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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board of directors (the "**Board**") of Shanghai Industrial Urban Development Group Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2019 (the "**Period**"), together with the comparative figures for the corresponding period in 2018, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2019

		Six months ended 30 June	
		2019	2018
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue			
Goods and services		**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	*8*	**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		**—**	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 investments at fair value through other comprehensive income, net of tax		**15,693**	(18,740)
Total comprehensive income for the period		**775,496**	294,084

	NOTE	Six months ended 30 June 2019 HK$'000 (unaudited)	2018 HK$'000 (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	9	**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	9	**528,012**	490,016
Amounts due from related companies		—	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	10	**5,241,094**	5,240,804
Amounts due to related companies		**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	11	**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	*10*	**5,060**	159,751
Amounts due to related companies		**227,842**	—
Bank and other borrowings	*11*	**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	*12*	**192,439**	192,439
Reserves		**12,985,567**	12,868,253
Equity contributable 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

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 ("**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.

2.1 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.

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, sale and leaseback transactions entered into before the date of initial application were not 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, if any, 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 applied 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) applied 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) used 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 recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid lease payments by applying HKFRS 16.C8(b)(ii) transition.

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 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

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

	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	203,610
Reclassified from deferred revenue	(196,436)
	254,148

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 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, effective on 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 had no material impact on the condensed consolidated financial statements, and, thus, no adjustment was 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.

3. 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 People's Republic of China (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 under properties under development for sale	**(229,649)**	(168,299)
	314,501	359,452

5. INCOME TAX

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax		
— PRC Enterprise Income Tax	**499,848**	336,689
— PRC Land Appreciation Tax	**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	**—**	14,767
	1,168,553	1,038,702
Deferred tax	**(307,054)**	(74,305)
	861,499	964,397

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 an independent qualified professional valuer not connected to the Group. 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) has been 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 acquires 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$527,661,000) 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. 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	**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	**18,524**	18,515
Prepayment for acquisition of land parcels	**739,752**	667,616
	758,276	686,131

	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

10. TRADE AND OTHER PAYABLES AND DEFERRED REVENUE

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
	(unaudited)	(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	**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	**543,303**	543,055
Provision for compensation expense in relation to settlement of a legal case	**117,933**	117,879
Deposit received for disposal of a subsidiary	**217,703**	217,604
Deferred revenue	**—**	41,977
Accrued charges and other payables	**449,847**	567,554
Other taxes payables	**71,138**	140,446
	5,241,094	5,240,804
Deferred revenue recognised as non-current liabilities:		
Deferred revenue	**5,060**	159,751

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
	(unaudited)	(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

11. BANK AND OTHER BORROWINGS

During the six months ended 30 June 2019, the Group obtained new bank and other borrowings of approximately RMB2,912,666,000 (equivalent to approximately HK$3,366,855,000) (six months ended 30 June 2018: approximately RMB1,061,303,000 (equivalent to approximately HK$1,257,915,000)). As at 30 June 2019, the bank 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 approximately RMB384,994,000 (equivalent to approximately HK773,113,000) (six months ended 30 June 2018: approximately RMB650,600,000 (equivalent to approximately HK$800,640,000)).

12. 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

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, "悅麓", 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.

INTERIM DIVIDEND

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).

SHARE CAPITAL

The Company's issued and fully paid share capital as at 30 June 2019 amounted to HK$192,438,927.56 divided into 4,810,973,189 ordinary shares of HK$0.04 each.

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 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.

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.

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

This results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.siud.com). The interim report of the Company for the six months ended 30 June 2019 containing all the applicable information required by the Listing Rules will be despatched to the Shareholders as well as published on the above websites in due course.

APPRECIATION

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

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

Hong Kong, 28 August 2019

As at the date of this announcement, the Board of the Company comprises Mr. Zeng Ming, Mr. Zhou Xiong, Mr. Lou Jun, Mr. Fei Zuoxiang, Mr. Ye Weiqi, Ms. Huang Fei and Mr. Zhong Tao as executive directors and Mr. Doo Wai-Hoi, William, J.P., Mr. Fan Ren Da, Anthony, Mr. Li Ka Fai, David and Mr. Qiao Zhigang as independent non-executive directors.