上海實業城市開發集團有限公司
SHANGHAI INDUSTRIAL URBAN DEVELOPMENT GROUP LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 563)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

The board of directors (the "**Board**") of Shanghai Industrial Urban Development Group Limited (the "**Company**") announces that the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2012, together with the comparative figures for the year ended 31 December 2011 were as follows:

FINANCIAL HIGHLIGHT

	For the year ended 31 December 2012	For the year ended 31 December 2011 (Restated)	Change %
Financial Highlights (HK$'000)			
Revenue	8,782,561	4,433,476	98.1
Loss attributable to owners of the Company	(190,166)	(601,668)	68.4
Financial Information per share (HK cents)			
Loss			
– Basic	(3.95)	(12.50)	Improved
– Diluted	(3.95)	(12.50)	Improved

	As at 31 December 2012	As at 31 December 2011 (Restated)
Pre-sale receipts from customers (HK$'000)	7,826,181	9,378,864
Financial Ratios		
Net debt to total equity (%)	50.2%	55.6%
Current ratio	2.00	1.99

Notes: Net debt = total borrowings (including bank and other borrowings, senior notes and convertible loan notes) – cash and cash equivalents and restricted and pledged bank deposits.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	NOTES	**2012** ***HK$'000***	2011 *HK$'000* (restated)
Revenue	*4*	**8,782,561**	4,433,476
Cost of sales		**(7,423,621)**	(3,307,014)
Gross profit		**1,358,940**	1,126,462
Other income	*5 (a)*	**132,894**	182,192
Other expenses, gains and losses	*5 (b)*	**(137,789)**	(100,857)
Gain (loss) on disposal of subsidiaries		**359,222**	(38,512)
Fair value changes on investment properties		**18,551**	453,791
Fair value gain on transfer of inventories to investment properties		**–**	152,212
Allowance for inventories		**(71,627)**	(56,675)
Distribution and selling expenses		**(157,936)**	(302,552)
General and administrative expenses		**(509,411)**	(576,264)
Finance costs	*6*	**(566,511)**	(673,058)
Share of losses of associates		**(4,721)**	(297)
Profit before tax		**421,612**	166,442
Income tax	*8*	**(388,301)**	(731,953)
Profit (loss) for the year	*7*	**33,311**	(565,511)
Other comprehensive income for the year			
Exchange differences on translation into presentation currency		**124,385**	640,383
Reclassification adjustment for realisation of revaluation gains transferred to profit or loss upon sale of completed properties held for sale		**(147)**	(562)
Other comprehensive income for the year		**124,238**	639,821
Total comprehensive income for the year		**157,549**	74,310

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(CONTINUED)*
FOR THE YEAR ENDED 31 DECEMBER 2012

	NOTES	**2012** ***HK$'000***	2011 *HK$'000* (restated)
Profit (loss) for the year attributable to:			
Owners of the Company		**(190,166)**	(601,668)
Non-controlling interests		**223,477**	36,157
		33,311	(565,511)
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(121,969)**	(276,588)
Non-controlling interests		**279,518**	350,898
		157,549	74,310
Loss per share			
Basic (HK cents)	*9*	**(3.95)**	(12.50)
Diluted (HK cents)	*9*	**(3.95)**	(12.50)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2012

	NOTES	**31.12.2012** *HK$'000*	31.12.2011 *HK$'000* (restated)	1.1.2011 *HK$'000* (restated)
Non-current assets				
Investment properties	*10*	**6,028,842**	6,168,963	5,221,079
Property, plant and equipment		**1,451,809**	1,182,210	897,194
Prepaid lease payments		**92,189**	94,031	90,378
Intangible assets		**63,433**	62,870	60,156
Interests in associates		**1,609,955**	1,588,071	357,667
Amount due from a related company		**–**	80,436	–
Amount due from an associate		**84,666**	83,915	80,292
Available-for-sale investments		**34,398**	37,761	34,951
Restricted and pledged bank deposits		**231,715**	121,619	125,760
Deferred tax assets		**212,488**	245,383	9,465
		9,809,495	9,665,259	6,876,942
Current assets				
Inventories	*11*	**36,308,151**	39,517,770	33,164,199
Trade and other receivables	*12*	**1,384,348**	830,921	2,210,864
Amounts due from related companies		**195,388**	123,969	114,579
Prepaid lease payments		**2,615**	2,545	2,498
Consideration receivables for disposal of assets		**–**	22,007	21,381
Prepaid income tax and land appreciation tax		**296,780**	359,527	482,212
Financial assets at fair value through profit or loss		**12,887**	14,638	12,640
Pledged bank deposits		**52,731**	24,521	36,590
Bank balances and cash		**5,249,524**	3,490,568	6,932,712
		43,502,424	44,386,466	42,977,675
Assets classified as held-for-sale		**301,593**	–	–
		43,804,017	44,386,466	42,977,675
Current liabilities				
Trade and other payables	*13*	**4,845,705**	4,398,642	3,188,136
Amounts due to related companies		**606,304**	700,300	709,307
Amounts due to associates		**85,688**	83,913	57,579

