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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2013

The board of directors (the "**Board**") of Shanghai Industrial Urban Development Group Limited (the "**Company**") announces that the unaudited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2013 (the "**Period**"), together with the comparative figures for the six months ended 30 June 2012 were as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	NOTES	**Six months ended 30 June 2013 *HK$'000* (unaudited)**	2012 *HK$'000* (unaudited)
Revenue	*3*	**2,965,733**	1,091,912
Cost of sales		**(2,020,926)**	(856,981)
Gross profit		**944,807**	234,931
Other income		**41,473**	74,990
Fair value changes on investment properties		**(67,849)**	(8,271)
Other expenses, gains and losses		**(29,379)**	(3,924)
Distribution and selling expenses		**(129,145)**	(58,477)
General and administrative expenses		**(212,048)**	(240,502)
Impairment loss in respect of inventories		**(22,363)**	(19,732)
Gain on disposal of assets through disposal of subsidiaries	*14*	**819,125**	–
Finance costs	*4*	**(323,180)**	(270,220)
Share of losses of associates		**(3,664)**	(4,970)
Profit (loss) before taxation		**1,017,777**	(296,175)
Income tax	*5*	**(392,613)**	71,815
Profit (loss) for the period	*6*	**625,164**	(224,360)
Other comprehensive income (expense)			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation into presentation currency		**93,133**	(209,439)
Item that may be subsequently reclassified to profit or loss:			
Reclassification adjustment for realisation of revaluation gains transferred to profit or loss upon sales of completed properties held for sale		**–**	(153)
Other comprehensive income (expense) for the period (net of tax)		**93,133**	(209,592)
Total comprehensive income (expense) for the period		**718,297**	(433,952)
Profit (loss) for the period attributable to:			
– Owners of the Company		**481,877**	(308,826)
– Non-controlling interests		**143,287**	84,466
		625,164	(224,360)
Total comprehensive income (expense) attributable to			
– Owners of the Company		**539,313**	(425,668)
– Non-controlling interests		**178,984**	(8,284)
		718,297	(433,952)
Earnings (loss) per share	*7*		
– Basic (HK cents)		**10.02**	(6.42)
– Diluted (HK cents)		**10.02**	(6.42)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	NOTES	30 June 2013 HK$'000 (unaudited)	31 December 2012 HK$'000 (audited)
Non-current assets			
Investment properties	8	**5,945,617**	6,028,842
Property, plant and equipment	9	**1,427,184**	1,451,809
Prepaid lease payments		**91,307**	92,189
Intangible assets		**63,750**	63,433
Available-for-sale investments		**62,695**	34,398
Interests in associates		**1,619,705**	1,609,955
Amount due from an associate		**85,090**	84,666
Restricted and pledged bank deposits		**357,862**	231,715
Deferred tax assets		**234,088**	212,488
		9,887,298	9,809,495
Current assets			
Inventories	10	**35,921,352**	36,308,151
Trade and other receivables	11	**4,152,922**	1,384,348
Amounts due from related companies		**210,963**	195,388
Amount due from an associate		**18,812**	–
Prepaid lease payments		**2,650**	2,615
Prepaid income tax and land appreciation tax		**294,795**	296,780
Financial assets at fair value through profit or loss		**13,133**	12,887
Pledged bank deposits		**43,986**	52,731
Bank balances and cash		**2,042,803**	5,249,524
		42,701,416	43,502,424
Assets classified as held-for-sale		**19,108**	301,593
		42,720,524	43,804,017

