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 2014

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 2014 (the "**Period**"), together with the comparative figures for the six months ended 30 June 2013 were as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2014

		Six months ended 30 June	
		2014	2013
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**3,167,095**	2,965,733
Cost of sales		**(2,197,199)**	(2,020,926)
Gross profit		**969,896**	944,807
Other income		**60,304**	41,473
Fair value changes on investment properties		**(65,940)**	(67,849)
Other expenses, gains and losses		**100,758**	(29,379)
Distribution and selling expenses		**(89,536)**	(129,145)
General and administrative expenses		**(196,632)**	(212,048)
Impairment loss in respect of inventories		**–**	(22,363)
Gain on disposal of assets through disposal of subsidiaries		**–**	819,125
Finance costs	*4*	**(356,425)**	(323,180)
Share of losses of associates		**(6,048)**	(3,664)
Profit before taxation		**416,377**	1,017,777
Income tax	*5*	**(399,570)**	(392,613)
Profit for the period	*6*	**16,807**	625,164
Other comprehensive (expense) income			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation into presentation currency		**(422,474)**	93,133
Total comprehensive (expense) income for the period		**(405,667)**	718,297
(Loss) profit for the period attributable to:			
– Owners of the Company		**(148,190)**	481,877
– Non-controlling interests		**164,997**	143,287
		16,807	625,164
Total comprehensive (expense) income attributable to			
– Owners of the Company		**(375,199)**	539,313
– Non-controlling interests		**(30,468)**	178,984
		(405,667)	718,297
(Loss) earnings per share	*7*		
– Basic (HK cents)		**(3.08)**	10.02
– Diluted (HK cents)		**(3.08)**	10.02

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2014

	NOTES	30 June 2014 HK$'000 (unaudited)	31 December 2013 HK$'000 (audited)
Non-current assets			
Investment properties	8	**5,496,877**	5,736,299
Property, plant and equipment	9	**2,108,372**	1,511,007
Prepaid lease payments		**258,067**	92,178
Intangible assets		**63,702**	65,301
Available-for-sale investments		**128,224**	102,633
Interests in associates		**1,601,403**	1,647,749
Interest in a joint venture		**65,718**	65,718
Amount due from an associate		**85,026**	87,160
Restricted and pledged bank deposits		**96,981**	100,800
Deferred tax assets		**189,358**	217,379
		10,093,728	9,626,224
Current assets			
Inventories		**32,904,606**	34,431,317
Trade and other receivables	10	**1,210,047**	2,505,237
Amounts due from related companies		**90,171**	83,612
Amount due from an associate		**87,434**	19,270
Prepaid lease payments		**2,249**	2,709
Prepaid income tax and land appreciation tax		**443,894**	420,467
Financial assets at fair value through profit or loss		**2,743**	2,074
Pledged bank deposits		**343,644**	385,766
Bank balances and cash		**5,649,120**	5,827,825
		40,733,908	43,678,277
Assets classified as held-for-sale	8	**–**	132,458
		40,733,908	43,810,735

	NOTES	30 June 2014 HK$'000 (unaudited)	31 December 2013 HK$'000 (audited)
Current liabilities			
Trade and other payables	*11*	**5,477,902**	6,438,474
Amounts due to related companies		**452,272**	460,737
Consideration payables for acquisition of subsidiaries		**317,383**	325,348
Pre-sale proceeds received on sales of properties		**5,181,963**	6,496,160
Bank and other borrowings	*12*	**4,356,242**	3,858,292
Senior notes		**3,116,874**	3,093,059
Amounts due to associates		**69,370**	94,264
Income tax and land appreciation tax payables		**1,785,367**	1,988,568
Dividend payable		**6,423**	6,423
Dividend payable to non-controlling shareholders		**331,001**	339,309
		21,094,797	23,100,634
Net current assets		**19,639,111**	20,710,101
Total assets less current liabilities		**29,732,839**	30,336,325
Non-current liabilities			
Bank and other borrowings	*12*	**7,509,745**	7,535,109
Deferred tax liabilities		**2,845,484**	3,017,939
		10,355,229	10,553,048
		19,377,610	19,783,277
Capital and reserves			
Share capital		**192,461**	192,461
Reserves		**12,051,310**	12,426,509
Equity attributable to owners of the Company		**12,243,771**	12,618,970
Non-controlling interests		**7,133,839**	7,164,307
		19,377,610	19,783,277