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*
AT 31 DECEMBER 2012

	NOTES	**31.12.2012**	31.12.2011	1.1.2011
		HK$'000	*HK$'000*	*HK$'000*
			(restated)	(restated)
Consideration payables for acquisition of subsidiaries		**316,041**	387,200	350,262
Pre-sale proceeds received on sales of properties		**7,826,181**	9,378,864	9,831,780
Bank and other borrowings		**5,777,737**	4,805,875	5,120,536
Derivative financial instrument – warrants		**–**	3	16,600
Income tax and land appreciation tax payables		**2,061,572**	2,131,516	1,903,861
Dividend payable		**6,423**	6,423	6,423
Dividend payable to an non-controlling shareholders		**416,293**	418,846	–
Convertible loan notes		**–**	–	2,607
		21,941,944	22,311,582	21,187,091
Net current assets		**21,862,073**	22,074,884	21,790,584
Total assets less current liabilities		**31,671,568**	31,740,143	28,667,526
Non-current liabilities				
Bank and other borrowings		**6,288,433**	6,374,383	4,227,165
Senior notes		**3,048,911**	3,009,479	2,974,260
Deferred tax liabilities		**3,242,628**	3,384,589	3,009,594
		12,579,972	12,768,451	10,211,019
		19,091,596	18,971,692	18,456,507
Capital and reserves				
Share capital		**192,461**	192,461	105,173
Reserves		**11,969,732**	12,083,027	11,759,844
Equity contributable to owners of the Company		**12,162,193**	12,275,488	11,865,017
Non-controlling interests		**6,929,403**	6,696,204	6,591,490
		19,091,596	18,971,692	18,456,507

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its parent is Shanghai Industrial Holdings Limited ("**SIHL**") (incorporated in Hong Kong and listed on the Stock Exchange) and its ultimate holding company is Shanghai Industrial Investment (Holdings) Company Limited ("**SIIC**") (a private limited company also incorporated in Hong Kong).

The principal activities of the Group are property development and property investment in the People's Republic of China ("**PRC**").

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**") as the Company is listed on the Stock Exchange, where most of its investors are located in Hong Kong. The functional currency of the Company is Renminbi ("**RMB**").

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Amendments to HKAS 12	Deferred tax: Recovery of underlying assets;
Amendments to HKFRS 7	Financial instruments: Disclosures – Transfers of financial assets; and
Amendments to HKAS 1	As part of the annual improvements to HKFRSs 2009–2011 cycle issued in 2012

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

Amendments to HKAS 12 Deferred tax: Recovery of underlying assets

The Group has applied for the first time the amendments to HKAS 12 "Deferred tax: Recovery of underlying assets" in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment property" are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group's investment property portfolios and concluded that certain of the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. For those investment properties, therefore, the directors have determined that the 'sale' presumption set out in the amendments to HKAS 12 is not rebutted.

As a result of the application of the amendments to HKAS 12, the Group has recognised deferred taxes on changes in fair value of those investment properties in the PRC that are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, which included the effect of land appreciation tax and enterprises income tax in the PRC upon sales of the properties. Previously, the Group recognised deferred taxes on changes in fair value of investment properties on the basis that the entire carrying amounts of the properties were recovered through use.

The amendments to HKAS 12 have been applied retrospectively, resulting in the Group's deferred tax liabilities being increased by HK$734,379,000 as at 1 January 2011, with the corresponding credit being recognised in accumulated losses, merger reserve, exchange reserve and non-controlling interests respectively. Similarly, the deferred tax liabilities have been increased by HK$904,914,000 as at 31 December 2011.

In addition, the application of the amendments has resulted in the Group's income tax expense for the year ended 31 December 2012 and 31 December 2011 being decreased by HK$91,288,000 and increased by HK$137,401,000 respectively and hence resulted in the profit for the year ended 31 December 2012 being increased by HK$91,288,000 and loss for the year ended 31 December 2011 being increased by HK$137,401,000.

Amendments to HKAS 1 Presentation of Financial Instruments (as part of the Annual Improvements to HKFRSs 2009–2011 Cycle issued in June 2012)

Various amendments to HKFRSs were issued in June 2012, the title of which is Annual Improvements to HKFRSs (2009–2011 Cycle). The effective date of these amendments is annual period beginning on or after 1 January 2013.

In current year, the Group has applied for the first time the amendments to HKAS 1 in advance of the effective date (annual periods beginning on or after 1 January 2013).

HKAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

In the current year, the Group has applied the amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets for the first time which has resulted in a material effect on the information in the consolidated statement of financial position as at 1 January 2011. In accordance with the amendments to HKAS 1, the Group has therefore presented a third statement of financial position as at 1 January 2011 without the related notes.