	NOTES	30 June 2013 HK$'000 (unaudited)	31 December 2012 HK$'000 (audited)
Current liabilities			
Trade and other payables	*12*	**4,148,545**	4,845,705
Amounts due to related companies		**626,152**	606,304
Consideration payables for acquisition of subsidiaries		**317,621**	316,041
Pre-sale proceeds received on sales of properties		**9,044,638**	7,826,181
Bank and other borrowings	*13*	**3,724,321**	5,777,737
Amounts due to associates		**95,727**	85,688
Income tax and land appreciation tax payables		**1,900,634**	2,061,572
Dividend payable		**6,423**	6,423
Dividend payable to non-controlling shareholders		**418,375**	416,293
		20,282,436	21,941,944
Net current assets		**22,438,088**	21,862,073
Total assets less current liabilities		**32,325,386**	31,671,568
Non-current liabilities			
Bank and other borrowings	*13*	**6,390,358**	6,288,433
Senior notes		**3,070,183**	3,048,911
Deferred tax liabilities		**3,054,952**	3,242,628
		12,515,493	12,579,972
		19,809,893	19,091,596
Capital and reserves			
Share capital		**192,461**	192,461
Reserves		**12,509,045**	11,969,732
Equity attributable to owners of the Company		**12,701,506**	12,162,193
Non-controlling interests		**7,108,387**	6,929,403
		19,809,893	19,091,596

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA that are relevant for the Group:

HKFRSs (Amendments)	Annual improvements to HKFRSs 2009–2011 cycle
HKFRS 7 (Amendments)	Disclosures – Offsetting financial assets and financial liabilities
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HKAS 1 (Amendments)	Presentation of items of other comprehensive income
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current interim period, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12 and HKAS 28 (as revised in 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance. HKAS 27 (as revised in 2011) is not applicable to these condensed consolidated financial statements as it deals only with separate financial statements.

The impact of the application of these standards that is relevant to the Group is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and HK(SIC) – INT 12 Consolidation – Special purpose entities. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The directors of the Company reviewed and assessed the Group's investees in accordance with the requirements of HKFRS 10. The directors of the Company concluded that there was no material impact to the Group's condensed consolidated financial statements for the adoption of HKFRS10.

HKFRS 13 Fair value measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. The application of this new standard has no material impact on the fair value measurement of the Group's assets and/or liabilities.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income.

In addition, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

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

3. REVENUE AND SEGMENT INFORMATION

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

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

4. FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest on:		
Bank and other borrowings wholly repayable within five years	**397,291**	424,530
Bank and other borrowings not wholly repayable within five years	**28,604**	41,732
Senior notes	**172,120**	170,321
Total borrowing costs	**598,015**	636,583
Less: Amount capitalised under properties under development	**(274,835)**	(366,363)
	323,180	270,220

Borrowing costs capitalised during the period arose on the general borrowing pool and are calculated by applying a capitalisation rate of 9.1% (six months ended 30 June 2012: 9.2%) per annum to expenditure on qualifying assets.

5. INCOME TAX

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax		
– PRC Land Appreciation Tax ("LAT")	**280,873**	99,744
– PRC Enterprise Income Tax ("EIT")	**220,597**	10,028
– Capital gain tax on gain derived from disposal of PRC entity by non-resident companies	**81,913**	–
– Overprovision of PRC EIT in prior periods *(Note)*	**–**	(147,102)
	583,383	(37,330)
Deferred tax	**(190,770)**	(34,485)
	392,613	(71,815)

Note: The Group recognised a write-back of overprovision during the prior period upon completion of tax clearance procedures by certain PRC subsidiaries with their respective tax authorities.

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

Pursuant to Circular 698 issued by the State Administration of Taxation, the PRC, the tax rate applicable to the capital gain 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税暫行條例》) 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税暫行條例實施細則》) effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, being the proceeds of sales of properties less deductible expenditures including borrowing costs and properties development expenditures in relation to the gains arising from sales of properties in the PRC effective from 1 January 2004, with an exemption provided for property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

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

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands, the Group is not subject to any income tax in Bermuda and the British Virgin Islands for the six months ended 30 June 2013 and 2012.

