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 REPORT 2019

MOVING FORWARD THROUGH URBAN WISDOM

SHANGHAI-STYLE
Premium Residence for a Quality Lifestyle

Shanghai Industrial Urban Development Group Limited ("SIUD") currently has 25 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 3.78 million square meters saleable floor areas and building a marvelous foundation for our long term development.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Zeng Ming *(Chairman)*
Zhou Xiong *(Vice Chairman and President)*
Lou Jun
Fei Zuoxiang
Ye Weiqi
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
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)*
Doo Wai-Hoi, William, *J.P.*
Fan Ren Da, Anthony

Investment Appraisal Committee

Fan Ren Da, Anthony *(Committee Chairman)*
Zhou Xiong
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 54, Hopewell Centre,
183 Queen's Road East,
Hong Kong.

REGISTERED OFFICE

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Hamilton, HM11,
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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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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
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)

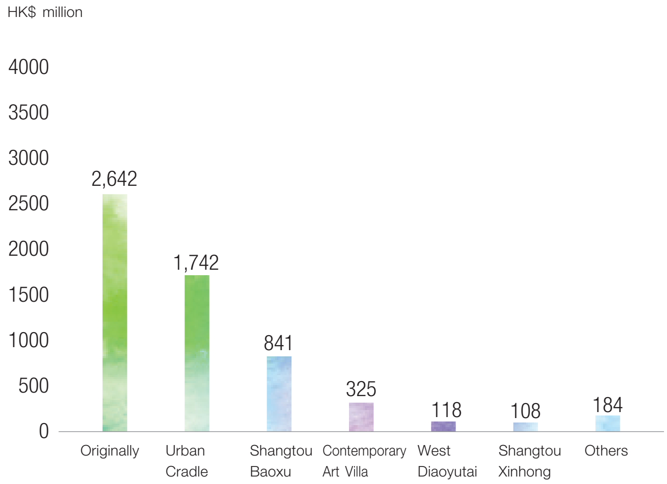
FINANCIAL HIGHLIGHTS

	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Financial Highlights (HK$'000)		
Revenue	**4,603,326**	3,838,773
Profit attributable to equity owners of the Company	**310,678**	254,473
Financial Information per share (HK cent)		
Earnings per share		
— Basic	**6.46**	5.29
— Diluted	**6.46**	5.29

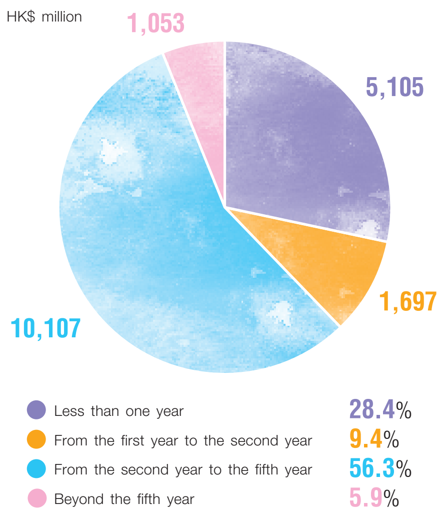
	As at 30 June 2019	As at 31 December 2018
Pre-sale proceeds received on sales of properties (HK$'000)	**5,959,903**	6,537,268
Financial Ratios		
Net debt to total equity (%)	**30.6%**	26.4%
Current ratio	**2.2**	2.3

Note: Net debt = total borrowings (including bank borrowings, other borrowings and bonds) less cash and cash equivalents and pledged bank deposits.

ANALYSIS ON PRE-SALE PROCEEDS RECEIVED ON SALES OF PROPERTIES



DEBT MATURITY PROFILE



CHAIRMAN'S STATEMENT

In the first half of 2019, as the growth in global economy and trading slackened, China's economic development pattern further transformed. Driven by the acceleration in the release of domestic demand, the national economy demonstrated slow yet steady growth. The macro control policies imposed on China's property market remained stringent. The principle that "houses are built to be inhabited, not for speculation" continued to prevail from the central government to the local authorities, and from demand management to supply management. The implementation of the "City-based Policy" and "One Policy for One City" ensured the steady and sound operation of the market. The development of regional markets further polarised as first- and second-tier key cities saw a significant rebound due to the release of demand for medium to high end living environment improvement. In face of internal and external changes, SIUD remained focused on quality and values. The Group achieved steady progress in its overall operating performance, and persisted in pursuing sustainable and high-quality development for its long-term growth. During the period under review, the Group posted an overall revenue of HK$4.603 billion and contract sales of RMB3.414 billion. The Group realised after tax profit of HK$765 million. The profit attributable to owners of the Company was HK$311 million.

Looking back to the first half of 2019, faced with the complexities in the external political, economic and trading environments, the pressure of deleveraging coupled with the cyclical decline in demands, and the Sino-US trade tensions, the Chinese government tightened its macro control policies. As a result, China's economy performed steadily on the whole and the gross domestic product of China expanded 6.3% year-on-year at comparable prices to RMB45,093.3 billion in the first half of 2019. During the period, the control measures on the property market shifted from steady to rigorous. Aiming at stabilising land premium, property prices and market expectations, the central government continued to emphasise supply-side reform, with several departments focusing on long-term risk aversion and the local authorities targeting short-term stability. The government adopted a multi-pronged approach to reform and improve the residential property market and affordable housing system by implementing a long-term control mechanism with municipal governments as the main responsible bodies. Meanwhile, the increase in supply and core urban planning continued to benefit the first-tier and popular second-tier cities. There was still a potentially large market for living environment improvement from residents in second- and third-tier cities, and the high-quality medium to high end residential housing still demonstrated remarkable market competitiveness. With a mission to cater for the demand for high-quality living and commercial development of mainstream urban dwellers, SIUD continued to promote the integration of industry and finance and diversify its operations. SIUD realised the mutual development of residential and commercial properties by emphasising the investment and operation of commercial assets with residential housing as the main foundation.

As an operator in urban core regions always upholding the Chinese values, SIUD deployed its operations nationwide with a sound foothold in Shanghai. SIUD kept transforming the urban living style and facilitating comprehensive urban development. During the period, the Group made constant effort to enhance the creativity and brand value of its residential products, upgraded and explored its product portfolio in response to customers' needs, and stepped up in market sales at opportune times. Flagship projects, including Urban Cradle and TODTOWN in Shanghai, Originally in Xi'an, Contemporary Art Villa in Shanghai and Shenyang • U Center, remained as the Group's main contributors of sales revenue. The transaction volume and prices of several flagship projects of the Group continued to top the respective regional markets. The contemporary projects of the Group sold very well. In particular, Contemporary Art Villa, a long-awaited unique urban pure villa community project, was launched to the market and attracted much attention. As a classic project under the high-end "Jade" series and a rarely-found "urban villa" project in Shanghai, "Jade Villa" rolled out several standalone villas and townhouses at the beginning of 2019. Situated at a busy yet convenient location, this project promoted the idea of "enjoying greenery hidden in the hustle and bustle of city life" and redefined the concept of perfect urban lifestyle by offering a natural and ecological living environment. In June, "悦麓", Tower 2 of the residential portions of TODTOWN, was sold out on the same day on which it was put on sale. The new products launched under Originally in Xi'an were again swiftly sold out soon after being launched. Moreover, the diversified product lines of the Group in Shanghai, Tianjin, Xi'an and Shenyang were well prepared and carefully deployed. These long-awaited pending projects are set to be the new profit growth drivers of SIUD.

During the period, the total revenue from SIUD's commercial assets grew 9.2% year-on-year. The operational capability of SIUD's commercial brands continued to strengthen and several commercial complexes were successfully opened. The commercial projects in popular urban prime sites in Shanghai, Beijing and Chongqing were under further development and continuous upgrading. The hotel and long-term apartment leasing sector performed well; the business solicitation and operation of the commercial and office sector progressed robustly; and the study on the residential leasing operational model continued to deepen. Driven by reformation and innovation, SIUD achieved solid development in its diversified operations and realised continuous growth in its commercial asset efficiency despite the ever-increasing market pressure. During the period, Hyatt Centric, an international fashionable and symbolic brand under Hyatt, was first introduced to Shanghai to land in the representative transit-oriented development (TOD) project in the city — TODTOWN. Such addition will help to create a brand new landmark urban complex in Shanghai. In addition, 萬源城開中心, a project began in 2019 integrating the functions of a park, wetland, offices, commerce and hotel, will bring new growth momentum to the 17-year-old Urban Cradle project. This project also represents a significant step forward in transforming a big living city into a modernised urban complex. At present, the growing sophistication of the "Ucenter series", "Uplaza+ series" and "Urban renewal series" product lines has further refined the commercial asset portfolio of the Group. As at 30 June 2019, the total operational area of commercial projects completed by the Group in five major cities in China was approximately 640,000 sq.m.. More than 1 million sq.m. of commercial area is expected to be completed in the next three to five years.

With a strong foothold in Shanghai, SIUD continued to seek nationwide expansion with a focus on core districts in core cities. SIUD strictly followed the value investing principles and tried to explore premium land resources by taking into account all related factors. The Group persisted in adopting a multi-pronged approach to refine its land bank and acquire premium land resources in Shanghai and other key cities through participation in bidding, auction and listing-for-sale, equity acquisition, urban renewal and redevelopment. As at 30 June 2019, SIUD owned 25 property projects in ten first- and second-tier cities, including Shanghai, Beijing, Tianjin, Chongqing, Xi'an and Changsha, offering a saleable G.F.A. of approximately 3.78 million sq.m. to the Group, thereby laying a solid foundation for the future development of SIUD.