Summary of the effects of the above changes in accounting policies

The effects of change in accounting policy described above on the results for the current and prior years by line items are as follows:

	Year ended 31.12.2012 ***HK$'000***	Year ended 31.12.2011 *HK$'000*
(Decrease) increase in income tax expense	**(91,288)**	137,401
Increase in net profit (increase in net loss) for the year	**91,288**	(137,401)

The effects of the above change in accounting policy on the financial positions of the Group as at 1 January 2011 and 31 December 2011 is as follows:

	As at 1.1.2011 (originally stated) *HK$'000*	Adjustments *HK$'000*	As at 1.1.2011 (restated) *HK$'000*	As at 31.12.2011 (originally stated) *HK$'000*	Adjustments *HK$'000*	As at 31.12.2011 (restated) *HK$'000*
Deferred tax liabilities	(2,275,215)	(734,379)	(3,009,594)	(2,479,675)	(904,914)	(3,384,589)
Total effects on net assets	19,190,886	(734,379)	18,456,507	19,876,606	(904,914)	18,971,692
Total effects on equity	(19,190,886)	734,379	(18,456,507)	(19,876,606)	904,914	(18,971,692)

The effects of the above change in an accounting policy on the financial positions of the Group as at 31 December 2012 is as follows:

	As at 31.12.2012 ***HK$'000***
Increase in deferred tax liabilities	**817,108**
Total effects on net assets	**(817,108)**
Total effects on equity	**(817,108)**

The effects of the above change in an accounting policy on the Group's basic and diluted loss per share for the current and prior year are as follows:

Impact on basic and diluted loss per share

	Impact on basic and diluted loss per share	
	Year ended 31.12.2012 ***HK cents***	Year ended 31.12.2011 *HK cents*
Figures before adjustments	**(5.85)**	(9.93)
Adjustments arising from changes in the Group's accounting policies in relation to application of amendments to HKAS 12 in respect of deferred taxes on investment properties	**1.90**	(2.57)
Figures after adjustments	**(3.95)**	(12.50)

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual improvements to HKFRSs 2009–2011 cycle, except for the amendments to HKAS 1[1]
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: transition guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[2]
HKFRS 9	Financial instruments[3]
HKFRS 10	Consolidated financial statements[1]
HKFRS 11	Joint arrangements[1]
HKFRS 12	Disclosure of interests in other entities[1]
HKFRS 13	Fair value measurement[1]
HKAS 19 (as revised in 2011)	Employee benefits[1]
HKAS 27 (as revised in 2011)	Separate financial statements[1]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[1]
Amendments to HKAS 1	Presentation of items of other comprehensive income[4]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[2]
HK (IFRIC) – INT 20	Stripping costs in the production phase of a surface mine[1]

1 Effective for annual periods beginning on or after 1 January 2013.
2 Effective for annual periods beginning on or after 1 January 2014.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 July 2012.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011 except for the application of the amendments to HKAS 12 as discussed above.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for goods sold by the Group in the normal course of business to outside customers, net of sales related taxes for the year. The Group is engaged in the property development, property investment activities and hotel operations.

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

Entity-wide disclosures

Revenue from major business services

The following is an analysis of the Group's revenue from its major business services:

	2012	2011
	HK$'000	*HK$'000*
Revenue from sale of properties	**8,373,434**	3,997,663
Rental income from leasing of properties	**236,471**	234,571
Property management service income	**84,066**	77,759
Revenue from hotel operations	**88,590**	123,483
	8,782,561	4,433,476

Geographical information

The Group's operations are located in the PRC. All revenue and non-current assets excluding financial instruments and deferred tax assets of the Group are generated from and located in the PRC. No revenue from a single customer or a group of customers under common control contributed 10% or more of the Group's revenue for the year ended 31 December 2012 and 2011.

5a. OTHER INCOME

	2012	2011
	HK$'000	*HK$'000*
Government unconditional subsidies and compensation *(note)*	**36,882**	34,077
Interest income on bank deposits	**36,954**	63,092
Other interest income	**3,151**	11,690
Rental income from property, plant and equipment	**14,557**	14,644
Dividend income from available-for-sale investments	**–**	1,580
Others	**41,350**	57,109
	132,894	182,192

Note: For the year ended 31 December 2012, the balance mainly represents the compensation from the government in respect of recapture of a land which was included in properties under development. For the year ended 31 December 2011, the government subsidies mainly represented business and other taxes refund from local tax authorities.