6. PROFIT (LOSS) FOR THE PERIOD

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit (loss) for the period has been arrived at after charging (crediting) the following items:		
Depreciation of property, plant and equipment	**34,600**	26,339
Bank interest income (included in other income)	**(19,176)**	(14,168)
Gain on changes in fair value of derivative financial instruments	**–**	(3)
Net foreign exchange (gain) loss	**(6,476)**	6,429
Equity-settled share-based payment expense	**–**	6,327
Compensation to customers in respect of late delivery of properties	**37,083**	5,463

7. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings (loss):		
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share		
Profit (loss) for the period attributable to owners of the Company	**481,877**	(308,826)

	Six months ended 30 June	
	2013	2012
Number of shares (in thousands):		
Number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	**4,811,523**	4,811,523

The computation of diluted earnings (loss) per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price for the six months ended 30 June 2013 and 2012.

8. MOVEMENTS IN INVESTMENT PROPERTIES

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Beginning balance (audited)	**6,028,842**	6,168,963
Fair value change on investment properties	**(67,849)**	(8,271)
Disposals	**(26,108)**	(80,407)
Reclassified as assets classified as held-for-sale	**(19,108)**	–
Exchange realignment	**29,840**	(48,429)
Ending balance (unaudited)	**5,945,617**	6,031,856

All investment properties of the Group were fair valued by DTZ Debenham Tie Leung Limited, an independent firm of qualified professional valuers not connected with the Group, at 30 June 2013. DTZ Debenham Tie Leung Limited are members of the Institute of Valuers and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuations, which conform to the Valuation Standards on Properties of the Hong Kong Institute of Surveyors, were arrived at by reference to comparable sales transactions available in the relevant markets or by reference to net rental income allowing revisionary income potential prices for similar properties in similar locations and conditions, where appropriate.

During the period, the Group disposed of certain investment properties for cash proceeds of HK$26,108,000 (six months ended 30 June 2012: HK$80,407,000).

During the period, the Group entered into sales and purchase agreements to dispose of certain investment properties to independent third parties. At 30 June 2013, the fair value of the investment properties amounting to HK$19,108,000 (31 December 2012: HK$301,593,000) reclassified as assets held-for-sale is arrived at by reference to the selling price as stated in the sales and purchases agreements entered into with independent third parties during the period. All investment properties reclassified as assets held-for-sale as at 31 December 2012 were disposed of during the six months ended 30 June 2013.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred HK$64,792,000 (six months ended 30 June 2012: HK$22,849,000) on additions to property, plant and equipment.

In addition, during the period, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of HK$61,964,000 (six months ended 30 June 2012: HK$124,000) for cash proceeds of HK$61,964,000 (six months ended 30 June 2012: HK$124,000), resulting in no gain or loss on disposal (six months ended 30 June 2012: no gain or loss on disposal).

10. INVENTORIES

Inventories as at 30 June 2013 and 31 December 2012 are mainly properties under development and properties held for sale which are all located in the PRC, and are carried at net realisable value.

During the six months ended 30 June 2013, the Group recognised impairment loss in respect of inventories of HK$22,363,000 (six months ended 30 June 2012: HK$19,732,000).

As at 30 June 2013, included in inventories is a piece of land (the "**Existing Site**") with carrying amount of HK$5,258,565,000 which is subject to land swap arrangement. Following the metro construction and statutory changes in the town planning in Shanghai, an agreement was signed between Shanghai Xuhui District Planning and Land Administration Bureau ("**Shanghai Xuhui**") (上海市徐匯區規劃和土地管理局) and a subsidiary of the Group on 18 May 2013, pursuant to which the Group agreed to swap the Existing Site for four pieces of land assigned by Shanghai Xuhui ("**New Sites**"). No land premium or any other amounts are payable by the Group for the land swap. At the end of the reporting period, the lands swap procedures have not been completed.