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

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 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, the following new interpretation and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendments)	Investment entities
HKAS 32 (Amendments)	Offsetting financial assets and financial liabilities
HKAS 36 (Amendments)	Recoverable amount disclosures for non-financial assets
HKAS 39 (Amendments)	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) – INT 21	Levies

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

4. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest on:		
Bank and other borrowings wholly repayable within five years	**360,651**	397,291
Bank and other borrowings not wholly repayable within five years	**29,528**	28,604
Senior notes	**174,664**	172,120
Total borrowing costs	**564,843**	598,015
Less: Amount capitalised under properties under development	**(208,418)**	(274,835)
	356,425	323,180

Borrowing costs capitalised during the period arising on the general borrowing pool are calculated by applying a capitalisation rate of 9.1% (six months ended 30 June 2013: 9.1%) per annum to expenditure on qualifying assets.

5. INCOME TAX

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax		
– PRC Land Appreciation Tax ("**LAT**")	**320,496**	280,873
– PRC Enterprise Income Tax	**156,181**	220,597
– Capital gain tax on gain derived from disposal of PRC entity by non-resident companies	**–**	81,913
	476,677	583,383
Deferred tax	**(77,107)**	(190,770)
	399,570	392,613

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

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

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands, the Group is not subject to any income tax in Bermuda and the British Virgin Islands in respect of the six months period ended 30 June 2014 and 2013.

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting) the following items:		
Depreciation of property, plant and equipment	**41,229**	34,600
Bank interest income (included in other income)	**(51,276)**	(19,176)
Net foreign exchange loss (gain)	**78,650**	(6,476)
Compensation to customers in respect of late delivery of properties	**–**	37,083
Compensation from a contractor in respect of late completion of properties	**(134,574)**	–

7. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(Loss) earnings:		
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share		
(Loss) profit for the period attributable to owners of the Company	**(148,190)**	481,877

	Six months ended 30 June	
	2014	2013
Number of shares (in thousands):		
Number of ordinary shares for the purposes of basic and diluted (loss) earnings per share	**4,811,523**	4,811,523

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

8. MOVEMENTS IN INVESTMENT PROPERTIES

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Beginning balance (audited)	**5,736,299**	6,028,842
Subsequent expenditures	**2,515**	–
Fair value change on investment properties	**(65,940)**	(67,849)
Disposals	**(36,248)**	(26,108)
Reclassified as assets classified as held-for-sale	**–**	(19,108)
Exchange realignment	**(139,749)**	29,840
Ending balance (unaudited)	**5,496,877**	5,945,617

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 2014. DTZ Debenham Tie Leung Limited is a member of the Institute of Valuers and has 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 evidences available in the relevant markets and where appropriate, by investment approach by capitalizing the net rental income derived from the existing tenancies with due allowance for the reversionary potential of the properties.

During the period, the Group disposed of certain investment properties for cash proceeds of HK$36,248,000 (six months ended 30 June 2013: HK$26,108,000).

At 31 December 2013, the fair value of the investment properties amounting to HK$132,458,000 reclassified as assets held-for-sale was 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 2013 were disposed of during the period ended 30 June 2014.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred approximately HK$15,619,000 (six months ended 30 June 2013: HK$64,792,000) 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$1,738,000 (six months ended 30 June 2013: HK$61,964,000) for cash proceeds of HK$1,392,000 (six months ended 30 June 2013: HK$61,964,000), resulting in loss on disposal of HK$346,000 (six months ended 30 June 2013: no gain or loss on disposal).