Many a mickle makes a muckle. 2019 is the year of building on past achievements while preparing for reformation for the Group. By adhering to its strategies, SIUD will actively seek different external opportunities and stick to its diversified development strategy by following the development trend of the industry. The Group will fully realise its asset value and leverage on its strength in financing channels and cost advantages to explore the possibility of restructuring by making use of the integration of finance and industry. The Group will also expand its operations and enhance brand building, with a view to establishing a new milestone in the operation and development of the Group. During the period, by virtue of its rich development experience, sound development model and professional operation and management, SIUD received several awards from the China Real Estate Association, Shanghai Yiju Real Estate Research Institute and China Real Estate Appraisal Center, including the "Fourth Place among 2019 China's Top 10 Property Developers with Sound Operations", "2019 China's Top 100 Listed Real Estate Company Rankings by Comprehensive Strength" and "2019 China's Top 5 Listed Real Estate Company Rankings by Risk Control". These awards represented a recognition from the industry and market of SIUD's effort in creating premium products for cities and providing a high-quality living environment for its customers over the years. Looking ahead to the second half of 2019, SIUD will remain focused on building up its brand value and persist in the direction of "broad vision, structural optimisation, concerted efforts and dedicated hard work" to drive future development by diversifying its operational models on the basis of sound operation. SIUD is committed to becoming the most valuable urban property operator in China, achieving solid and sustainable high-quality growth and bringing the best returns for the shareholders.

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 contribution and dedication in the past year.

Zeng Ming
Chairman

28 August 2019

Note:

The gross domestic product and growth rate data of China for the first half of 2019 is gathered from the information published by the National Bureau of Statistics on 16 July 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY MARKET REVIEW

In the first half of 2019, after the short-lived boom in March and April, China's property market entered a relative stable development stage and the overall transaction prices remained steady. In terms of transaction volume, the transaction scale expanded significantly in first-tier cities as opposed to the obvious drop in third- and fourth-tier cities. The central government reiterated the principle that "houses are built to be inhabited, not for speculation" and further proposed the idea of "not resorting to real estates as a short-term economic stimulus measure". In the second half of 2019, it is believed that the trends of scale adjustment and generally stable pricing will remain prevalent in the property market and housing prices will generally remain steady. On the other hand, given the continuous tightening of the financing environment for property developers, the finance costs are on the rise. This will help property developers with sufficient cash flows and low gearing ratios to keep up their robust development under the extremely challenging market environment.

BUSINESS REVIEW

Overview

In the first half of 2019, the outstanding sales performance of flagship projects, including Urban Cradle in Shanghai, Shenyang • U Center and Contemporary Art Villa in Shanghai, was the Group's main contributor of revenue and continued to bring in loads of stable profits for SIUD. During the period, the Group paid continuous effort to develop its investment property operation and refine the investment and operation of commercial assets in core urban areas. Marking its first landing in Shanghai, the Hyatt Centric brand under the Hyatt Corporation will be introduced to TODTOWN, which is currently under construction. With this addition, TODTOWN is set to become a brand new landmark urban complex in Shanghai. SIUD will keep capitalizing on its core development projects and strategic advantages in first- and second-tier cities while monitoring the global trends to explore the cross-border cooperation and development of the real estate and financial industries. Through smart planning at home and abroad and an expansion of financing channels, SIUD will also continuously renew its asset growth model.

Contract Sales

During the six months ended 30 June 2019, the contract sales from commodity housing of the Group increased 50.1% year-on-year to RMB3,414,670,000 (six months ended 30 June 2018: RMB2,275,250,000), representing 55.7% of the sales target of RMB6.13 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 99,000 sq.m. during the period, down 10% year-on-year. The average selling price rose 66.7% to approximately RMB34,500 per sq.m. During the period, the Group took advantage of the market window and quickened its pace in sales launches. Key projects such as Urban Cradle, Contemporary Art Villa in Shanghai and Originally in Xi'an performed well in sales and became impressive principal sources of revenue of the Group, which delivered sales of RMB1,373,930,000, RMB984,390,000 and RMB837,090,000 respectively, accounting for approximately 40.2%, 28.8% and 24.5% of the total contract sales respectively.

Property Development

During the six months ended 30 June 2019, the Group had 13 projects with a total G.F.A. of 3,124,000 sq.m. under construction, which primarily included TODTOWN, Binjiang U Center, Originally in Xi'an, Shangtou Xinhong in Shanghai and Shangtou Baoxu in Shanghai. The newly started projects of the Group were mainly Shanghai Shenzhicheng, Chenghang Project, TODTOWN Phase III and Originally in Xi'an, with a G.F.A. of approximately 821,000 sq.m. The Group delivered a total G.F.A of 110,000 sq.m., which mainly came from Urban Cradle in Shanghai, Shenyang • U Center and Contemporary Art Villa.

In June, "悦麓", Tower 2 of the residential portions of TODTOWN, a symbolic metro superstructure associate project, sold so well that it was sold out on the same day on which it was put on sale. The project enhanced the transportation capability of the region and brought about several advantages, including huge customer flows, property appreciation and acceleration in regional development. By virtue of a diversified high-quality new housing inventory, SIUD is confident in attracting more new homebuyers and reaching another height in sales performance.

The West Diaoyutai Phase III project in Beijing obtained the pre-sale permit in mid-June this year, and its pre-sale price hit a record high for pre-sale properties in Beijing since 2016. The Group also actively coordinated with the government for the Contemporary Splendour Villa project in Shanghai. The Group will time the launch of the project in order to obtain good pre-sale prices for the project.

Investment Properties

As at 30 June 2019, the Group had several completed commercial projects in major developed cities, including Shanghai, Beijing, Tianjin, Chongqing and Xi'an. The investment projects held by the Group had a total G.F.A. of approximately 642,000 sq.m. and the Group will complete commercial properties of more than 1 million sq.m. in the next three to five years. During the period, the overall rental income of the Group increased 9.2% year-on-year to HK$376,670,000 (as at 30 June 2018: HK$345,064,000), mainly attributable to the rise in the overall letting rate and average unit rental of its projects.

The business solicitation and operation of the commercial and office sector progressed robustly. The commercial asset efficiency of the Group went up steadily. The continuous effort of encouraging early contract renewal for major customers of ShanghaiMart reaped significant results. Shenyang • U Center, which grandly opened in July 2019, has achieved a lease contract signing rate of 100% for its above-ground commercial area. As for Originally in Xi'an, the contracted leased commercial area was 22,000 sq.m. with a contract signing rate of 96%.

Under the policy of dual focus on leasing and sale, the Group continued to perfect its residential leasing operation by furthering the study on topics including the construction, centralized purchasing and operational model of the operation, and establishing a collaborative mechanism for the commercial management, cost and design departments, with a view to gradually enhancing its asset efficiency.

Besides, in May this year, TODTOWN successfully entered into cooperation with Hyatt Corporation, pursuant to which Hyatt Centric, an international new lifestyle hotel brand under Hyatt Corporation, will be first introduced to Shanghai to land in TODTOWN. Hence, TODTOWN will become a brand new landmark urban complex in Shanghai, and is expected to bring in much more impressive revenue for the Group, further develop more diversified strategic cooperation initiatives and expand its commercial property portfolio.

FINANCIAL REVIEW

Revenue

During the six months ended 30 June 2019, the Group's revenue increased by 19.9% year-on-year to HK$4,603,326,000 (six months ended 30 June 2018: HK$3,838,773,000), primarily due to the increase in revenue carry-over as the Group's Shanghai projects delivered more residential housings during the period. During the period, property sales remained as the Group's main source of revenue and amounted to HK$4,085,037,000 (six months ended 30 June 2018: HK$3,349,779,000), accounting for 88.7% (six months ended 30 June 2018: 87.3%) of the Group's total revenue. The revenue contribution from Urban Cradle in Shanghai, Shenyang • U Center and Contemporary Art Villa accounted for 71.0%, 13.6% and 12.4% (six months ended 30 June 2018: 69.9%, 20.4% and 4.4%) 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$376,670,000, HK$3,377,000 and HK$138,242,000 (six months ended 30 June 2018: HK$345,064,000, HK$9,307,000 and HK$134,623,000) respectively and accounting for 8.2%, 0.1% and 3.0% (six months ended 30 June 2018: 9.0%, 0.2% and 3.5%) of the total revenue, respectively.

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2019, the Group's gross profit amounted to HK$1,961,763,000, down by 7.0% as compared to that of the same period in 2018. Gross profit margin was 42.6%, down by 12.3 percentage points as compared to that of the same period last year. This was mainly because lower gross profit projects were accounted for by some of the projects delivered by the Group during the period.

Investment Property Revaluation

For the six months ended 30 June 2019, the Group recorded a net gain on revaluation of investment properties of approximately HK$201,921,000, which was mainly attributable to ShanghaiMart.

Distribution and Selling Expenses

For the six months ended 30 June 2019, the Group's distribution and selling expenses decreased by 28.4% year-on-year to HK$138,506,000 (six months ended 30 June 2018: HK$193,316,000), which was mainly attributable to the decrease in marketing and promotion expenses of new projects during the period.

General and Administrative Expenses

For the six months ended 30 June 2019, the Group's general and administrative expenses decreased by 23.2% year-on-year to HK$166,938,000 (six months ended 30 June 2018: HK$217,289,000), which was mainly attributable to the decrease in preliminary expenses of new projects and the continuous efforts in stringent implementation of cost control measures which proved to be effective during the period.

Other Expenses, Gains and Losses, Net

For the six months ended 30 June 2019, the Group recorded a net gain of approximately HK$2,218,000 in other expenses, gains and losses (six months ended 30 June 2018: net gain of HK$3,503,000), which was mainly due to the change in exchange rates of Renminbi during the period.

Profit

During the six months ended 30 June 2019, the Group's profit increased year-on-year by 21.8% to HK$765,162,000 (six months ended 30 June 2018: HK$628,335,000). During the first half of the year, profit attributable to owners of the Company was approximately HK$310,678,000 (six months ended 30 June 2018: HK$254,473,000), up 22.1% year-on-year, the basic and diluted earnings per share amounted to 6.46 HK cents (six months ended 30 June 2018: earnings per share of 5.29 HK cents).

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 2019, bank balances and cash of the Group were HK$9,950,728,000 (31 December 2018: HK$9,127,828,000). 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 26.4% as at the end of last year to 30.6% as at the period end. Current ratio dropped slightly to 2.2 times (31 December 2018: 2.3 times).