11. TRADE AND OTHER RECEIVABLES

	30 June 2013 *HK$'000* **(unaudited)**	31 December 2012 *HK$'000* (audited)
Trade receivables	**104,639**	79,757
Other receivables	**358,565**	291,172
Advance payments to contractors	**29,792**	23,960
Amount due from a former subsidiary	**560,619**	628,726
Sales commission deposits	**11,754**	11,754
Prepaid other taxes	**515,006**	328,635
Deposits and prepayments	**8,144**	20,344
Deposit placed for land tender *(note)*	**1,075,000**	–
Consideration receivables for disposal of subsidiaries *(note 14)*	**1,489,403**	–
	4,152,922	1,384,348

Note: The deposit was fully refunded in July 2013 upon the failure of tender.

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 aged analysis of trade receivables net of allowance for doubtful debts presented based on the date of billing which approximated the revenue recognition date at the end of the reporting period.

	30 June 2013 *HK$'000* **(unaudited)**	31 December 2012 *HK$'000* (audited)
Within 90 days	**5,517**	77,057
Within 91–180 days *(note)*	**26,220**	1,591
Over 180 days *(note)*	**72,902**	1,109
Total trade receivables	**104,639**	79,757

Note: Balances as at 30 June 2013 mainly include the retention receivables for properties sold to government bureau of which the credit period was granted. These balances have not been due at the end of the reporting period.

12. TRADE AND OTHER PAYABLES

	30 June 2013 *HK$'000* **(unaudited)**	31 December 2012 *HK$'000* (audited)
Accrued expenditure on properties under development	**2,076,078**	2,115,834
Amounts due to former shareholders of the Company's former subsidiaries *(note (a))*	**148,151**	147,524
Trade payables	**800,847**	1,204,283
Compensation payables to customers in respect of late delivery of properties	**107,513**	135,958
Deposit received for the disposal of investment properties	**9,554**	188,912
Receipts from customers for payment of expenses on their behalf	**117,025**	99,280
Interest payable	**136,225**	230,359
Accrued charges and other payables	**628,704**	696,495
Other taxes payables *(note (b))*	**124,448**	27,060
	4,148,545	4,845,705

Notes:

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

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

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

	30 June 2013 *HK$'000* **(unaudited)**	31 December 2012 *HK$'000* (audited)
Within 30 days	**207,693**	386,014
Within 31–180 days	**238,996**	114,162
Within 181–365 days	**22,073**	480,932
Over 365 days	**332,085**	223,175
	800,847	1,204,283

13. BANK AND OTHER BORROWINGS

During the current interim period, the Group obtained new bank and other borrowings of RMB2,493,400,000, equivalent to HK$3,106,653,000 (six months ended 30 June 2012: RMB2,463,609,000, equivalent to HK$3,007,335,000). The loans carry variable interest ranging from 2.15% to 7.48% per annum and are payable from one to ten years. The loans were obtained for property project development of the Group.

The Group also repaid the bank borrowings of RMB4,090,688,000 (equivalent to HK$5,096,795,000) (six months ended 30 June 2012: RMB1,698,120,000, equivalent to HK$2,072,900,000) during the period.

Included in the amount of bank and other borrowings is borrowing from SIHL Finance Limited, a wholly owned subsidiary of SIHL, of HK$1,000,000,000 (31 December 2012: HK$1,000,000,000). The amount is unsecured and bearing variable interest at 6.3% per annum and repayable on 30 June 2014 (31 December 2012: 30 June 2013). Bank and other borrowings also include borrowing from Shanghai Industrial Investment (Holdings) Company Limited ("**SIIC**"), ultimate holding company of the Group, of HK$1,250,000,000 (31 December 2012: HK$1,243,781,000) through an entrusted loan agreement administered by banks. The amount is bearing variable interest ranging from 6.6% to 7.1% (31 December 2012: 6.6% to 7.1%) per annum and is due within one year.