During the period ended 30 June 2014, the management changed the intention of selling the hotel properties included in inventories to carrying out the hotel operation by the Group itself. Accordingly, inventories with carrying amount of approximately HK$665,312,000 and HK$170,732,000 (six months ended 30 June 2013: nil) were transferred to property, plant and equipment as hotel buildings and improvements, and prepaid lease payments respectively. This hotel commenced operation in June 2014.

10. TRADE AND OTHER RECEIVABLES

	30 June 2014 *HK$'000* **(unaudited)**	31 December 2013 *HK$'000* (audited)
Trade receivables	**23,009**	257,714
Other receivables	**421,038**	312,832
Advance payments to contractors	**19,491**	38,355
Amount due from a former subsidiary	**158,028**	186,649
Sales commission deposits	**–**	11,754
Prepaid other taxes	**288,857**	248,555
Deposits and prepayments	**28,318**	269,941
Consideration receivables for disposal of subsidiaries	**–**	172,535
Consideration receivables for disposal of assets through disposal of subsidiaries	**271,306**	1,006,902
	1,210,047	2,505,237

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. Balances at 31 December 2013 mainly included the retention receivables of HK$201,792,000 for affordable housing sold to the Shanghai government department for which a retention period of few months to one year was granted. The balance was fully settled during the current period.

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 2014 *HK$'000* **(unaudited)**	31 December 2013 *HK$'000* (audited)
Within 90 days	**15,140**	130,101
Within 91–180 days	**328**	53,780
Over 180 days	**7,541**	73,833
Total trade receivables	**23,009**	257,714

11. TRADE AND OTHER PAYABLES

	30 June 2014 *HK$'000* **(unaudited)**	31 December 2013 *HK$'000* (audited)
Trade payables	**1,116,588**	892,941
Accrued expenditure on properties under development	**2,555,823**	3,822,551
Amounts due to former shareholders of the Company's former subsidiaries *(note (a))*	**174,287**	178,112
Compensation payables to customers in respect of late delivery of properties	**133,452**	136,801
Deposit received for the disposal of investment properties	**–**	66,249
Receipts from customers for payment of expenses on their behalf	**66,887**	61,537
Interest payable	**247,936**	190,187
Payable to the Shanghai government department *(note (c))*	**318,378**	366,528
Accrued charges and other payables	**836,792**	646,393
Other taxes payables *(note (b))*	**27,759**	77,175
	5,477,902	6,438,474

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.

(c) The amount represents the receipts from the purchasers of affordable housings on behalf of the Shanghai government department, net of receivable from the relevant Shanghai government department arising from the sales of affordable housings.

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 2014 *HK$'000* **(unaudited)**	31 December 2013 *HK$'000* (audited)
Within 30 days	**16,293**	4,707
Within 31–180 days	**358,691**	41,583
Within 181–365 days	**645,564**	671,971
Over 365 days	**96,040**	174,680
	1,116,588	892,941

12. BANK AND OTHER BORROWINGS

During the current interim period, the Group obtained new bank and other borrowings of approximately RMB1,885,900,000 and US$16,000,000, in aggregate equivalent to approximately HK$2,494,439,000 (six months ended 30 June 2013: RMB2,493,400,000, equivalent to approximately HK$3,106,653,000). As at 30 June 2014, the loans carry variable interest ranging from 2.23% to 7.38% (31 December 2013: 1.98% – 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 RMB1,409,848,000 (equivalent to HK$1,773,166,000) (six months ended 30 June 2013: RMB4,090,688,000 (equivalent to HK$5,096,795,000)) during the period.