5b. OTHER EXPENSES, GAINS AND LOSSES

	2012	2011
	HK$'000	*HK$'000*
Exchange gain on senior notes	**26,951**	134,194
Exchange gain on interest on other borrowings from SIHL Finance Limited	**8,852**	44,070
Other net exchange gain (loss)	**3,862**	(17,558)
Gain on fair value change of derivative financial instrument	**3**	16,597
Change in fair value of financial assets at fair value through profit or loss	**(1,751)**	625
Loss on disposal of available-for-sale investments	**–**	(41)
Compensation to customers in respect of late delivery of properties	**(181,677)**	(132,832)
Impairment loss recognised on consideration receivables for disposal of assets	**(22,007)**	–
Gain (loss) on disposal of property, plant and equipment	**62**	(53)
Cost associated with change in terms of senior notes	**–**	(42,102)
Costs associated with acquisition of subsidiaries	**–**	(58,856)
Settlement of litigation loss	**–**	(44,267)
Gain on disposal of an associate	**–**	1,872
Others	**27,916**	(2,506)
	(137,789)	(100,857)

6. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Interest on:		
Bank and other borrowings wholly repayable within five years	**765,246**	758,738
Bank and other borrowings not wholly repayable within five years	**37,632**	67,817
Convertible loan notes	**–**	107
Senior notes	**344,534**	339,419
Total borrowing costs	**1,147,412**	1,166,081
Less: amount capitalised under properties under development	**(580,901)**	(493,023)
	566,511	673,058

Borrowing costs capitalised during the year arising on the general borrowing pool are calculated by applying a capitalisation rate of 9.3% (2011: 10.9%) per annum to expenditure on qualifying assets.

7. PROFIT (LOSS) FOR THE YEAR

	2012	2011
	HK$'000	*HK$'000*
Profit (loss) for the year has been arrived at after charging (crediting):		
Depreciation for property, plant and equipment	**82,311**	60,240
Less: depreciation capitalised into properties under development	**(5,453)**	(5,032)
	76,858	55,208
Amortisation of prepaid lease payments	**2,615**	2,545
Auditors' remuneration	**5,661**	5,601
Gross rental income from investment properties	**(236,471)**	(234,571)
Less: operating expenses	**10,424**	11,807
	(226,047)	(222,764)
Directors' remuneration	**17,917**	46,927
Other staff costs		
Salaries, wages and other benefits	**156,019**	184,541
Retirement benefit scheme contributions	**23,974**	22,130
Equity-settled share-based payment expenses	**3,960**	15,765
Total staff costs	**201,870**	269,363
Less: staff costs capitalised into properties under development	**(65,469)**	(92,554)
	136,401	176,809
Cost of properties held for sale recognised as an expense	**7,180,426**	3,098,545
Cost of inventories for hotel operations recognised as an expense	**12,448**	17,694
Share of tax of associates (included in share of results of associates)	**1,122**	1,076

8. INCOME TAX

Taxation in the consolidated statement of comprehensive income represents:

	2012	2011
	HK$'000	*HK$'000*
		(restated)
Current tax:		
PRC enterprise income tax ("EIT")	**302,055**	400,262
PRC land appreciation tax ("LAT")	**447,817**	301,265
	749,872	701,527
(Over) under provision in prior years:		
PRC EIT *(note)*	**(161,631)**	23,589
PRC LAT *(note)*	**(64,587)**	–
	(226,218)	23,589
Deferred tax	**(135,353)**	6,837
	388,301	731,953

Note: The Group recognised an overprovision of PRC EIT and LAT during the year ended 31 December 2012 upon completion of tax clearance procedures by certain PRC subsidiaries with their respective tax authorities.

Under the Law of the People's Republic of China 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.

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, the Group is not subject to any income tax in Bermuda and the British Virgin Islands in respect of the year ended 31 December 2012 (2011: nil).

9. LOSS PER SHARE

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

	2012	2011
	HK$'000	*HK$'000*
		(restated)
Losses		
Loss for the purpose of basic and diluted loss per share:		
Loss for the year attributable to owners of the Company	**(190,166)**	(601,668)

	2012	2011
	'000	*'000*
Number of shares		
Number of ordinary shares for the purposes of basic and diluted loss per share	**4,811,523**	4,811,523

For the purpose of the calculating loss per share for the year ended 31 December 2011, 2,182,191,000 ordinary shares issued pursuant to the acquisition of Shanghai Urban Development (Holdings) Co., Ltd. and its subsidiaries ("**SUD Group**"), which is accounted for using merger accounting, were included in the calculation of the number of shares from the date when the Group and SUD Group were under common control by SIHL, which is 24 June 2010.

The computation of diluted loss per share does not assume the exercise of the Company's options/warrants because the exercise price of those option/warrants was higher than the average market price for the years ended 31 December 2012 and 2011.

The computation of diluted loss per share for the year ended 31 December 2011 did not assume the conversion of the Company's outstanding convertible loan notes since their exercise would result in a decrease in loss per share for the year ended 31 December 2011.