14. DISPOSAL OF ASSETS THROUGH DISPOSAL OF SUBSIDIARIES

In June 2013, the Group disposed of an exclusive right for a specific piece of land held by a subsidiary, Shanghai Urban Development Group Longcheng Properties Co., Ltd ("**SUD Longcheng**"), ("**Specific Land**") through disposal of its wholly owned subsidiaries, Earn Harvest Limited and Power Tact Investment Limited, which holds 25% equity interest in SUD Longcheng to an independent third party at a consideration of RMB1,174,500,000 (equivalent to HK$1,463,369,000) ("**Purchase Consideration**"). In addition to the Purchase Consideration, the purchaser agreed to take up 25% of SUD Longcheng's net liabilities at the date of completion of the disposal and is not entitled to exert influence or share of any appropriations of SUD Longcheng generated from operations or obliged to bear any additional obligations of SUD Longcheng after the completion, other than its exclusive right for the Specific Land. The disposal was completed on 27 June 2013. At the date of completion, the net liabilities shared by the purchaser was RMB217,022,000 (equivalent to HK$270,399,000) which in aggregate with Purchase Consideration amounted to RMB1,391,522,000 (equivalent to HK$1,733,768,000).

The net assets of subsidiaries and assets (including the Specific Land) at the date of disposal were as follows:

Consideration received:

	HK$'000
Cash received	**244,365**
Deferred cash consideration	**1,489,403**
Total consideration	**1,733,768**

Analysis of assets and liabilities disposed of:

Specific Land included in inventories of the Group	**914,715**
Bank balances and cash	**116**
Other payables	**(188)**
	914,643
Gain on disposal	**819,125**

Net cash inflow arising on disposal:

Cash consideration	**244,365**
Less: bank balances and cash disposal of	**(116)**
	244,249

The deferred consideration will be fully settled in cash by the purchaser on or before 30 June 2014.

15. CONTINGENT LIABILITIES

Corporate guarantees

	30 June 2013 *HK$'000* **(unaudited)**	31 December 2012 *HK$'000* (audited)
Guarantee given to banks in respect of banking facilities utilised by:		
– property buyers	**2,408,995**	2,037,260
– an entity controlled by Xuhui SASAC	**270,000**	393,035
	2,678,995	2,430,295

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

In addition to the corporate guarantees as describe above, the Group also assessed contingent liabilities in relation to warranty against defects of properties and legal proceedings initiated by third parties against the Company. The directors of the Company, after consulting legal advisors, considered no provision was required during the six months ended 30 June 2013. Detail disclosures will be set out in interim report.

16. EVENT AFTER THE END OF THE INTERIM PERIOD

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

On 2 July 2013, the land use right of the Existing Site was transferred to Shanghai Xuhui. The transfer of land use rights of New Sites are still in progress and not completed at the date of issuance of these condensed consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In the first half of 2013 as China's property market continued its growth momentum in the second half of 2012, both the property price and transaction volume continued to increase steadily from the already high level at the end of 2012. Despite the slowdown in the economic growth in China, temporary tightening of bank liquidity and more austerity measures of the central government in the first half of 2013, the fundamentals of the market remained solid and demand for property continued to be strong, particularly in the first-tier and coastal cities. The overall property market maintained a relatively stable pace of development.

BUSINESS REVIEW

With the acquisition of Neo-China Land in 2010, the Group's projects and businesses continued to improve as reflected in the Group's results. While the external business environment has become more conducive, the Group also bolstered its competitiveness through improving product quality, enhancing its brand position, adopting a more flexible and effective sales management model and speeding up project sales and delivery of properties.

In the first half of the year, the Group has reached an agreement with the Xuhui District Government in Shanghai to swap a piece of land parcel in the Xujiahui Centre for four parcels of land located in Binjiang, Xuhui District with higher market value and better align with the Group's development strategy. With effective control over the Binjiang land parcels, the Group is able to develop the project at different stages more closely in line with its overall future strategy through greater flexibility and efficiency in allocating resources. This is in contrast with its position in the Xujiahui Centre project, where SIUD owned only one out of a total of six parcels of land. Moreover, the Group sold 25% interest in the U Center project in Shanghai for RMB1,174,500,000, recording a cash inflow of RMB1,391,522,000 (including repayments of other liabilities). All these moves enabled the Group to unlock the potential value of some of its projects and assets, while accelerating the project development and cash receipts cycle as well as the development pace of new projects.