Included in the amount of bank and other borrowings is a borrowing from SIHL Finance Limited, a wholly owned subsidiary of SIHL, of HK$1,000,000,000 (31 December 2013: HK$1,000,000,000). The amount is unsecured and bearing variable interest at 3-month Hongkong Inter-bank Borrowing Rate ("HIBOR") plus 4.48% per annum and repayable on 30 June 2015 (31 December 2013: fixed interest at 5.85% per annum and repayable on 30 June 2014). Bank and other borrowings also include a borrowing from Shanghai Industrial Investment (Holdings) Company Limited ("SIIC"), ultimate holding company of the Group, of HK$1,249,000,000 (31 December 2013: HK$1,280,410,000) through an entrusted loan agreement administered by banks. The amount is bearing fixed interest at 6.52% (31 December 2013: fixed interest at 6.52%) per annum and is due within one year.

13. CONTINGENT LIABILITIES

Corporate guarantees

	30 June 2014 *HK$'000* **(unaudited)**	31 December 2013 *HK$'000* (audited)
Guarantee given to banks in respect of banking facilities utilised by:		
– property buyers	**2,334,021**	2,435,210
– an entity controlled by Xuhui SASAC	**394,704**	340,589
	2,728,725	2,775,799

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.

As at 30 June 2014, the total amount of loans and credit facilities obtained by the Group in respect of which guarantees were provided by Xuhui SASAC was approximately HK$415,000,000 (31 December 2013: HK$387,000,000).

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 2014. Detailed disclosures will be set out in interim report.

14. EVENT AFTER THE END OF THE INTERIM PERIOD

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

On 6 August 2014, the Company entered into a framework agreement pursuant to which the Company conditionally agreed to dispose of its 40% equity interest in 天津市億嘉合置業有限公司 ("Tianjin Yijiahe"), an associate of the Company, through disposal of the subsidiary for a cash consideration of RMB366,000,000 (equivalent to approximately HK$457,157,000) to an independent third party.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In the first half of 2014, China's economy experienced steady growth thanks to the Central Government's deepening reforms and effective implementation of the economic development model. In the National People's Congress and Chinese People's Political Consultative Conference held in March 2014, the Central Government stated that establishing long-term mechanisms is essential to property market development. The keynote was to adopt different measures in different cities according to the specific conditions locally. For first-tier cities, control measures would focus on expanding supply and suppressing speculative demand; whereas for cities with relatively large property supply would emphasize on regulating the supply mechanisms of land and property. In the Yangtze River Delta and first-tier coastal cities where the Group is actively engaged in, the fundamentals of the market remain solid, with price reduction to stimulate sales being isolated incidents by certain developers or projects. For quality projects whose branding and quality are superior to its peers, such as the Group's Urban Cradle, selling prices have been steadily increasing, which serves to distinguish the developer's strength.

BUSINESS REVIEW

In the first half of 2014, the Group focused on restructuring and optimizing asset portfolio, by seeking quality projects actively in the Yangtze River Delta and major coastal cities, in order to provide impetus for the Group's long-term development. In April 2014, the Group signed an agreement with the Minhang District Government in Shanghai to acquire a land parcel located at Meilong Town, Minhang District for RMB767 million for the development of Phase V of Shanghai Jing City. The project will be developed into small- and medium-sized commodity housing to satisfy the rigid housing demand from targeted consumer segments such as newlyweds and the growing urban population.

Property Development

During the period under review, the Group had a total Gross Floor Area ("**G.F.A.**") of approximately 2,042,000 sq.m. under construction, of which approximately 202,000 sq.m. were new projects. Principal projects included Shanghai Jing City and Xinzhuang Metro Superstructure. The Group had completed construction with G.F.A. of 40,000 sq.m., and delivered a total G.F.A. of 182,000 sq.m., comprising approximately 104,000 sq.m. of commodity housing and approximately 78,000 sq.m. of affordable housing.

Contract Sales

For the six months ended 30 June 2014, the Group recorded a total contract sales of RMB2,520,000,000 (six months ended 30 June 2013: RMB3,340,000,000) from commodity and affordable housing, surpassing half of the full-year contract sales target set at the beginning of the year. Contract sales in terms of G.F.A. were approximately 165,000 sq.m., down 5.2% year-on-year.