10. INVESTMENT PROPERTIES

	2012	2011
	HK$'000	*HK$'000*
FAIR VALUE		
At 1 January	**6,168,963**	5,221,079
Subsequent expenditures	**20,369**	4,975
Transfer from inventories	**257,836**	352,402
Fair value gain on investment properties	**18,551**	453,791
Reclassified as assets classified as held-for-sale	**(301,593)**	–
Disposals	**(187,047)**	(116,575)
Exchange realignment	**51,763**	253,291
At 31 December	**6,028,842**	6,168,963

During the year ended 31 December 2012, inventories with carrying amount of approximately HK$257,836,000 (2011: HK$200,190,000) were transferred to investment properties as the management had changed the intented use of the properties upon entering into various operating leases with tenants. The properties were fair-valued by external valuers, DTZ Debenham Tie Leung Limited ("**DTZ**"), at the date of transfer by reference to net rental income allowing for reversionary income potential. No fair value gain (2011: HK$152,212,000) has been recognised directly in profit of loss.

The fair value of the Group's investment properties at 31 December 2012 have been arrived at on the basis of a valuation carried out on that date by DTZ, an independent qualified professional valuers not connected with the Group. DTZ is a member of the institute of valuer and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuations were arrived at by reference to comparable sales transactions available in the relevant market or by reference to net rental income allowing revisionary income potential prices for similar properties in the similar locations and conditions, where appropriate.

At 31 December 2012, the fair value of the investment properties reclassified as assets classified as held-for-sale is arrived at by reference to the selling price as stated in the sales and purchases agreements entered into with independent third parties during the year ended 31 December 2012.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

During the year, the Group disposed of certain investment properties, for cash proceeds of HK$187,047,000 (2011: HK$116,575,000).

The carrying value of investment properties shown above comprises:

	2012	2011
	HK$'000	*HK$'000*
Land in PRC		
Medium-term lease	**6,028,842**	6,168,963

11. INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	2012	2011
	HK$'000	*HK$'000*
Property development		
Properties under development	**30,947,763**	35,244,688
Properties held for sale	**5,352,500**	4,264,990
	36,300,263	39,509,678
Hotel operations		
Food and beverage and others	**7,888**	8,092
	36,308,151	39,517,770

All of the properties under development and completed properties held for sale are located in the PRC.

At 31 December 2012, properties under development of approximately HK$2,719,827,000 (2011: HK$3,162,344,000) and properties held for sale of approximately HK$470,352,000 (2011: HK$433,601,000) were carried at net realisable value.

At 31 December 2012, property under development of HK$20,521,915,000 (2011: HK$16,520,602,000) are not expected to be realised within one year.

12. TRADE AND OTHER RECEIVABLES

	2012	2011
	HK$'000	*HK$'000*
Trade receivables	**80,586**	35,718
Less: allowance for doubtful debts	**(829)**	(822)
	79,757	34,896
Other receivables	**291,172**	162,112
Advance payments to contractors	**23,960**	55,619
Amount due from a former subsidiary *(note)*	**628,726**	–
Sales commission deposits	**11,754**	105,208
Prepaid other taxes	**328,635**	438,655
Deposits and prepayments	**20,344**	34,431
	1,384,348	830,921

Note: The amount represents the amount due from 成都中新錦泰房地產開發有限公司 ("**Chengdu Zhongxin**"), the subsidiary disposed of during the year. The amount is interest-free, fully repayable by 30 June 2013 and secured by the shares of Leadway Pacific Limited, which holds 70% shareholding in Chengdu Zhongxin.

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

	2012	2011
	HK$'000	*HK$'000*
Within 90 days	**77,057**	26,577
Within 91–180 days	**1,591**	475
Over 180 days	**1,109**	7,844
	79,757	34,896

Majority of the trade receivables that are neither past due nor impair has no default payment history.

13. TRADE AND OTHER PAYABLES

	2012	2011
	HK$'000	*HK$'000*
Trade payables	**1,204,283**	701,915
Accrued expenditure on properties under development	**2,115,834**	2,551,053
Amounts due to former shareholders of the Company's former subsidiaries *(note (a))*	**147,524**	146,408
Compensation payables to customers in respect of late delivery of properties	**135,958**	52,817
Deposits received for the disposal of investment properties	**188,912**	–
Receipts from customers for payment of expenses on their behalf	**99,280**	111,936
Interest payable	**230,359**	186,337
Accrued charges and other payables	**696,495**	632,076
Other taxes payables *(note (b))*	**27,060**	16,100
	4,845,705	4,398,642

Notes:

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

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

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

	2012	2011
	HK$'000	*HK$'000*
Within 30 days	**386,014**	173,056
Within 31–180 days	**114,162**	103,807
Within 181–365 days	**480,932**	193,664
Over 365 days	**223,175**	231,388
	1,204,283	701,915

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

In 2012, China's property market has showed signs of recovering after coming through about three years of constriction, with property prices and transaction volume enjoying a modest rebound since the second half of the year. Despite the prolonged period of measures such as purchase restriction and higher down payment requirements for home mortgages taking a toll on the property market in the short term, they have yet to undermine the fundamentals of the market. In the view of the government's long-term goal of achieving healthy development of the property market, such measures aim to boost real housing demand and curb speculative activities. During the year, the Chinese government has lowered the benchmark interest rate twice, which have boosted liquidity in the market and paved the way for a strong market recovery in the second half of 2012.