Property Development

During the period under review, the Group had a total G.F.A of approximately 2,140,000 sq. m. under development. Principal projects included CBE International Peninsula in Xi'an, Urban Cradle in Shanghai, Urban Development International Centre in Wuxi and Yoooou.net in Kunshan. The Group delivered property with a G.F.A. of 236,000 sq. m. during the period, most of which were commodity housing.

Contract Sales

For the six months ended 30 June 2013, the Group recorded contract sales of RMB3,340,000,000 (six months ended 30 June 2012: RMB1,710,000,000, a year-on-year surge of 95%, largely due to the Group's effort to speed up the launch of key commodity housing projects and affordable housing. Contract sales in terms of G.F.A. were approximately 174,000 sq. m., up 19% year-on-year.

Urban Cradle continued to be the Group's key sales focus during the period, accounting for 58% of its contract sales, while Shanghai Jing City, CBE International Peninsula and Yoooou.net accounted for 19%, 8% and 3% respectively. Contract sales from commodity housing amounted to RMB2,700,000,000, representing an increase of 59% year-on-year. Contract sales from affordable housing were RMB640,000,000 (six months ended 30 June 2012: nil)

During the period under review, the average selling price of overall contract sales was approximately RMB19,000 per sq. m., a year-on-year increase of 65%. This was mainly driven by the greater volume of sales at higher-priced Urban Cradle. The Group focused on branding and services when promoting sales and emphasized pricing, gross profit margin and an overall balance of business so as to offer products with an optimum value for money to customers. As a result, the average selling price of most of its projects have achieved single-digit to double-digit growth.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2013, the Group's revenue surged 1.7 times to HK$2,965,733,000 (six months ended 30 June 2012: HK$1,091,912,000), which reflected the Group's efforts to accelerate project construction progress and delivery of properties in the first half of the year. Property sales were the Group's main source of revenue. During the first half of the year, the Group has delivered properties of a total of 236,000 sq. m., up from 145,000 sq. m. in the same period a year earlier. In terms of value, the Group achieved sales revenue of HK$2,771,250,000 during the period (six months ended 30 June 2012: HK$895,802,000), accounting for 93% of total revenue. The contribution from Urban Cradle accounted for 58% of the Group's property sales, followed by CBE International Peninsula and Shanghai Youth City which accounted for 34% and 4% of total property sales respectively.

Revenues from leasing, property management and services, and hotel operations also provided stable revenue sources for the Group, contributing HK$117,794,000, HK$34,739,000 and HK$41,950,000 respectively. As property sales substantially climbed during the period under review, the proportional contribution from the three business segments changed to 4%, 1% and 2% respectively (six months ended 30 June 2012, 12%, 3% and 3% respectively).

During the period under review, the occupancy rate of investment properties slightly rose to 91% from 89% in the same period last year. However, overall revenue from leasing declined by 9% to HK$117,794,000 in the first half of the year. This was because temporary vacant period and rent-free period for renovation occurred at certain of the Group's properties as a result of its efforts to upgrade its tenant mix. Revenue from property management and services increased by 16% to HK$34,739,000. Revenue from hotel operations climbed by 15% to HK$41,950,000 when compared to the corresponding period last year, mainly due to the higher-than-expected occupancy rate of its hotel in Xi'an.

Gross Profit and Gross Profit Margin

During the period under review, gross profit was HK$944,807,000, up 302% from the same period last year, due largely to a surge in revenue. Gross profit margin strongly increased from 21.5% in the same period last year to 31.9% as the delivery of specific high gross profit margin projects such as Urban Cradle in the first half bolstered the overall gross profit margin.