During the period, contract sales from commodity housing amounted to RMB1,710,000,000, down 36.7% year-on-year, accounting for 67.9% of the Group's overall contract sales. The year-on-year decrease was a result of the difference in project launch schedules. Since for the key project Urban Cradle, inventories of Phase IV were almost sold out early this year and Phase V was only released in June. In the first half, commodity housing contract sales in terms of G.F.A. were approximately 82,000 sq.m., representing a year-on-year decrease of approximately 38.0%. Average selling price was approximately RMB20,800 per sq.m, up slightly by 1% year-on-year.

Contract sales from affordable housing were RMB810,000,000, up 26.6% year-on-year, accounting for 32.1% of the Group's overall contract sales. Contract sales in terms of G.F.A. were approximately 83,000 sq.m., representing a year-on-year increase of approximately 95.3%.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2014, the Group's revenue rose by 6.8% to HK$3,167,095,000 (six months ended 30 June 2013: HK$2,965,733,000), which mainly reflected the Group's efforts to accelerate project construction progress and delivery of property. During the review period, property sales were the Group's main source of revenue. The Group has delivered properties with a total G.F.A. of 182,000 sq.m., down from 236,000 sq.m. in the same period a year earlier, and recorded a property sales of HK$2,949,358,000 (six months ended 30 June 2013: HK$2,771,250,000), representing 93.1% of total revenue. The largest contribution was from Urban Cradle, accounting for 42.7% of total property sales, followed by Shanghai Jing City, at 28.9%.

Revenues from leasing, property management and services, and hotel operations also provided stable revenue sources for the Group, contributing HK$139,486,000, HK$36,629,000, and HK$41,622,000 and accounting for 4.4%, 1.2%, and 1.3% of total revenue respectively (six months ended 30 June 2013: 4.0%, 1.2%, and 1.4% respectively).

Gross Profit and Gross Profit Margin

During the period under review, gross profit was HK$969,896,000, up 2.7% year-on-year, largely due to increase of revenue. Gross profit margin was approximately 30.6%, similar to that of the last corresponding period.

Investment Property Revaluation

For the six months ended 30 June 2014, the Group recorded a net loss on revaluation of investment properties of HK$65,940,000, mainly from the Laochengxiang project in Tianjin.

Distribution and Selling Expenses

For the six months ended 30 June 2014, the Group recorded distribution and selling expenses of approximately HK$89,536,000, decreasing by 30.7% from HK$129,145,000 in the first half of 2013. The decrease of relevant distribution and selling expenses were commensurate with fewer property projects launched for sales during the period.

General and Administrative Expenses

During the six months ended 30 June 2014, the Group recorded general and administrative expenses of approximately HK$196,632,000, a decline of 7.3% year-on-year, thanks to the Group's ongoing strict cost control measures.

Profit

During the six months ended 30 June 2014, the Group's after-tax profit amounted to HK$16,807,000 (six months ended 30 June 2013: HK$625,164,000). In the first half of 2014, the Group recorded a loss attributable to owners of the Company of HK$148,190,000 (six months ended 30 June 2013: profit attributable to owners of the Company of HK$481,877,000). The results were mainly due to the one-off gain from the disposal of the U Center project in the same period last year, which increased the year-on-year base for comparison. Excluding the one-off gain from the disposal, loss attributable to owners of the Company during the period under review would have recorded a year-on-year decrease of approximately HK$107,146,000. In the first half of the year, both basic and diluted loss per share were 3.08 HK cents (six months ended 30 June 2013: both basic and diluted earnings per share were 10.02 HK cents).

Cash and Financial Position

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

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

As at 30 June 2014, the Group's cash and cash equivalents were HK$6,089,745,000 (31 December 2013: HK$6,314,391,000). The addition to net proceed of bank and other borrowings was approximately HK$721,273,000. This caused the net gearing ratio (net debt (total borrowings less cash and cash equivalents and restricted and pledged bank deposits) to total equity) to rise from 41.3% as at the end of last year to 45.9% and current ratio to increase to 1.9 (31 December 2013: 1.9).