As at 30 June 2019, the total borrowings of the Group including bank borrowings, other borrowings and advanced bonds amounted to approximately HK$17,961,751,000 (31 December 2018: HK$15,395,520,000).

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

Foreign Exchange Risks

During the period, most of the Group's revenue and operating costs were denominated in Renminbi. Except for the bank deposits denominated in foreign currencies, the Group's operating cash flow or liquidity is not directly subject to any other material exchange rate fluctuations. The Group did not enter into any foreign exchange hedging arrangements to control its exposure to exchange rate fluctuations as at 30 June 2019. 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 2019, the Group employed 777 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 2019, 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

During the six months ended 30 June 2019, the Group's land bank was developed into 25 highly competitive property projects with great development potential located in 10 major cities in 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 under development or already developed. The Group has a land bank with a future saleable planned G.F.A. of approximately 3,775,400 sq.m., which will provide strong support for its development pipeline for the next three to five years.

OUTLOOK

In the second half of 2019, as the principle that "houses are built to be inhabited, not for speculation" takes root in the society, the property policies will shift further from "nationwide strict control" to a "City-based Policy". Such control measures will extend vertically and horizontally from housing prices to land, purchase restrictions and finance. The level of transactions will begin to polarize across different cities. The "One Policy for One City" approach in each area will be beneficial to the continuous steady and orderly development of China's property market.

Looking ahead, by maintaining its market strengths at a steady pace and striving to create a sophisticated lifestyle with its craftsmanship, the Group will dedicate its efforts to the development of medium to high end residential properties so as to take the lead in urban living quality. Meanwhile, by monitoring the development trends, the Group will be committed to the investment and operation of commercial assets in core urban areas. Apart from the key projects in Shanghai, the Group will also place its emphasis on the development of new first-tier cities. Originally in Xi'an and Shenyang • U Center, in particular, will continue to bring revenue growth for the Group. By taking advantage of its years of development experience and its diversified product strategy adopted in recent years, SIUD hopes to create greater value and returns for the shareholders.

DETAILS OF PROPERTIES

The Group has 25 projects in 10 cities, comprising mid- to high-end residential units, serviced apartments, commercial and office buildings. As at 30 June 2019, the total GFA of the future saleable land bank of the Group was approximately 3.78 million sq.m.

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

As at 30 June 2019

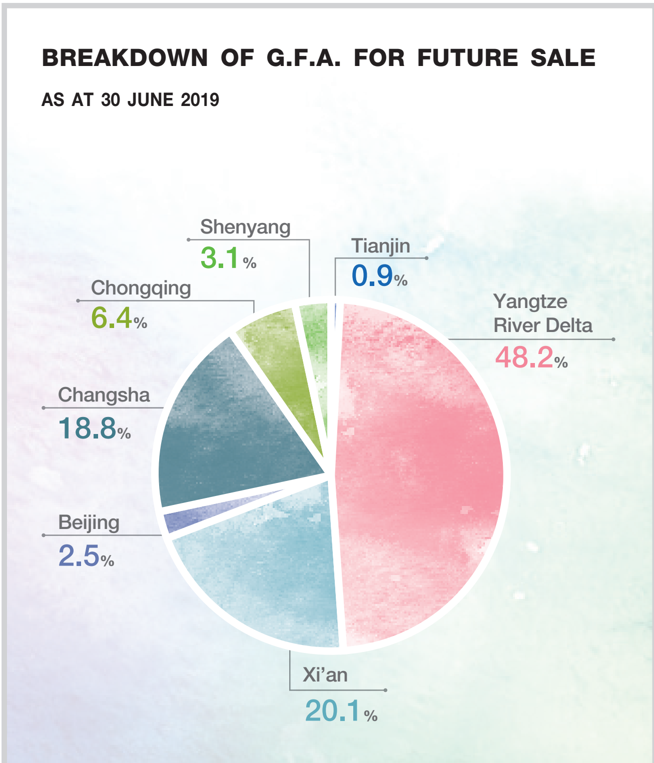
Project	City	Site area (sq.m.)	Planned G.F.A. (sq.m.)	Saleable G.F.A. (sq.m.)	1H2019 pre-sold G.F.A. (sq.m.)	Accumulated G.F.A. sold (sq.m.)	Future saleable G.F.A. (sq.m.)	Saleable G.F.A. under construction (sq.m.)	Saleable G.F.A. for future development (sq.m.)	Expected Completion Date	Ownership (%)
Urban Cradle	Shanghai	943,000	1,226,298	909,054	15,828	811,368	97,686	86,330	–	Complete by phase from 2007 to 2022	53.1%
Binjiang U Center	Shanghai	77,371	525,888	324,600	–	–	324,600	324,600	–	Complete 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	–	560,409	49,079	38,118	–	Complete by phase from 2012 to 2019	59.0%
TODTOWN	Shanghai	117,825	605,000	385,300	18,546	56,205	329,095	277,396	107,904	Complete by phase from 2018 to 2022	20.7%
Contemporary Art Villa (Jade Villa)	Shanghai	116,308	83,622	83,622	9,862	50,405	33,217	–	6,060	Complete by phase from 2018 to 2022	100.0%
Contemporary Splendour Villa	Shanghai	120,512	191,636	68,404	–	–	68,404	68,404	–	Complete by phase from 2018 to 2022	100.0%
Shangtou Xinhong	Shanghai	69,495	212,347	145,719	–	–	145,719	145,657	–	Complete by 2021	90.0%
Shangtou Baoxu	Shanghai	118,880	306,167	230,142	–	–	230,142	227,340	7,641	Complete by phase from 2019 to 2020	100.0%
Chenghang Project	Shanghai	20,572	60,964	60,964	–	–	60,964	60,964	–	Complete by 2021	80.0%
Jinxiang Project	Shanghai	17,161	48,050	48,050	–	–	48,050	–	48,050	Complete by 2022	59.0%
Shenzhicheng Project	Shanghai	47,435	128,075	128,075	–	–	128,075	–	128,075	Complete by 2022	29.5%
Chenglong Project	Shanghai	47,383	118,458	118,458	–	–	118,458	–	118,458	Complete by 2023	59.0%
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	–	–	Complete by phase from 2007 to 2021	100.0%
West Diaoyutai	Beijing	42,541	250,930	230,801	986	173,055	57,746	48,383	–	Complete by phase from 2007 to 2021	90.0%
Laochengxiang	Tianjin	244,252	752,883	613,357	–	578,266	35,091	–	–	Completed	100.0%
Yoooou.net	Kunshan	34,223	129,498	112,812	–	63,133	49,679	–	–	Completed	30.7%
Royal Villa	Kunshan	205,017	267,701	222,666	–	215,912	6,754	–	–	Completed	53.1%
Urban Development Int'l 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	54,377	2,442,655	759,669	260,585	381,520	Complete by phase from 2008 to 2022	71.5%
Shenyang • U Center	Shenyang	22,651	228,768	176,315	7,273	57,797	118,518	–	–	Completed	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	494	306,140	710,625	–	704,553	Complete 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%
Total		**5,775,357**	**13,011,989**	**10,440,703**	**107,366**	**6,665,303**	**3,775,400**	**1,537,777**	**1,502,261**		

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]
ShanghaiMart[2]	Shanghai	Exhibition, transaction market, office building and parking lot	Medium-term lease	284,651
Urban Development Int'l 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				**641,990**

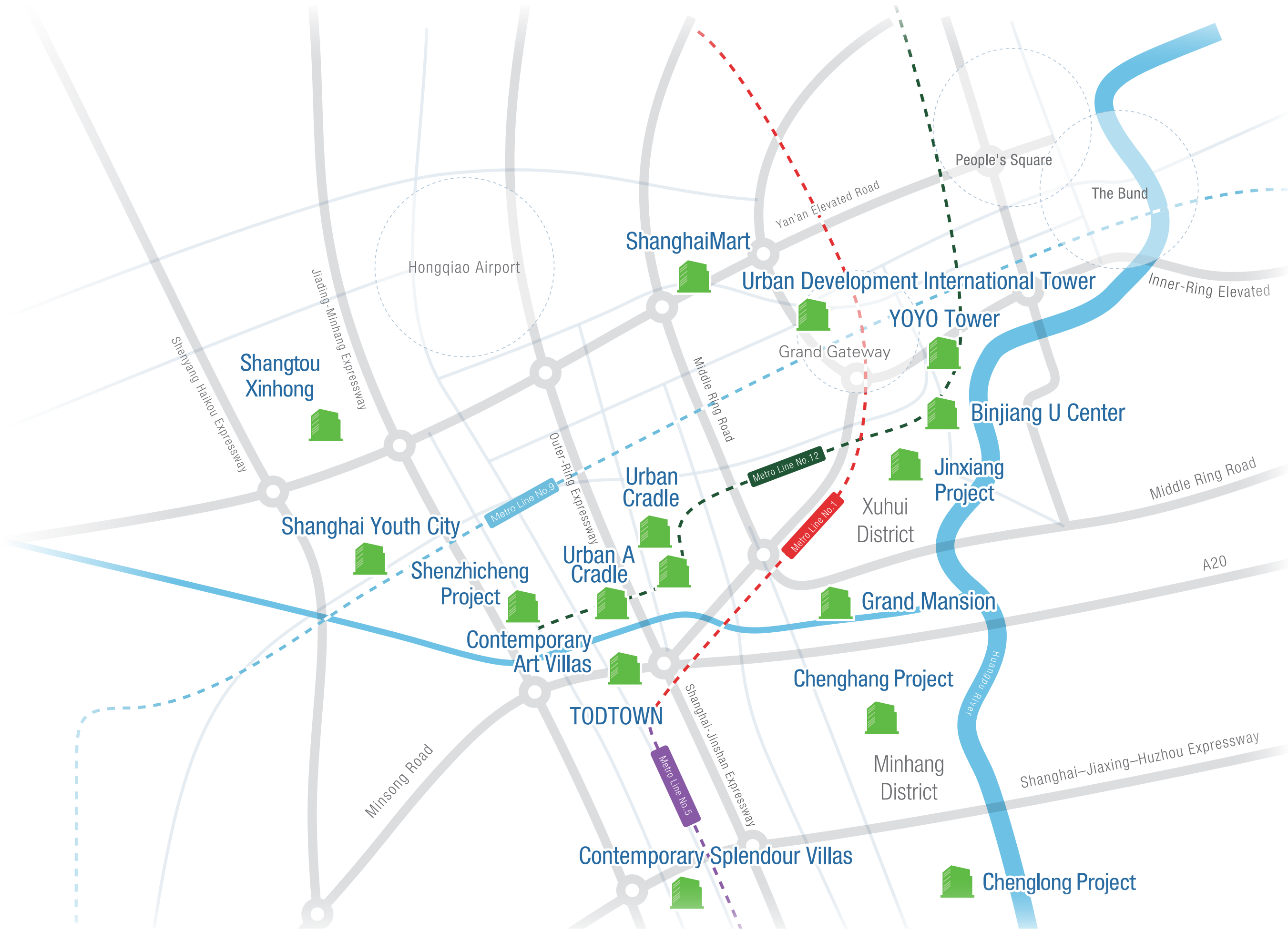
Notes:

1. Included in the Page 12 of this interim report.
2. Address: Yan'an West Road No. 2299 of Changning District, Shanghai
3. Address: Hongqiao Road No. 355 of Xuhui District, Shanghai
4. Address: Tianyaoqiao Road No.123 of Xuhui District, Shanghai



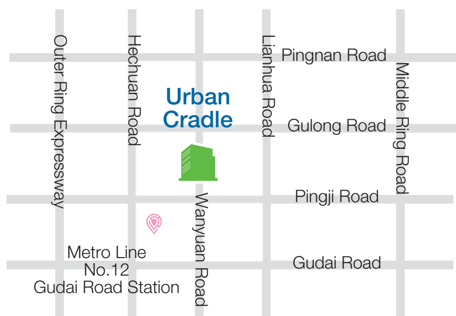
KEY PROJECTS INTRODUCTION

SIUD SHANGHAI PROJECTS



URBAN CRADLE

Address:	**Category:**
588 Gulong Road, Minhang District, Shanghai	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:	Category:
Xuhui Binjiang, Shanghai	Office/ Commerce

Feature:

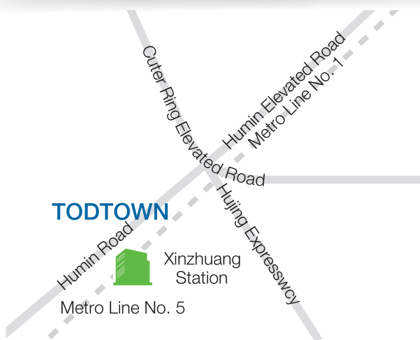
Facing Huangpu River in Shanghai, Binjiang U Center is situated at the business hub of Binjiang, Xuhui District and is planned for composite commercial usage, which will be built as property partly for sales and held for rental respectively. The surrounding view of the project is glorious. Also, the 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:	Category:
Xinzhuang Town, Minhang District, Shanghai	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.

KEY PROJECTS INTRODUCTION

CONTEMPORARY ART VILLA (JADE VILLA)

Address:	**Category:**
Minhang District, Shanghai	Residential

Feature:

Contemporary Art Villas 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.


Artist Impression

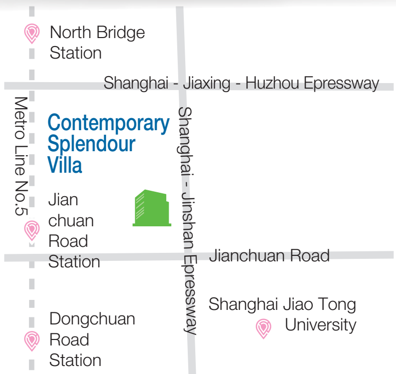
CONTEMPORARY SPLENDOUR VILLA

Address:	**Category:**
Minhang District, Shanghai	Residential

Feature:

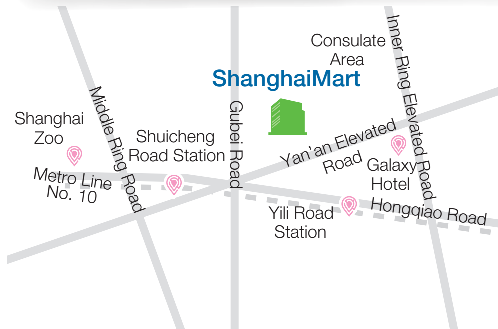
Contemporary Splendour Villas (tentative name) project is situated in Zhuanqiao Town, Minhang District, Shanghai, with Shanghai-Jinshan Expressway (S4) in the east and Dushi Road in the west. It connects the branch of Wujing-Minhang Railway in the south and adjoins Denghui Road in the north. The project 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.


Artist Impression



SHANGHAIMART

Address:	Category:
2299 West Yan'an Road, Shanghai	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:	Category:
Lane 266, Zhumei Road, Shanghai	Residence/ Commerce


Artist Impression

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.

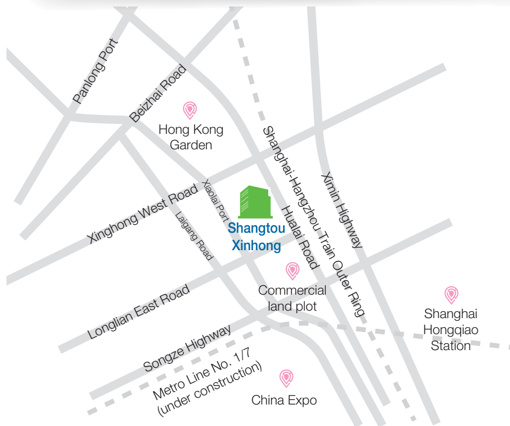
KEY PROJECTS INTRODUCTION

SHANGTOU XINHONG

Address:	Category:
Minhang District, Shanghai	Residential

Feature:


Artist Impression



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 BAOXU

Address:	Category:
Guchun Town, Baoshan District, Shanghai	Residential

Feature:


Artist Impression

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.

CHENGHANG PROJECT

Address:	Category:
Hongmei South Road (near Mei South Road), Minhang District, Shanghai	Commerce/Office

Feature:

Situated west to Hongmei South Road, north to the planned Mei South Road, east to the boundary of the planned site and south to the boundary of the planned site, the project encompasses office and commercial functions with a site area of approximately 20,000 sq.m. and a total G.F.A. of approximately 60,000 sq.m. Occupying the heart of Meilong Town, Minhang District, which is the redevelopment area in Meilong Town, the project will play a forward-looking, leading and representative role with certain potentials in the region.

The project is a commercial and office complex composed of six buildings and connecting corridors. In the future, the commercial portion will be built into a social experience space under the theme of "sporty, healthy and delicate lifestyle". Made up of standalone buildings with high privacy as well as highly integrative standard offices, the office portion will be linked organically to the commercial portion by making use of an uneven design and connecting corridors. The project is targeted to mid to high end enterprises and will form a unique commercial and office area in the region.

KEY PROJECTS INTRODUCTION

BEIJING

YOUNGMAN POINT

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

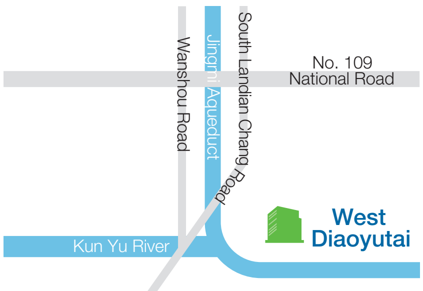
WEST DIAOYUTAI

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


Artist Impression



TIANJIN

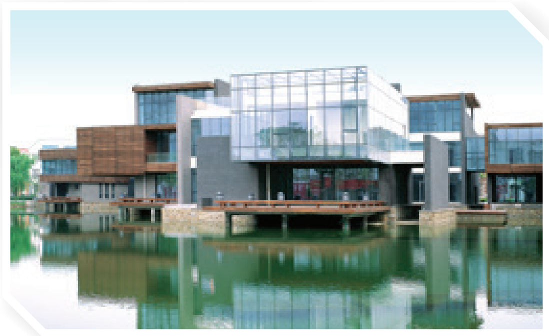
LAOCHENGXIANG

Address:	Category:
Laochengxiang, Nankai District, Tianjin	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:	Category:
South Taiyuan Street, Heping District, Shenyang	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.


Artist Impression

KEY PROJECTS INTRODUCTION

KUNSHAN

YOOOOU.NET

Address:	Category:
No. 258, Lvdi Avenue, Huaqiao Town, Kunshan	Commerce/ Office

Feature:

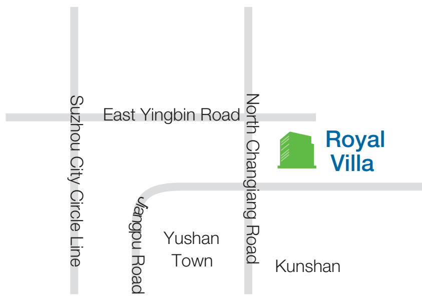
Located in the centre of Huaqiao International Commercial City and adjoining the west gate of Shanghai, the project is less than 25 kilometers from downtown Shanghai and can be reached directly riding the Shanghai — Nanjing high-speed railway and Shanghai Metro Line No. 11. With four youthful components — 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:	Category:
No. 859, East Yingbin Road, Kunshan (near Changjiang Road)	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:	**Category:**
Intersection of Yinxiu Road and Taihu Avenue, Binhu District, Wuxi, Jiangsu	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:	**Category:**
East to Chanhe River, Chanba Avenue, Chanba Ecotope, Xi'an	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:	**Category:**
No. 1, Aoti Road, Yuanjiagang, Jiulongpo District, Chongqing	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:	**Category:**
No. 1218, Leifeng North Avenue, Wangcheng District, Changsha	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 2019 (for the six months ended 30 June 2018: 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 2019.

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 2019, 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**").

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 2019.

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 2019.

