporting period.

24. EVENT AFTER THE END OF THE REPORTING PERIOD

In July 2018, the Group acquired land use rights of a land parcel located at Shanghai in the PRC at a consideration of RMB522,530,000. Details of this acquisition are set out in the Company's announcement dated 1 August 2018.