As at 30 June 2014, the total borrowings of the Group, including bank borrowings, other borrowings and senior notes, amounted to approximately HK$14,982,861,000 (31 December 2013: HK$14,486,460,000).

The Group had a total of 4,811,523,189 shares in issue as at 30 June 2014. Due to losses recorded in the first half, the equity attributable to owners of the Company amounted to HK$12,243,771,000 as at 30 June 2014.

Human Resources and Remuneration Policies

As at 30 June 2014, the Group employed 1,180 employees (including offices in Hong Kong and the People's Republic of China). The remuneration policies for the employees of the Group are determined according to the performance, qualification, experience and competence of the employee. The emolument of the directors of the Company (the "**Directors**") is determined by the Remuneration Committee, having regard to the operating results of the Company, individual performance and comparable market statistics. Discretionary bonus payments available to the Group's employees are linked to the profitability of the Group and individual performances.

The Group had adopted a share option scheme as an incentive to Directors and eligible employees. During the six months ended 30 June 2014, the Group provided work-related training programs to employees. Activities aiming at building up team spirit were regularly organized for employees, so as to enhance the human capital of the Group and the sense of belonging of the staff.

LAND BANK

As at 30 June 2014, the Group had a saleable land bank with a G.F.A. of approximately 7,533,000 sq.m., which has been developed into 23 property projects located across 12 cities. As its strategic direction, the Group will continue to actively seek new high quality projects in the Yangtze River Delta and prosperous cities in the coastal areas, restructure its land bank, and allocate resources into projects with higher profitability.

OUTLOOK

In 2014, the Central Government actively pursues its annual economic growth target of 7.5%. The People's Bank of China continued to relax the monetary policies by mini-stimulus had made a significant impact on the economic growth. Market forecasts a continuation in relaxing monetary policies in the second half of 2014, which could become a norm during the period of economic restructuring in the next few years. As property development is an important pillar for economic growth, it is anticipated that the Central Government's regulatory policies would stay stable in general under the principle of implementing different measures for different cities. The market supply-demand imbalance would be resolved through adjustments by the market itself and prices would be driven by consumption demand mainly from first-time home buyers and existing homeowners seeking to upgrade.

More importantly in financial liquidity, the Central Government has implemented various policies to stabilize home-buying demand. Banks started to lessen mortgage rates for homes. At the end of July 2014, the big four state-owned banks have lowered the mortgage rates for first-time home buyers in the Shanghai region. This indicated state-owned banks' support in the mortgage types encouraged by government policies, with the hope that the increased availability of mortgages will further stimulate and release the rigid housing demand. Overall, the Central Government is expected to implement a holistic property control program to ensure sound and stable development of the property market.

In the second half of 2014, the Group will seize opportunities and focus on developing business in the more affluent cities in the Yangtze River Delta and along the coastline, pursuing innovative property development model. It will strive to obtain quality land resources riding on opportunities presented by equity reforms of state-owned enterprises, land development and enhancement, and also through ways, such as mergers and acquisitions, renovation of old towns, and upgrade of land use by local governments. Efforts will be made to unleash the potential value of land. The aforementioned plus the Group's unique competitive advantage in the Yangtze River Delta and its flexible approach in embarking on projects other than its own, like in collaboration with other developers or strategic partners, or capitalizing on assets and pursuing projects at suitable time, will enable the Group to maximize its asset value, and at the same time also to accelerate cash inflows hence free it from the funding restraints commonly faced by its industry peers. This unique developmental strategy and competitive advantage have continually driven the Group's progressive development. In the past, the Group has effectively accumulated cost-efficient, high-quality land reserves, with successful cases such as obtaining U Center in Shanghai and the land parcel for Phase V of Shanghai Jing City in Minhang District, Shanghai, and swapping a piece of land parcel of the Xujiahui Centre project for four excellent parcels of land located in Binjiang, Xuhui District. These examples demonstrate the Group's innovative property development model and its execution capacity. Moreover, eyeing the Shanghai Free Trade Zone officially approved in the third quarter of 2013 by the State Council, which would surely drive the capital market liberalization and international development in Shanghai and the consequent rise in commercial activities in the district and the city of Shanghai, thus spur the demand for commercial property and office space. The Group possesses a multitude of excellent land parcels for commercial and office use in Shanghai and is poised for this market opportunity.