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 Investment (Holdings) Limited ("**SIIC**"), 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 disclosed in the Company's announcement dated 31 January 2019, the Company (as the borrower) entered into a facility letter (the "**Facility Letter**") with a bank (as the lender) for a revolving loan facility of up to HKD500,000,000 with maturity date being the date falling one year from the acceptance date of the Facility Letter (the "**RL Facility**"). The Facility Letter contains an undertaking by the Company that so long as the RL Facility or any sum thereunder are outstanding, Shanghai Industrial Holdings Limited ("**SIHL**") and/or SIIC (both being controlling shareholders of the Company) shall collectively directly or indirectly own not less than 51% of the total share capital of the Company and maintain management control of the Company (the "**Shareholding and Management Covenant**"). A breach of the Shareholding and Management Covenant will constitute a default under the Facility Letter. As at the date of this interim report, SIHL and SIIC are beneficially interested in approximately 71.00% and 71.25%, respectively, 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 2019, 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 2019 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 2019 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 2019, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures 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[2]	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%

Notes:

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.

2. Ms. Huang Fei retired as an executive Director and vice president with effect from 1 September 2019.

Save as disclosed herein, as at 30 June 2019, 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 2019, 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 2019. 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 2019 (the "**Period**") were as follows:

Name of categories	Date of grant	Exercise price per share HK$	Exercise period[1]	Outstanding as at 1.1.2019	Granted during the Period	Exercised during the Period	Cancelled/ Lapsed during the Period	Outstanding as at 30.6.2019
Directors								
Ye Weiqi	24 September 2010	2.98	24 September 2010 to 23 September 2020	6,000,000	–	–	–	6,000,000
Huang Fei[2]	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**

Notes:

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)

2. Ms. Huang Fei retired as an executive Director and vice president with effect from 1 September 2019.

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 2019.

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 2019.

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

As at 30 June 2019, 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 S.I. 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. S.I. 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 SIIC are deemed or taken to be interested in these 50,000,000 shares of the Company.

4. SIIC through its subsidiaries, namely Shanghai Investment Holdings Limited, SIIC Capital (B.V.I.) Limited, Shanghai Industrial Financial (Holdings) Company Limited, SIIC CM Development Limited and SIIC Trading Company Limited held approximately 60.70% 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 2019, 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 of the Company are set out as follows:

Ms. Huang Fei retired as an executive Director and vice president of the Company with effect from 1 September 2019.

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 2019

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 32 to 68, which comprise the condensed consolidated statement of financial position as of 30 June 2019 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 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	NOTES	Six months ended 30 June 2019 HK$'000 (unaudited)	2018 HK$'000 (unaudited)
Revenue			
Goods and services	3A	**4,226,656**	3,493,709
Rental		**376,670**	345,064
Total revenue		**4,603,326**	3,838,773
Cost of sales		**(2,641,563)**	(1,730,482)
Gross profit		**1,961,763**	2,108,291
Other income		**78,891**	200,240
Other expenses, gains and losses, net		**2,218**	3,503
Fair value changes on investment properties, net		**201,921**	(187,873)
Distribution and selling expenses		**(138,506)**	(193,316)
General and administrative expenses		**(166,938)**	(217,289)
Gains on disposal of subsidiaries	14	**–**	234,712
Finance costs	4	**(314,501)**	(359,452)
Share of results of associates		**1,813**	3,916
Profit before tax		**1,626,661**	1,592,732
Income tax	5	**(861,499)**	(964,397)
Profit for the period	6	**765,162**	628,335
Other comprehensive income (expense) for the period			
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation into presentation currency		**(5,359)**	(315,511)
Fair value gain (loss) on equity instruments at fair value through other comprehensive income, net of tax		**15,693**	(18,740)
Total comprehensive income for the period		**775,496**	294,084

		Six months ended 30 June	
		2019	2018
	NOTE	**HK$'000**	HK$'000
		(unaudited)	(unaudited)
Profit for the period attributable to:			
— Owners of the Company		**310,678**	254,473
— Non-controlling interests		**454,484**	373,862
		765,162	628,335
Total comprehensive income attributable to:			
— Owners of the Company		**314,564**	64,063
— Non-controlling interests		**460,932**	230,021
		775,496	294,084
Earnings per share	7		
— Basic (HK cents)		**6.46**	5.29
— Diluted (HK cents)		**6.46**	5.29

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	NOTES	30 June 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
Non-current assets			
Investment properties	8	**12,746,876**	12,002,506
Property, plant and equipment		**2,106,886**	2,160,650
Right-of-use assets		**283,825**	—
Prepaid lease payments		**—**	198,926
Intangible assets		**58,100**	57,980
Interests in associates		**1,258,950**	1,260,780
Interest in a joint venture		**626,566**	626,281
Equity instruments at fair value through other comprehensive income		**159,884**	169,599
Pledged bank deposits		**45,308**	16,566
Other receivables	10	**758,276**	686,131
Deferred tax assets		**308,984**	282,089
		18,353,655	17,461,508
Current assets			
Inventories		**30,783,840**	31,075,378
Trade and other receivables	10	**528,012**	490,016
Amounts due from related companies	9	**—**	305,472
Amounts due from an associate		**1,217**	—
Prepaid lease payments		**—**	4,684
Prepaid income tax and land appreciation tax		**548,249**	439,144
Financial assets at fair value through profit or loss		**3,109**	2,805
Restricted and pledged bank deposits		**718,230**	83,442
Bank balances and cash		**9,950,728**	9,127,828
		42,533,385	41,528,769
Current liabilities			
Trade and other payables	11	**5,241,094**	5,240,804
Amounts due to related companies	9	**663,885**	886,336
Amounts due to an associate		**—**	10,451
Consideration payables for acquisition of subsidiaries		**68,353**	68,322
Pre-sale proceeds received on sales of properties		**5,959,903**	6,537,268
Bank and other borrowings	12	**5,104,543**	2,820,495
Lease liabilities		**67,306**	—
Income tax and land appreciation tax payables		**2,312,126**	2,655,058
Dividend payable		**14,184**	12,107
Dividend payable to non-controlling shareholders		**289,323**	170,803
		19,720,717	18,401,644

	NOTES	30 June 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
Net current assets		**22,812,668**	23,127,125
Total assets less current liabilities		**41,166,323**	40,588,633
Non-current liabilities			
Deferred revenue	11	**5,060**	159,751
Amounts due to related companies	9	**227,842**	—
Bank and other borrowings	12	**12,857,208**	12,575,025
Lease liabilities		**193,593**	—
Deferred tax liabilities		**4,184,482**	4,478,051
		17,468,185	17,212,827
		23,698,138	23,375,806
Capital and reserves			
Share capital	13	**192,439**	192,439
Reserves		**12,985,567**	12,868,253
Equity attributable to owners of the Company		**13,178,006**	13,060,692
Non-controlling interests		**10,520,132**	10,315,114
		23,698,138	23,375,806

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the Company													
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (note (i))	Share options reserve HK$'000	Other revaluation reserve HK$'000 (note (ii))	Investment revaluation reserve HK$'000	Statutory reserve HK$'000	Shareholder's contribution/ merger reserve HK$'000 (note (iii))	Other reserve HK$'000 (note (iv))	Exchange reserve HK$'000	Accumulated loss/ retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2019 (audited)	192,439	9,514,684	266,336	31,892	52,526	36,045	543,398	2,159,430	(47,317)	108,443	202,816	13,060,692	10,315,114	23,375,806
Profit for the period	–	–	–	–	–	–	–	–	–	–	310,678	310,678	454,484	765,162
Exchange differences arising on translation into presentation currency	–	–	–	–	–	–	–	–	–	(5,373)	–	(5,373)	14	(5,359)
Fair value gain on equity instruments at fair value through other comprehensive income, net of tax	–	–	–	–	–	9,259	–	–	–	–	–	9,259	6,434	15,693
Total comprehensive income for the period	–	–	–	–	–	9,259	–	–	–	(5,373)	310,678	314,564	460,932	775,496
Reduction of share capital of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(18,911)	(18,911)
Dividends recognised as distributions (Note 20)	–	–	(197,250)	–	–	–	–	–	–	–	–	(197,250)	–	(197,250)
Dividends declared to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(237,003)	(237,003)
At 30 June 2019 (unaudited)	192,439	9,514,684	69,086	31,892	52,526	45,304	543,398	2,159,430	(47,317)	103,070	513,494	13,178,006	10,520,132	23,698,138
At 1 January 2018 (audited)	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 20)	–	–	(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

Notes:

(i) 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.

(ii) 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.

(iii) 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 (the "Acquiree") and the fair value of net assets of the Acquiree at the date of the Company and its subsidiaries (collectively referred to as the "Group") and the Acquiree became under common control in year 2011; and (2) the difference between the consideration paid to Shanghai Shangtou Assets Operations Company Limited 上海上投資產經營有限公司 ("Shangtou Assets"), 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 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") (after carving out certain assets and liabilities upon completion of acquisition) controlled by Shangtou Assets and fair value of net assets of Shangtou Real Estate Group at the date of the Group and Shangtou Real Estate Group 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.