Investment Property Revaluation

For the six months ended 30 June 2013, the Group recorded a net deficit on revaluation of properties of HK$67,849,000. This was mainly because of the change in fair value of Top City in Chongqing.

Material Disposal

During the period under review, the Group sold 25% interest in the U Center project in Minhang District, Shanghai for RMB1,174,500,000. Through this transaction, the Group recorded an after-tax gain of approximately RMB592,000,000. Further details of the disposal are set out in note 14 to the condensed consolidated financial statements.

Distribution and Selling Expenses

For the six months ended 30 June 2013, the Group recorded distribution and selling expenses of HK$129,145,000, surging 121% from HK$58,477,000 in 2012, principally due to the notable 1.7 times growth in property sales revenue during the period.

General and Administrative Expenses

During the six months ended 30 June 2013, the Group recorded general and administrative expenses of HK$212,048,000, a decline of 11.8% from HK$240,502,000 in the same period last year, thanks to the Group's ongoing strict cost control measures, which continued to improve management and operational efficiency.

Profit

During the six months ended 30 June 2013, the Group achieved a turnaround in business with profit attributable to shareholders amounted to HK$481,877,000 (six months ended 30 June 2012: loss attributable to shareholders: HK$308,826,000). The turnaround was mainly due to the sharp increase in turnover and a one-off gain from disposal of the U Center project. In the first half of the year, basic and diluted earnings per share were 10.02 HK cents and 10.02 HK cents respectively (six months ended 30 June 2012: basic and diluted loss per share of 6.42 HK cents and 6.42 HK cents respectively).

Dividend

The Board does not recommend distribution of any interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

Cash and Financial Position

As at 30 June 2013, the Group's cash and cash equivalent were reduced to HK$2,444,651,000 (31 December 2012: HK$5,533,970,000). This was because the Group allocated about HK$1,075,000,000 as a deposit of land auction in June and took back that cash amount in July. The net repayments of bank and other borrowings are approximately HK$2,000,000,000 which resulted in a drop in cash level and a rise in net gearing ratio (net debt (total borrowings less cash and cash equivalents and restricted and pledged bank deposits) to total equity) from 50.2% as at the end of last year to 54.2%, which the current ratio increased to 2.1 (31 December 2012: 2.0).

However, the Group recorded satisfactory contract sales during the period under review which generated a strong cash inflow. The Board believes that the Group's liquid assets, funds, and future revenue are sufficient to support the current working capital requirements of the Group.

Human Resources and Remuneration Policies

As at 30 June 2013, the Group had 1,097 employees (at offices in Hong Kong and China). The remuneration for the employees is determined according to the performance, qualification and experience, and competence of the individual. The emolument of the directors of the Company is decided by the Remuneration Committee, having considered the operating results of the Company, 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 Mandatory Provident Fund Schemes. The Group has adopted the Share Option Scheme as an incentive to directors and eligible employees. During the period, training programmes relating to work were provided to employees. Activities aiming at building up team spirit were regularly organized for employees, so as to enhance the human capital of the Group and a sense of belonging of the staff.

LAND BANK

As at 30 June 2013, the Group had a saleable land bank with a G.F.A of about 8,600,000 sq. m., which has been developed into 24 property projects located across 12 cities. The Group will continue to restructure its land bank and improve its efficiency. It plans to leverage the competitive advantage of its parent company in the Yangtze River Delta to actively seek new high quality projects in the region as well as within the prosperous cities in the coastal areas, in particular projects with higher profitability and greater economies of scale, for future development.

OUTLOOK

Looking into the second half of the year, the market generally expects that the growth in GDP in China would further slow down and more time is needed to break through the bottleneck in economic development. Although the property sector is an increasingly important pillar for the Chinese economy, the austerity measures aimed at suppressing speculative activities would not be relaxed anytime soon as the main objective of the central government is "maintaining stability in property prices."