During the review period, the Group will continue restructuring land reserves and optimizing asset portfolio by actively seeking projects with high profit margins and capacity to generate significant economic benefits in the Yangtze River Delta or cities along the coastline, while divesting assets no longer aligned with the Group's long-term strategies. On 6 August 2014, the Group entered into a framework agreement with Bosera Asset Management Co., Limited, disposing a subsidiary owning 40% equity of the Tianjin Beichen project for RMB366,000,000. Upon the completion, it is expected that the Group will record an income before taxation of RMB109,179,000 and will receive approximately RMB434,070,000 cash inflow (including a repayment of shareholder's loan by the Beichen project company). The proceeds will be reinvested into projects with greater profitability or used as working capital.

Meanwhile, the Group will accelerate the construction of new projects. In June 2014, construction began for the Xinzhuang Metro Superstructure, which is a project with enormous potential as a commercial complex located at a subway intersection. The Xuhui Binjiang project and the Phase V of Shanghai Jing City are both expected to begin construction at the end of this year or the beginning of next year. In terms of property sales in the second half of 2014, the emphasis would be on the large-sized deluxe fitted-out mansions in Phase V of Urban Cradle in Shanghai, CBE International Peninsula in Xi'an, Top City in Chongqing and the like.

Regarding capital liquidity, the US$400,000,000 senior notes from the former Neo-China Land was due in July 2014 for repayment. After assessing the cost-effectiveness of several financing sources, the Group has formulated a refinancing plan at a relatively lower cost. On 10 July 2014, the Group entered into a facilities agreement with certain banks for dual currency term loan facilities of HK$1,826,000,000 and US$65,000,000 for a term of 36 months. Furthermore, in July 2014, the Group also obtained a US$300,000,000 loan from the controlling shareholder Shanghai Industrial Holdings Limited. The costs of these two financing arrangements, are much lower than that of the previous US$400,000,000 senior note, which would be beneficial to the Group for future development.

In the second half of 2014, the Group is committed to executing strategic development plans and implementing projects progressively to secure fruitful returns for our shareholders.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2014 (for the six months ended 30 June 2013: Nil).

SHARE CAPITAL

The Company's issued and fully paid share capital as at 30 June 2014 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 six months ended 30 June 2014.

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 of the Company.

CORPORATE GOVERNANCE

During the six months ended 30 June 2014, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

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. Having made specific enquiry of the 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 2014.

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 2014.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") currently consists of four independent non-executive Directors, namely Mr. Li Ka Fai, David (as chairman), Mr. Doo Wai-Hoi, William, Dr. Wong Ying Ho, Kennedy and Mr. Fan Ren Da, Anthony.

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 controls system of the Group; and

3. to review 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 2014, 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 Company and discussed with the management and the auditor of the Company on the accounting principles and practices adopted by the Group, 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 2014 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 are set out as follows:

(a) Dr. Wong Ying Ho, Kennedy, an independent non-executive director of the Company, was appointed as an independent non-executive director, a member of each of the audit committee and nomination committee of Times Property Holdings Limited, a company listed on the Stock Exchange with stock code of 1233, with effect from 21 March 2014.

(b) Mr. Fan Ren Da, Anthony, an independent non-executive director of the Company, was appointed as an independent non-executive director of Neo-Neon Holdings Limited, a company listed on the Stock Exchange with stock code of 1868, with effect from 25 August 2014.

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

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

This results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.siud.com). The interim report of the Company for the six months ended 30 June 2014 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company as well as published on the above websites in due course.

APPRECIATION

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

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

Hong Kong, 26 August 2014

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.