Business Review

To cope with the rapidly changing market, the Group accelerated the sales process and cash receipt on its property projects on the basis that price cut could be avoided. To this end, the Group managed to further improve product quality, to increase brand awareness, and to implement an effective sales model. Moreover, the Group was able to bolster its operational efficiency by introducing a series of effective cost control measures, flexible cash flow management as well as to diversify its financing channels.

Property Development

During the year, the Group had a total Gross Floor Area ("**G.F.A.**") of approximately 3,434,000 sq. m. under development, of which 273,000 sq. m. were new projects. The Group had completed construction with a G.F.A. of 1,251,000 sq. m., and delivered a total G.F.A. of 1,004,000 sq. m., which included 887,000 sq. m. of commodity housing and 117,000 sq. m. of affordable housing.

Contract Sales

During the year ended 31 December 2012, the Group had contract sales of RMB6,682,000,000 (2011: RMB2,757,000,000), which represents a 142.3% increase year-on-year and higher than its target initially set in the beginning of the year. Contract sales in terms of G.F.A. were approximately 608,000 sq. m. (2011: 236,000 sq. m.), up 157.6% year-on-year. Contract sales for commodity housing increased 40.2% to RMB3,865,000,000, owing largely to the Group's effort to expand sales channels and its flexible strategy.

During the year under review, Urban Cradle located in Shanghai, CBE International Peninsula City in Xi'an, Laochengxiang in Tianjin and Top City in Chongqing were the principal projects generating sales, accounting for approximately 43%, 21%, 8% and 7% of commodity housing sales, respectively. In addition to the surge in sales, it is noteworthy that the Group achieved higher profit margin of the pre-sale projects during the year, which will enhance the Group's overall profitability.

On the other hand, the affordable housing project Shanghai Jing City recorded contract sales of G.F.A. of 281,000 sq. m., valued at RMB2,817,000,000, since its launch in July 2012.

During the year, the overall average sales price per sq. m. of all the Group's projects, including those for affordable housing, was RMB11,000 down 6.0% when compared with RMB11,700 in 2011. Excluding affordable housing, the average sales price per sq. m. was RMB11,800, an increase of 1.0%.

Financial Review

Revenue

During the year ended 31 December 2012, the Group recorded revenue of HK$8,783,000,000 (2011: HK$4,433,000,000), up 98.1% year-on-year, on the increase in property deliveries, especially in Xi'an, and additional revenue made in affordable housing. While the profit margin of affordable housing is thinner than commodity housing, the large scale of its sales and deliveries made an important contribution to the Group's revenue.

During the year, property sales were the Group's main source of revenue, accounting for 95.3% of the overall revenue. The projects that made the greatest contributions were CBE International Peninsula in Xi'an, and Urban Cradle and Jing City in Shanghai, which accounted for 32%, 22%, and 15% of the Group's property sales, respectively. Revenues from leasing, property management and services, and hotel operations recorded HK$236,000,000, HK$84,000,000 and HK$89,000,000, accounting for 2.7%, 1.0% and 1.0% respectively, with the first two business segments staying at the same level, while hotel operations dropped year-on-year on a high base of comparison in 2011 when International Horticultural Exposition was held in Xi'an boosting hotel occupancy. In percentage terms, the three business segments contributed approximately 5.3%, 1.8% and 2.8% to the Group's revenue in 2011. The decline in their respective proportion was mainly the result of the surge in property sales.

Gross Profit and Gross Profit Margin

During the year ended 31 December 2012, gross profit was HK$1,359,000,000, up 20.6% from a year earlier, due largely to surge in property deliveries that also boosted revenue growth. During the year, the Group for the first time recorded revenue from affordable housing, which by its nature has lower profit margins than commodity housing. The Group has also accelerated deliveries of its projects with lower margins, such as CBE International Peninsula in Xian, Park Avenue in Chengdu, and Laochengxiang in Tianjin, which have already been sold over the past few years. As a result, the overall gross profit margin declined to 15.5% from 25.4% in 2011.

Investment Property Revaluation

During the year ended 31 December 2012, the Group recorded a gain on property revaluation of HK$18,600,000, a sharp decline compared to HK$606,000,000 recorded in 2011. This is because a gain in fair value of Shanghai Youth City, which has since the annual year of 2011 been treated as a property investment and revaluation gains of other investment properties were booked in 2011.