(iv) 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 cash consideration of approximately HK$92,274,000 and share of 1% fair value of net assets held 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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	NOTES	Six months ended 30 June 2019 HK$'000 (unaudited)	2018 HK$'000 (unaudited)
Profit before taxation		**1,626,661**	1,592,732
Adjustments for:			
Finance costs		**314,501**	359,452
Fair value changes on investment properties, net		**(201,921)**	187,873
Gains on disposal of subsidiaries		**—**	(234,712)
Other non-cash items		**36,510**	(89,529)
Operating cash flows before movements in working capital		**1,775,751**	1,815,816
Decrease in inventories		**539,835**	229,164
Increase in trade and other receivables		**(38,327)**	(163,586)
Decrease in pre-sale proceeds received on sales of properties		**(588,864)**	(817,026)
Decrease in trade and other payables		**(85,034)**	(988,208)
Other working capital items		**(10,609)**	21,557
Cash from operations		**1,592,752**	97,717
Income taxes paid		**(1,626,852)**	(1,528,067)
Net cash used in operating activities		**(34,100)**	(1,430,350)
Net cash used in investing activities:			
Proceeds from disposal of property, plant and equipment		**12,838**	1,546
Purchase of property, plant and equipment		**(31,312)**	(9,889)
Development costs paid for investment properties		**(20,566)**	(154,646)
Prepayment for acquisition of a parcel of land		**(600,254)**	—
(Increase) decrease in restricted and pledged bank deposits		**(673,224)**	9,679
Advance to a related company		**—**	(29,731)
Repayment from a related company		**310,087**	—
Advance to an associate		**(1,235)**	—
Refund of capital from an equity instrument at fair value through other comprehensive income		**30,859**	—
Dividend received from an associate		**4,248**	4,462
Net cash inflow on disposal of subsidiaries	14	**—**	160,068
Payment for acquisition of an associate		**—**	(108,713)
Payment for acquisition of subsidiaries	15	**—**	(587,005)
Deposit received for disposal of a subsidiary		**—**	235,171
Interest received		**40,575**	161,449
		(927,984)	(317,609)

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Net cash from (used in) financing activities:		
Dividends paid to non-controlling interests	**(116,822)**	(193,128)
Dividends paid	**(195,173)**	(195,164)
Distribution to a non-controlling shareholder after reduction of share capital of a subsidiary	**(18,911)**	—
Proceeds from new bank and other borrowings	**3,366,855**	1,257,915
Repayments of bank and other borrowings	**(773,113)**	(800,640)
Repayments of lease liabilities	**(36,625)**	—
Advances from related companies	**8,878**	—
Repayments to related companies	**(3,816)**	(1,187,095)
Interest paid	**(419,326)**	(385,290)
	1,811,947	(1,503,402)
Net increase (decrease) in cash and cash equivalents	**849,863**	(3,251,361)
Cash and cash equivalents as at 1 January	**9,127,828**	13,348,589
Effect of foreign exchange rate changes	**(26,963)**	(88,349)
Cash and cash equivalents as at 30 June, represented by bank balances and cash	**9,950,728**	10,008,879
Analysis of cash and cash equivalents as at 30 June, represented by bank balances and cash held by		
— the Group	**9,950,728**	9,983,216
— the disposal group held-for-sale	**—**	25,663
	9,950,728	10,008,879
Analysis of cash and cash equivalent as at 1 January, represented by bank balances and cash held by		
— the Group	**9,127,828**	13,185,306
— the disposal group held-for-sale	**—**	163,283
	9,127,828	13,348,589

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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 (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than change in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and an interpretation, the accounting policies and methods of computation used in the preparation of condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

Application of new and amendments to HKFRSs and an interpretation

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs and an interpretation issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs and the interpretation in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 "Leases" ("HKAS 17"), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted for on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Lease of low-value assets

The Group applies the recognition exemption for lease of low-value assets. Lease payments on leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" (continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

As a lessee (continued)

Right-of-use assets

Except for lease of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, if any.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment properties as a separate line item in the condensed consolidated statement of financial position. The right-of-use assets that meet the definition of investment properties are presented within "investment properties".

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" (continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

As a lessee (continued)

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 "Financial Instruments" ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- amounts expected to be paid under residual value guarantees; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed, in which case, the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" (continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

As a lessee (continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

Allocation of consideration to components of a contract

Effective on 1 January 2019, the Group applies HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" (continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

Sales and leaseback transactions

The Group acts as a seller-lessee

In accordance with the transition provisions of HKFRS 16, sales and leaseback transactions entered into before the date of initial application have not been reassessed. The seller-lessee shall account for the leaseback in the same way as it accounts for any other operating lease that exists at the date of initial application; and adjust the leaseback right-of-use assets for any deferred gains or losses that relate to off-market terms recognised in the condensed consolidated statement of financial position immediately before the date of initial application.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applies the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

(i) applies a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rates for certain leases of properties in the PRC was determined on a portfolio basis; and

(ii) uses hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 January 2019, the Group recognises additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by prepaid lease payments and deferred gains that relate to off-market terms of sales and leaseback transactions by applying HKFRS 16.C8(b)(ii) transition.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" (continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

As a lessee (continued)

The Group recognised lease liabilities of approximately HK$246,974,000 and right-of-use assets of approximately HK$254,148,000 as at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application.

	At 1 January 2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018	340,467
Add: Lease liabilities resulting from lease modification of an existing lease	4,047
Less: Recognition exemption — low value assets	(265)
Discounting impact using relevant incremental borrowing rates at the date of initial application of HKFRS 16	(97,275)
Lease liabilities as at 1 January 2019	246,974
Analysed as	
Current	55,111
Non-current	191,863
	246,974

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" (continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

As a lessee (continued)

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Notes	Right-of-use assets HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16:		246,974
Add: Reclassified from prepaid lease payments	(a)	203,610
Reclassified from deferred revenue	(b)	(196,436)
		254,148
By class:		
Leasehold land		203,610
Office premises		33,220
Apartment units		17,318
		254,148

Notes:

(a) Upfront payments for leasehold land in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon initial application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to approximately HK$4,684,000 and HK$198,926,000 respectively are reclassified to right-of-use assets.

(b) The off-market term deferred gains that relate to sales and operating leaseback arrangements were included in deferred revenue as at 31 December 2018. Upon initial application of HKFRS 16, the total deferred revenue of approximately HK$196,436,000, of which HK$41,977,000 and HK$154,459,000 were included in current liabilities and non-current liabilities respectively, are reclassified to right-of-use assets.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases" (continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

(a) Upon initial application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the condensed consolidated statement of financial position as at 1 January 2019. However, starting from 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

(b) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. In the opinion of the directors of the Company, the discounting on such refundable rental deposits received has no material impact on the condensed consolidated financial statements, and, thus, no adjustment is made as at 1 January 2019.

(c) Effective on 1 January 2019, the Group has applied HKFRS 15 to allocate consideration in each lease contract to lease and non-lease components. The change in allocation basis has had no material impact on the condensed consolidated financial statements.

In accordance with the transition provisions of HKFRS 16, sales and leaseback transactions entered into before the date of initial application have not been reassessed. The following adjustments are made to the amounts recognised in the condensed consolidated statement of financial position as at 1 January 2019. Line items that have not been affected by the changes are included.

	Carrying amounts previously reported at 31 December 2018 HK$'000	Adjustments HK$'000	**Carrying amounts under HKFRS 16 at 1 January 2019 HK$'000**
Non-current assets			
Right-of-use assets	—	254,148	**254,148**
Prepaid lease payments	198,926	(198,926)	**—**
Current assets			
Prepaid lease payments	4,684	(4,684)	**—**
Current liabilities			
Trade and other payables	5,240,804	(41,977)	**5,198,827**
Lease liabilities	—	55,111	**55,111**
Non-current liabilities			
Deferred revenue	159,751	(154,459)	**5,292**
Lease liabilities	—	191,863	**191,863**

3A. REVENUE FROM GOODS AND SERVICES

Disaggregation of revenue

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Types of goods or services		
Sales of properties	**4,085,037**	3,349,779
Property management	**3,377**	9,307
Hotel operations	**138,242**	134,623
Total	**4,226,656**	3,493,709
Timing of revenue recognition		
A point in time	**4,085,037**	3,349,779
Over time	**141,619**	143,930
Total	**4,226,656**	3,493,709

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

3B. SEGMENT INFORMATION

Information reported to the directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and performance assessment focuses on revenue analysis. No other discrete financial information is provided other than the Group's result and financial position as a whole. Accordingly, only entity-wide disclosures, major customers and geographic information are presented.

The Group's operations are located in the PRC. All revenue and non-current assets, except for certain property and equipment, of the Group are generated from and located in the PRC. No revenue from a single customer contributed 10% or more of the Group's revenue for the six months ended 30 June 2019 and 2018.

4. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Interests on bank and other borrowings	**541,632**	527,751
Interests on lease liabilities	**2,518**	—
Less: Amount capitalised in properties under development for sale	**(229,649)**	(168,299)
	314,501	359,452

During the six months ended 30 June 2019, borrowing costs arising from the general borrowing pool are capitalised on the qualifying assets by applying a capitalisation rate of 5.18% (six months ended 30 June 2018: 5.22%).

5. INCOME TAX

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Current tax		
— PRC Enterprise Income Tax ("EIT") (note (i))	**499,848**	336,689
— PRC Land Appreciation Tax ("LAT")	**668,705**	672,479
— PRC withholding tax on dividend income	**—**	14,767
— Capital gains tax on disposal of the PRC entities by a non-resident company (note (ii))	**—**	14,767
	1,168,553	1,038,702
Deferred tax	**(307,054)**	(74,305)
	861,499	964,397

5. 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 are defined in Note 14(a)), incorporated in the PRC, by a resident company. The EIT provided for the gains on disposal of these subsidiaries was calculated at 25% on the difference between the consideration received and the investment costs of these two subsidiaries. Details of these disposals are set out in Note 14(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 14(b)), which is a non-resident company and jointly owns Fuzhou Chengkai (as defined in Note 14(b)) through the then joint venture of the Group, namely Initial Point Investment Limited ("Initial Point"). The capital gains tax provided for the gain on this disposal was calculated at 10% on the difference between the consideration received for the disposal of equity interest of Fuzhou Chengkai and its contributed capital. Details of this disposal are set out in Note 14(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 the 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 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 ("BVI"), the Group is not subject to any income tax in Bermuda and the BVI in respect of the six months ended 30 June 2019 and 2018.

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2019	2018
	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	**62,054**	72,200
Depreciation of right-of-use assets	**18,018**	—
Interest income on bank deposits (included in other income)	**(40,575)**	(152,428)
Net foreign exchange gain (included in other expenses, gains and losses, net)	**(3,221)**	(340)

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Earnings:		
Earnings for the purposes of calculating basic and diluted earnings per share		
Profit for the period attributable to owners of the Company	**310,678**	254,473

	Six months ended 30 June	
	2019	2018
	'000	'000
Number of shares:		
Number of ordinary shares for the purposes of calculating basic and diluted earnings per share	**4,810,973**	4,810,973

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.