However, liquidity in the market is expected to increase and the demand for housing should remain strong in the second half. The property market in China is expected to maintain overall steady growth and the first-tier cities would remain the important centres and growth drivers of the property market in China. In the long run, property prices would be driven by housing demand along with the implementation of restrictive measures by the central government and the property market in China should achieve a more healthy and steady balanced growth.

The Group remains cautiously optimistic that it can overcome the challenges it faces. It is continuing its efforts to enhance its own competitiveness and leverage the unique advantages of our parent company, SIHL, in the Yangtze River Delta, to actively explore opportunities in the region and developed cities in the coastal areas and investment in projects with high profit margins and high inventory levels. At the same time it will seek opportunities to divest the assets no longer aligned with its long-term strategic objectives.

At the same time, the Group is starting and speeding up construction of new projects, with an aim to increase new project construction to more than 400,000 sq. m. this year. On the other hand, all constructions of piling and foundation works of U Center, in which the Group has concluded the sale of 25% interest, have already been completed. It is expected to launch in 2015. The Group is also considering various alternatives to accelerate unlocking the value of its existing assets. It is also keeping in mind the short- and medium-term interests of shareholders as it seeks to achieve its strategic development goals.

With the Group's business showing substantial improvement as its financial conditions stabilizes, it is also enhancing communication with investors and exploring various financing channels to achieve rapid but stable development.

SHARE CAPITAL

The Company's issued and fully paid share capital as at 30 June 2013 amounted to HK$192,460,927.56, divided into 4,811,523,189 ordinary shares of HK$0.04 each.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period for the six months ended 30 June 2013.

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

During the period for the six months ended 30 June 2013, the Company has complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

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 unpublished price-sensitive 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. Having made specific enquiry of the Company's directors, all the directors confirmed that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2013.

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 period for the six months ended 30 June 2013.

AUDIT COMMITTEE

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

The main responsibilities of the Audit Committee are:

1. to review the accounting principles and practices adopted by the Group;

2. to review the financial reporting process and internal control system of the Group; and

3. to review the independence and objectivity of the external auditors, the scope of audit services and related audit fees payable to the external auditors.

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim financial statements of the Company for the six months ended 30 June 2013.

The Group's external auditors, Messrs. Deloitte Touche Tohmatsu, have reviewed the Company's unaudited condensed consolidated financial statements for the six months ended 30 June 2013 in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", and Hong Kong Accounting Standard 34, "Interim Financial Reporting", both of which were issued by the Hong Kong Institute of Certified Public Accountants.

CHANGES IN INFORMATION OF DIRECTORS

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

(a) Mr. Doo Wai-Hoi, William ("**Mr. Doo**"), an independent non-executive director of the Company, was appointed as a National Committee Member of the 12th Chinese People's Political Consultative Conference in February 2013.

    Mr. Doo was appointed as the vice-chairman and non-executive director of New World Development Company Limited, a company listed on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with Stock Code: 17, with effect from 1 July 2013.

    He resigned as the vice-chairman and a non-executive director of New World China Land Limited, a company listed on the Stock Exchange with Stock Code: 917, with effect from 1 July 2013 and resigned as the deputy chairman and a non-executive director of NWS Holdings Limited, a company listed on the Stock Exchange with Stock Code: 659, with effect from 1 July 2013.

(b) Mr. Fan Ren Da, Anthony, an independent non-executive director of the Company, was appointed as an independent non-executive director, chairmen of nomination committee and remuneration committee and member of audit committee of LT Holdings Limited, a company listed on the Stock Exchange with Stock Code: 112, with effect from 27 March 2013.

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

PUBLICATION OF FURTHER INFORMATION

The interim report of the Company for the six months ended 30 June 2013 containing all the information as required by the Listing Rules, will be despatched to the shareholders of the Company as well as published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.siud.com) in due course.

APPRECIATION

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

By order of the Board
Shanghai Industrial Urban Development Group Limited
Ni Jianda
Chairman

Hong Kong, 26 August 2013

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