Material Acquisitions and Disposal

During the year, the majority of high-yield senior note holders have approved the amendment of the terms of agreement, which allows the Group to dispose of its assets that no longer align with its long-term strategic objectives. During the year, the Group agreed to sell a subsidiary holding all of Park Avenue for RMB158,000,000, thereby generating pre-tax profits of HK$359,000,000. The asset disposal has allowed the Group to improve its liquidity and strengthen its financial position, and is critical to its strategy to focus on its main projects. Further details of the disposal are set out in the announcements of the Company dated 23 December 2012 and 27 December 2012.

Distribution and Selling Expenses

During the year ended 31 December 2012, the Group recorded distribution and selling expenses of HK$158,000,000, declining 47.8% from HK$303,000,000 in 2011, due to improvement in its sales model along with the introduction of distributors and multi-agencies. Through these measures, the Group was not only able to reduce sales and distribution expenses, but also achieved a remarkable sales performance during the year.

General and Administrative Expenses

During the year ended 31 December 2012, the Group recorded general and administrative expenses of HK$509,000,000, a decline of 11.6% from HK$576,000,000, thanks to the Group's strict cost control measures, which has effectively strengthened integration of internal resources and improved management efficiency. Not only has the cost reduction represented improvement of overall operational efficiency, but it has also demonstrated the Group's resolve to take its corporate governance standard to new heights.

Profit

During the year ended 31 December 2012, the after-tax profit was HK$33,311,000 (2011: loss of HK$565,511,000 (restated)). Loss attributable to owners of the Company was HK$190,166,000, a 68.4% decline from the loss of HK$601,668,000 in 2011, thanks to a sharp increase in revenue, one-off exceptional gains from disposal of the Chengdu project, as well as a decline in distribution and selling expenses. Basic and diluted loss per share for 2012 was 3.95 HK cents (2011: HK$12.50 HK cents) (restated).

Dividend

The board does not recommend distribution of any final dividend for the year ended 31 December 2012 (2011: Nil)

Liquidity and Capital Resources

During the year under review, the Group has further strengthened its financial position due largely to strong cash receipts from contract sales of property projects and cash generated from disposal of the Park Avenue project. In addition, the Group was committed to diversify its financing channels. Being involved in construction of affordable housing, the Group was eligible for issuing bonds with a value of RMB1,500,000,000. Moreover, the Group's shareholders SIHL and SIIC extended shareholder loans of HK$1,000,000,000 and RMB1,000,000,000, respectively, to the Group to June 2013 from June 2012 and December 2013 from December 2012 respectively. As at 31 December 2012, the net gearing ratio of the Group stood at 50.2% (2011: 55.6%) with cash and cash equivalent amounting to HK$5,249,500,000 (2011: HK$3,490,600,000). Current ratio was approximately 2.00 (2011: 1.99).

The Board of Directors believes that the Group's liquid assets, funds, and future revenue will be sufficient for supporting future expansion and current working capital requirements of the Group.

Human Resources and Remuneration Policies

As at 31 December 2012, the Group employed 1,144 employees (including Hong Kong and PRC offices). The remuneration policies for the employees of the Group are determined according to the performance, qualification and experience, and competence of the employee. The emolument of the directors of the Company is determined by the Remuneration Committee, having regard to the operating results of the Company, individual performance and comparable market statistics. Staff benefits include contributions to the Mandatory Provident Fund Schemes and discretionary bonus payments which is linked to the profitability of the Group and individual performances.

The Group had adopted a share option scheme as an incentive to directors and eligible employees. During the year ended 31 December 2012, training programs relating to work were provided to employees. Activities aiming at building up team spirit were regularly organised for employees, so as to enhance the human capital of the Group and the sense of belonging of the staff.

Land Bank

As at 31 December 2012, the Group's saleable land bank totaled 8,999,000 sq. m. in G.F.A., which are developed into 24 property projects located in 12 cities. The Group will take advantage of the competitive advantage of parent company in the Yangtze River Delta to actively seek for new projects of high quality in the region as well as within prosperous cities in coastal areas.

Outlook

Going into 2013, China's property market has continued to rebound with both sales amount and volume recording steady growth. Although the Group anticipates challenges ahead, represented in particular by the government's regulations aimed at avoiding overheating in the property market, we remain optimistic about the long-term development of that sector in China. We believe that these measures by the Chinese government could bring property prices to a healthy level, laying a solid foundation for the market to further develop in the many years to come.

In 2013, the Group has an enormous array of construction works on hand, with 13 projects covering a total G.F.A. of 2,685,000 sq. m. under construction, including four projects covering a total construction area of 319,000 sq. m..

Encouraged by the outstanding sales achievement in 2012, the Group aims to replicate the success in this year. However, with the uncertainties that lie ahead, we will adjust our strategy in a timely manner to cope with the changing operating environment.

From the long term perspective, China's urbanisation drive and rising household income will remain supportive of industry growth. As the effect of the government's measures filters through, prices are dropping to a reasonable level, inventory is gradually being absorbed by housing demand and liquidity is improving further, therefore the industry is moving towards healthy and sustainable growth in the long run.