8. MOVEMENTS IN INVESTMENT PROPERTIES

The fair values of the Group's investment properties as at 30 June 2019 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 are valued individually on market value basis, which conforms to HKIS Valuation Standards 2017 Edition published by Hong Kong Institute of Surveyors. The fair value is arrived at by reference to comparable sales transactions available in the relevant markets and, where appropriate, using investment approach which capitalises the net rental income derived from existing tenancies with due allowance for the reversionary potential of the properties. The resulting net increase in fair values of the Group's investment properties of approximately HK$201,921,000 (six months ended 30 June 2018: net decrease of approximately HK$187,873,000) is recognised directly in profit or loss for the six months ended 30 June 2019.

During the six months ended 30 June 2019, the Group has subsequent expenditures on certain investment properties of approximately HK$20,566,000 (six months ended 30 June 2018: HK$154,646,000).

During the six months ended 30 June 2019, the Group acquired a parcel of land in Shanghai Xuhui District, where residential properties will be developed for earning rentals, at a consideration of RMB456,480,000 (equivalent to approximately HK$519,790,000) which was prepaid by the Group during the year ended 31 December 2018.

The Group did not dispose of any investment properties during the six months ended 30 June 2019.

9. AMOUNTS DUE FROM/TO RELATED COMPANIES

The Group has the following balances with related parties:

		30 June 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
Amount due from a related company recognised in current assets:			
— A non-controlling shareholder	note (ii)(a)	**—**	305,472
Amounts due to related companies recognised in current liabilities:			
— Xuhui SASAC and entities controlled by Xuhui SASAC	note (i)	**224,255**	452,242
— Non-controlling shareholders	note (ii)(b)	**412,368**	406,689
— SIHL and its subsidiaries	note (iii)	**27,262**	27,405
		663,885	886,336
Amounts due to related companies recognised in non-current liabilities:			
— An entity controlled by Xuhui SASAC	note (i)	**227,842**	—

9. AMOUNTS DUE FROM/TO RELATED COMPANIES (CONTINUED)

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 2019, there is an aggregated amount of RMB200,000,000 (equivalent to approximately HK$227,842,000), which represents loans advanced from entities controlled by Xuhui SASAC through entrusted loan agreements administrated by banks, carrying fixed interests ranging from 7.5% per annum to 9.0% per annum and are repayable in June 2021. The aggregated amount of RMB200,000,000 (equivalent to approximately HK$227,738,000) as at 31 December 2018, which was also loans advanced from entities controlled by Xuhui SASAC through entrusted loan agreements administrated by banks, carrying fixed interest at 9.0% per annum has been repaid in full during six months ended 30 June 2019.

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

(ii) (a) The amount was due from a non-controlling shareholder of the Group's subsidiary and it was non-trade in nature and unsecured.

It represented an interest bearing loan granted to a non-controlling shareholder for resumption of a parcel of land in relation to a potential property development project in Shanghai. The amount and its accrued interest were repayable upon completion of the land resumption and the land auction procedures regardless of whether the land auction was successful or not. The amount carried variable interest at 90% of People's Bank of China Benchmark Lending Rate (the "PBOC Rate") per annum. The aforementioned procedures were completed in prior year and the amount has been received in full during the six months ended 30 June 2019.

(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 2019, there is an amount of RMB124,166,000 (equivalent to approximately HK$141,452,000), which represents interest-free loans advanced from a non-controlling shareholder. These interest-free loans include an aggregate amount of RMB116,486,000 (equivalent to approximately HK$132,642,000) which are loans brought forward from year ended 31 December 2018 with extension of repayment dates falling in years 2019 and 2020 with last repayment in June 2020 and cessation of interest bearing.

Included in the amounts due to non-controlling shareholders as at 31 December 2018, there is an aggregated amount of RMB116,486,000 (equivalent to approximately HK$132,642,000, which represented loans advanced from a non-controlling shareholder, carrying variable interest at 120% of PBOC Rate per annum. These loans were repayable on various dates in year 2019, with last repayment in December 2019.

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

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

10. TRADE AND OTHER RECEIVABLES

	30 June 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
Trade and other receivables recognised as current assets		
Trade receivables		
— Goods and services	**9,211**	7,150
— Operating lease	**10,521**	12,496
	19,732	19,646
Less: Loss allowance	**(737)**	(737)
	18,995	18,909
Other receivables (note (i))	**234,690**	207,938
Advance payments to contractors	**17,013**	70,467
Prepaid other taxes	**228,599**	180,939
Deposits and prepayments	**28,715**	11,763
	528,012	490,016
Other receivables recognised as non-current assets		
Loan receivables (note (ii))	**18,524**	18,515
Prepayments for acquisition of parcels of land (note (iii))	**739,752**	667,616
	758,276	686,131

Notes:

(i) Other receivables mainly comprise 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 as at 30 June 2019, there is an amount of RMB6,000,000 (equivalent to approximately HK$6,835,000) (31 December 2018: RMB10,000,000 (equivalent to approximately HK$11,387,000)) 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 2019 (31 December 2018: 31 December 2019).

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

(ii) As at 30 June 2019, included in non-current other receivables, there are loan receivables of RMB16,260,000 (equivalent to approximately HK$18,524,000) (31 December 2018: RMB16,260,000 (equivalent to approximately HK$18,515,000)) which represent non-current portion of loans advanced to the Borrower. RMB8,000,000 and RMB8,260,000 of the loan receivables are repayable on 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 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.

(iii) During the year ended 31 December 2018, the Group entered into two land use rights transfer contracts with Shanghai Minhang Land Bureau and Shanghai Xuhui Land Bureau respectively to acquire two parcels of land for the development of residential properties held for earning rentals at a total consideration of RMB1,105,580,000. As at 31 December 2018, the Group paid a sum of RMB586,300,000 (equivalent to approximately HK$667,616,000) as prepayments for these acquisitions. During the six months ended 30 June 2019, the Group has obtained the land use right for the parcel of land located in Shanghai Xuhui District and paid the remaining consideration of RMB519,280,000 as a prepayment for the acquisition of a parcel of land located in Shanghai Minhang District (the "Land Acquisition"). As at 30 June 2019, total consideration paid as a prepayment for the Land Acquisition is RMB649,100,000 (equivalent to approximately HK$739,752,000).

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 loss allowance, presented based on the date of billing at the end of the reporting period.

	30 June 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
Within 90 days	13,800	18,552
Within 91–180 days	3,220	357
Over 180 days	1,975	—
	18,995	18,909

11. TRADE AND OTHER PAYABLES AND DEFERRED REVENUE

	30 June 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
Trade and other payables recognised as current liabilities		
Trade payables	580,175	729,566
Accrued expenditure on properties under development for sale	2,719,213	2,464,448
Amounts due to former shareholders of the Company's former subsidiaries (note (i))	160,856	160,831
Rental deposits and receipt in advance from tenants	204,031	202,945
Interest payables	176,895	54,499
Payables to the Shanghai government department (note (ii))	543,303	543,055
Provision for compensation expense in relation to settlement of a legal case (note (iii))	117,933	117,879
Deposit received for disposal of a subsidiary (note (iv))	217,703	217,604
Deferred revenue (note (v))	—	41,977
Accrued charges and other payables	449,847	567,554
Other taxes payables (note (vi))	71,138	140,446
	5,241,094	5,240,804
Deferred revenue recognised as non-current liabilities		
Deferred revenue (note (v))	5,060	159,751

Notes:

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

(ii) The amount represents the receipts of approximately HK$1,717,795,000 (31 December 2018: HK$1,717,013,000) from the purchasers of affordable housings which are collected on behalf of Shanghai government department but are not repaid at the end of the reporting period, net of receivable of approximately HK$1,174,492,000 (31 December 2018: HK$1,173,958,000) 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 2019, none (31 December 2018: none) has been repaid to Shanghai government department.

11. 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 judgement 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 2019 and 31 December 2018, these amounts has not been settled yet but were fully provided for.

(iv) The amount represents deposit of RMB191,100,000 (equivalent to approximately HK$217,703,000 received about disposal of 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. On 8 April 2018, the Group entered into an equity transfer agreement (the "Agreement") with Hengda Real Estate Group Changsha Zhiye Company Limited 恒大地產集團長沙置業有限公司 ("Hengda Changsha"), being a non-controlling shareholder of Hunan Qianshuiwan, in relation to the disposal of the Group's entire equity interest in Hunan Qianshuiwan, at a cash consideration of RMB637,000,000 which comprises RMB191,100,000 (the "Initial Payment") for disposal of the equity interest in Hunan Qianshuiwan and RMB445,900,000 for settlement of intercompany balances. According to the terms set out in the Agreement, completion will take place when the consideration is fully settled. Following the completion of this transaction, the Group will cease to have control in Hunan Qianshuiwan. Hengda Changsha is a non-controlling shareholder of Hunan Qianshuiwan and this transaction is a related party transaction. The Company is exempted from obtaining approval from its independent shareholders pursuant to the Listing Rules.

As at 30 June 2019 and 31 December 2018, the transaction has not been completed yet and a consideration of RMB445,900,000 remains outstanding. As disclosed in the Company's announcement on 2 November 2018, the Group received a summons issued by a court in the PRC that Hengda Changsha pleaded with the court to grant orders to rescind the Agreement and enforced the Group to return the Initial Payment and the earnest money of RMB10,000,000 to Hengda Changsha due to the potential substantial loss that Hengda Changsha will suffer in relation to potential compensation as result of a decision handed down by a court in the PRC against Hunan Qianshuiwan. The Group, after taking a legal advice, initiates respective legal actions against Hengda Changsha during the six months ended 30 June 2019 and considers that it is a pre-mature stage to estimate the outcome of such legal actions.

(v) The balances as at 31 December 2018 mainly represent current and non-current portion of the off-market term deferred gains that relate to 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.