With the support of parent SIHL and our own competitive advantage in brand development, the Group will actively take the opportunity to build on its solid presence in the Yangtze River Delta and the prosperous cities in eastern China. Going forward, the Group will concentrate on investing in projects with high profit margins and high inventory levels while seeking opportunities to divest the assets that will no longer align with our long-term strategic objectives.

Having adjusted its strategy to improve its overall businesses and formulated a clear development plan, the Group has gained a growing recognition by international investors and rating agencies. Thus, the Group is actively studying a variety of financing options within offshore capital markets for future development, with an aim to become a leader in China's property market.

ANNUAL GENERAL MEETING

It is proposed that the 2013 Annual General Meeting of the Company will be held on Thursday, 16 May 2013 (the "**2013 AGM**"). Notice of the 2013 AGM will be published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.siud.com), and despatched to the Shareholders in the manner as required by the Listing Rules in due course.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2012 (for the year ended 31 December 2011: Nil).

CLOSURE OF REGISTER OF MEMBERS

Entitlement to attend and vote at the 2013 AGM

The 2013 AGM is scheduled to be held on Thursday, 16 May 2013. For determining the entitlement to attend and vote at the 2013 AGM, the register of members of the Company will be closed from Tuesday, 14 May 2013 to Thursday, 16 May 2013, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2013 AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 13 May 2013.

CORPORATE GOVERNANCE

During the year ended 31 December 2012, the Company has complied with the provisions as set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and Corporate Governance Code (the "**Code**") (effective from 1 April 2012) as set out in Appendix 14 of the Listing Rules except for the deviations as described below:

Provisions A.2.1 of the Code

Mr. Ni Jianda, the then President of the Company, had taken up the office of the Chairman of the Board upon retirement of Mr. Cai Yu Tian, the then Chairman of the Company from 24 April 2012 until 27 April 2012 when Mr. Ji Gang was appointed as an Executive Director, Vice Chairman and the President of the Company and by then, the Company has complied with the said code provision A.2.1.

Provision A.6.7 and E.1.2 of the Code

Dr. Wong Ying Ho, Kennedy, an Independent Non-Executive Director and the Chairman of the Nomination Committee of the Company, was unable to attend the annual general meeting and special general meeting of the Company both held on Friday, 18 May 2012 as he had overseas engagements.

Further information on the Company's corporate governance practices will be set out in the Corporate Governance Report contained in the Company's annual report for the year ended 31 December 2012, which will be published and despatched to the Shareholders in the manner as required by the Listing Rules in due course.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The Audit Committee currently consists of four independent non-executive directors, namely Mr. Doo Wai-Hoi, William, Dr. Wong Ying Ho, Kennedy, Mr. Fan Ren Da, Anthony and Mr. Li Ka Fai, David (Chairman of the Committee), has reviewed the audited financial statements of the Company for the year ended 31 December 2012 and discussed with the management and the auditors of the Company on the accounting principles and practices adopted by the Group and internal control and financial reporting matters.

SHARE CAPITAL

The Company's issued and fully paid share capital as at 31 December 2012 amounted to approximately HK$192,460,927.56 divided into 4,811,523,189 ordinary shares of HK$0.04 each.

The 2012 Warrant at subscription price of HK$6.72 per Share (subject to adjustment) which has expired at 4:00 p.m. (Hong Kong time) on Sunday, 22 July 2012.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this announcement, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Company's directors.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2012.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct regarding dealings in the securities of the Company by the directors and the relevant employees (who are likely to be in possession of unpublished price-sensitive information and/or inside information relating to the Company or its securities) (the "**Guidelines for Securities Transactions by Relevant Employees**") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of the Company's directors, all the directors confirmed that they have complied with the required standards set out in the Model Code for the year ended 31 December 2012.

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 for the year ended 31 December 2012.

CHANGE IN INFORMATION ON DIRECTORS

Pursuant to Rule 13.15B(1) of the Listing Rules, changes in information of directors of the Company are set out as follows:

(A) Mr. Zhou Jun, an Executive Director of the Company, was appointed as the Executive Director and Vice Chairman from Non-Executive Director of SIIC Environment Holdings Ltd (stock code: 5GB), a company listed on the Singapore Stock Exchange, with effective from 5 March 2012, and as Executive Chairman and Director from Executive Director and Vice Chairman of SIIC Environment Holdings Ltd, with effective from 4 May 2012.

(B) Mr. Fan Ren Da, Anthony, an Independent Non-executive Director of the Company, resigned as Independent Director of 深圳世聯地產顧問股份有限公司, a company listed on Shenzhen Stock Exchange with stock code:002285, with effective from 12 July 2012.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.siud.com). The annual report of the Company for the year ended 31 December 2012 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and published on the above websites in due course.

APPRECIATION

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

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

Hong Kong, 22 March 2013

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