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

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 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
Within 30 days	3,363	—
Within 31–180 days	240,172	315,839
Within 181–365 days	73,009	21,752
Over 365 days	263,631	391,975
	580,175	729,566

12. BANK AND OTHER BORROWINGS

During the six months ended 30 June 2019, the Group obtained new bank and other borrowings of RMB2,912,666,000 (equivalent to approximately HK$3,366,855,000) (six months ended 30 June 2018: RMB1,061,303,000 (equivalent to approximately HK$1,257,915,000)). As at 30 June 2019, the banks and other borrowings carry variable interest ranging from 3.8% to 6.5% (31 December 2018: 3.8% to 6.5%) per annum and are payable from one to over five years (six months ended 30 June 2018: one to over five years). The borrowings are obtained for the purpose of property development projects of the Group.

During the six months ended 30 June 2019, the Group also repaid the bank and other borrowings of RMB668,820,000 (equivalent to approximately HK$773,113,000) (six months ended 30 June 2018: RMB650,600,000 (equivalent to approximately HK$800,640,000)).

13. 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 2018, 30 June 2018, 1 January 2019 and 30 June 2019	4,810,973	192,439

14. GAINS ON DISPOSAL OF SUBSIDIARIES

(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 which are non-wholly owned indirect subsidiaries of SIHL, in relation to disposal of Shanghai Shenda Property Company Limited 上海申大物業有限公司 ("Shanghai Shenda") at a cash consideration of RMB70,000,000 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") at a cash consideration of RMB17,000,000 respectively.

These disposals were completed in February 2018 and the consideration was settled in full 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 transactions and related party transactions.

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)

14. GAINS 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)

(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 comprises 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 Initial Point, the then joint venture of the Group, with a carrying amount of HK$65,718,000. Initial Point jointly owned with other investors, 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"). Fuzhou Chengkai Group had a property development project in Fuzhou in the PRC.

14. GAINS ON DISPOSAL OF SUBSIDIARIES (CONTINUED)

(b) Disposal of Fine Mark (continued)

During the six months ended 30 June 2018, the Sale Share Consideration and the Loan Assignment Consideration were settled in full and the disposal was completed.

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

	HK$'000
Consideration:	
Cash received	220,858
Analysis of assets and liabilities over which control was lost:	
Interest in a joint venture	65,718
Gain on disposal of Fine Mark:	
Total consideration	220,858
Net assets 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 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
— Shanghai Commercial	10,540
— Fine Mark	155,140
	234,712

15. ACQUISITION OF SUBSIDIARIES

On 28 February 2018, the Group entered into an asset and equity transfer agreement and a supplemental agreement (collectively referred to the "Acquisition Agreement") with Shangtou Assets. Pursuant to the Acquisition Agreement, the Group agreed to acquire the entire equity interest in Shangtou Real Estate, at a cash consideration of RMB530,827,000 (equivalent to approximately HK$657,086,000). Certain assets including other receivables, inventories and equity instruments at fair value through other comprehensive income ("FVTOCI"), investment properties, amount due from a related company and deferred tax assets ("Carved-out Assets") and certain liabilities including other payables and income tax payable ("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 is 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. The Carved-out Assets and the Carved-out Liabilities were treated as distributions by Shangtou Real Estate Group to Shangtou Assets. During the six months ended 30 June 2018, a cash consideration of RMB477,000,000 (equivalent to approximately HK$587,005,000) was paid. As at 31 December 2018, the remaining consideration was settled.

The Group and Shangtou Real Estate Group are under common control of SIIC. This acquisition was accounted for by applying the principles of merger accounting.

16. CAPITAL COMMITMENTS

Capital expenditure in respect of properties under development for sale:

	30 June 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
Contracted for but not provided for in the condensed consolidated financial statements		
— additions in properties under development for sale	**8,074,759**	8,084,176
— acquisition of a parcel of land	**—**	591,300
	8,074,759	8,675,476

17. CONTINGENT LIABILITIES

(a) Corporate guarantees

	30 June 2019 HK$'000 (unaudited)	31 December 2018 HK$'000 (audited)
Guarantees given to banks in respect of banking facilities utilised by:		
— property buyers (Note)	**2,912,379**	2,790,731

17. CONTINGENT LIABILITIES (CONTINUED)

(a) Corporate guarantees (continued)

Note: 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 management of the Group considers that the possibility of default of repayment of the mortgage loans by the relevant buyers is remote and, in case of default, the net realisable value of the related properties withheld by the Group can recover the repayment of the outstanding mortgage principals together with the accrued interests and penalties. Accordingly, no expected credit loss has been made in the condensed consolidated financial statements for these guarantees.

In determining whether financial liabilities should be recognised in respect of the Group's financial guarantee contracts, the management of the Group exercised judgement in evaluation of the probability of resources outflow that would be required and the assessment of whether a reliable estimate could be made on the amount of the obligation. The management of the Group considered the possibility of default by these parties was 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 management of the Group, the fair values of the aforementioned financial guarantee contracts of the Group are insignificant at initial recognition.

(b) Legal proceedings initiated by the Group against a third party (the "Defendants")

As set out in the Company's announcement dated 1 October 2018, Hunan Qianshuiwan, being a non-wholly owned subsidiary of the Group, commenced legal proceedings against the Defendants (the "Litigation") in previous years claiming, among others, the return of the surety money to the Group and damages and to seek a ruling from the court to release the parties from a series of agreements entered into between the Group and the Defendants in relation to a proposed residential real estate development on a parcel of land (the "Land") located in Changsha. In the course of proceedings, the Group received counterclaims from the Defendants. The Litigation was conducted at different levels of court in the PRC during the year 2010 to 2017 and the judgement rulings were generally in favour of the Group. However, the judgement handed down by the court on 25 September 2018, after the Defendant's appeal, is unfavourable to the Group and the Group is required, among others, to make a compensation of RMB402.8 million to the Defendants, of which RMB22.8 million relating to the developed part of the Land and RMB380 million relating to the undeveloped part of the Land. Details of this legal case were set out in the Company's announcement dated 1 October 2018. During the six months ended 30 June 2019, the application for retrial is accepted by the court. The Group, after taking legal advice, is of the opinion that it has a good ground to remain the judgement rulings which are in favour of the Group in the subsequent legal proceeding. Accordingly, no provision for the compensation has been made.

18. RELATED PARTY TRANSACTIONS

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

		Six months ended 30 June	
		2019	2018
		HK$'000	HK$'000
Related party	**Nature of transactions**	**(unaudited)**	(unaudited)
Entities controlled by SIHL	Management fee	**–**	(646)
Associates	Property agency fee	**(10,224)**	(13,099)
	Rental income	**–**	6
	Management fee	**–**	(3,857)
Non-controlling shareholders of a subsidiary	Interest expenses	**(8,803)**	(5,314)
	Management fee	**(3,462)**	(4,193)
An entity controlled by Xuhui SASAC	Interest expenses	**(10,866)**	(10,565)

(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 period, is as follows:

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Short-term employee benefits	**6,299**	5,134
Post-employment benefits	**–**	41
	6,299	5,175

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

18. 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 management of the Group considers 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 saving deposits, borrowings and other general banking facilities are placed or 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 management of the Group is 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 management of the Group, these transactions are considered as individually and collectively insignificant to the operation of the Group during the six months ended 30 June 2019 and 2018.

19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

This note provides information about how the Group determines fair values of various financial assets.

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages an independent qualified professional valuer to perform the valuation. The management of the Group works closely with the valuer to establish the appropriate valuation techniques and inputs to the model.

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

The Group's financial assets at fair value through profit or loss ("FVTPL") and equity instruments at FVTOCI are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined.

Financial assets	Fair value as at 30 June 2019 (unaudited)	Fair value as at 31 December 2018 (audited)	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
Financial assets at FVTPL	**Listed equity securities in the PRC – HK$3,109,000**	Listed equity securities in the PRC – HK$2,805,000	Level 1	Quoted bid prices in an active market	N/A
Equity instruments at FVTOCI	**Listed equity securities in the PRC – HK$112,069,000**	Listed equity securities in the PRC – HK$91,407,000	Level 1	Quoted bid prices in an active market	N/A
	Unlisted equity securities in the PRC – HK$47,815,000	Unlisted equity securities in the PRC – HK$78,192,000	Level 3	Adjusted net asset value method under cost approach	Discount factor of 0% to 10%

(ii) Reconciliation of Level 3 fair value measurement

	Unlisted equity securities classified as equity instruments at FVTOCI HK$'000
As at 1 January 2019	**78,192**
Refund of capital	**(30,859)**
Exchange realignment	**482**
As at 30 June 2019	**47,815**

19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(ii) Reconciliation of Level 3 fair value measurement (continued)

In the opinion of the management of the Group, there is no material change in fair value of unlisted equity instruments at FVTOCI during the six months ended 30 June 2019 and there is no material impact on the fair value of these instruments given 5% increase or decrease of the discount factor. Therefore, no sensitivity analysis for these Level 3 instruments are presented.

There were no transfer between instruments in Level 1, 2 and 3 in both years.

(iii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cashflow analysis.

The management of the Group considers that the carrying amounts of other financial assets and financial liabilities carried at amortised cost approximate their respective fair values.

20. DIVIDENDS

Dividends recognised as distribution during the period:

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
2018 final dividend declared — HK1.8 cents (2018: HK1.6 cents for year 2017)	**86,598**	76,976
2018 special dividend declared — HK2.3 cents (2018: HK2.5 cents for year 2017)	**110,652**	120,274

A final dividend and a special dividend of HK1.8 cents (2018: HK1.6 cents) per ordinary share and HK2.3 cents (2018: HK2.5 cents) per ordinary share respectively, in an aggregate amount of approximately HK$197,250,000 (six months ended 30 June 2018: HK$197,250,000), were declared and an amount of approximately HK$195,173,000 was paid during the six months ended 30 June 2019 (six months ended 30 June 2018: HK$195,164,000).

No 2019 interim dividends were proposed during the six months ended 30 June 2019, nor has any dividend been proposed since the end of the reporting period.