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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 2019

The board of directors (the “**Board**”) of Shanghai Industrial Urban Development Group Limited (the “**Company**”) is pleased to announce that the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2019, together with the comparative figures for the year ended 31 December 2018, as follows:

FINANCIAL HIGHLIGHT	For the year ended 31 December		Change
	2019	2018	
Financial Highlights (HK\$'000)			
Revenue	8,583,906	6,977,683	23.0%
Gross profit	3,676,392	3,380,865	8.7%
Gross profit margin	42.8%	48.5%	-5.7 points
Profit attributable to owners of the company	600,292	573,074	4.8%
Financial Information per share (HK cents)			
Profit			
— Basic and Diluted	12.48	11.91	4.8%
Proposed Dividend/Dividend paid			
— Final dividend (HK cents)	1.8	1.8	—
— Special dividend (HK cents)	2.3	2.3	—
	4.1	4.1	—
	As at 31 December		
	2019	2018	
Net asset value attributable to owners of the Company per share (HK\$)	2.76	2.71	1.9%
Financial Ratios			
Net debt to total equity (%) (note)	29.1%	26.4%	

Note: Net debt = total borrowings (including bank and other borrowings) less bank balances and cash and restricted and pledged bank deposits.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2019

		2019	2018
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue			
Goods and services	4	7,833,886	6,274,014
Leases		<u>750,020</u>	<u>703,669</u>
Total revenue		8,583,906	6,977,683
Cost of sales		<u>(4,907,514)</u>	<u>(3,596,818)</u>
Gross profit		3,676,392	3,380,865
Other income	6	192,252	842,885
Other expenses, gains and losses, net	7	(16,095)	(13,667)
Fair value gain (loss) on investment properties, net	13	210,191	(176,447)
Distribution and selling expenses		(254,730)	(321,707)
General and administrative expenses		(341,464)	(385,812)
Gains on disposal of subsidiaries		—	234,712
Finance costs	8	(728,561)	(743,301)
Share of results of associates		<u>7,146</u>	<u>6,859</u>
Profit before tax		2,745,131	2,824,387
Income tax	9	<u>(1,525,433)</u>	<u>(1,554,640)</u>
Profit for the year	10	<u>1,219,698</u>	<u>1,269,747</u>
Other comprehensive income (expense) for the year			
Items that will not be reclassified to profit or loss:			
Exchange differences on translation from functional currency to presentation currency		(355,064)	(1,256,914)
Fair value gain (loss) on equity instruments at fair value through other comprehensive income, net of tax		5,687	(43,079)
Fair value loss on revaluation of properties, net of tax		<u>(13,813)</u>	<u>—</u>
Other comprehensive expense for the year		<u>(363,190)</u>	<u>(1,299,993)</u>
Total comprehensive income (expense) for the year		<u>856,508</u>	<u>(30,246)</u>

	<i>NOTE</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit for the year attributable to:			
Owners of the Company		600,292	573,074
Non-controlling interests		619,406	696,673
		<u>1,219,698</u>	<u>1,269,747</u>
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		391,032	(187,485)
Non-controlling interests		465,476	157,239
		<u>856,508</u>	<u>(30,246)</u>
Earnings per share			
Basic (HK cents)	<i>11</i>	<u>12.48</u>	<u>11.91</u>
Diluted (HK cents)	<i>11</i>	<u>12.48</u>	<u>11.91</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2019

	<i>NOTES</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Non-current assets			
Investment properties	<i>13</i>	14,803,258	12,002,506
Property, plant and equipment		2,105,869	2,160,650
Right-of-use assets		246,768	—
Prepaid lease payments		—	198,926
Intangible assets		57,047	57,980
Interests in associates		1,241,434	1,260,780
Interests in joint ventures		615,213	626,281
Equity instruments at fair value through other comprehensive income		160,208	169,599
Pledged bank deposits		176,749	16,566
Other receivables and prepayment	<i>15</i>	735,302	686,131
Deferred tax assets		394,706	282,089
		<u>20,536,554</u>	<u>17,461,508</u>
Current assets			
Inventories		2,497	3,385
Properties under development for sale and properties held-for-sale	<i>14</i>	28,952,836	31,071,993
Trade and other receivables	<i>15</i>	674,933	490,016
Amounts due from related companies		336,499	305,472
Prepaid lease payments		—	4,684
Prepaid income tax and land appreciation tax		320,841	439,144
Financial assets at fair value through profit or loss		3,342	2,805
Restricted and pledged bank deposits		504,740	83,442
Bank balances and cash		9,111,782	9,127,828
		<u>39,907,470</u>	<u>41,528,769</u>

	<i>NOTE</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current liabilities			
Trade and other payables	<i>16</i>	5,900,740	5,240,804
Amounts due to related companies		689,723	896,787
Consideration payables for acquisition of subsidiaries		—	68,322
Pre-sale proceeds received on sales of properties		6,004,601	6,537,268
Bank and other borrowings		5,426,344	2,820,495
Lease liabilities		67,385	—
Income tax and land appreciation tax payables		2,840,367	2,655,058
Dividend payable		14,169	12,107
Dividend payable to non-controlling shareholders		284,081	170,803
		<u>21,227,410</u>	<u>18,401,644</u>
Net current assets		<u>18,680,060</u>	<u>23,127,125</u>
Total assets less current liabilities		<u>39,216,614</u>	<u>40,588,633</u>
Non-current liabilities			
Deferred revenue		4,853	159,751
Amounts due to related companies		285,508	—
Bank and other borrowings		11,285,958	12,575,025
Lease liabilities		161,201	—
Deferred tax liabilities		3,697,468	4,478,051
		<u>15,434,988</u>	<u>17,212,827</u>
		<u>23,781,626</u>	<u>23,375,806</u>
Capital and reserves			
Share capital		192,253	192,439
Reserves		13,057,300	12,868,253
Equity contributable to owners of the Company		13,249,553	13,060,692
Non-controlling interests		10,532,073	10,315,114
		<u>23,781,626</u>	<u>23,375,806</u>

NOTES

FOR THE YEAR ENDED 31 DECEMBER 2019

1. GENERAL

The Company is a public limited company incorporated in Bermuda under the Companies Act 1981 of Bermuda (as amended) as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Its immediate holding company is S.I. Smart Charmer Limited (a private limited company incorporated in British Virgin Islands), its intermediate holding company 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 (a private limited company also incorporated in Hong Kong).

The principal activities of the Group are residential and commercial properties development, property investment and hotel operations in the PRC.

The consolidated financial information is 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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

New and Amendments to HKFRSs and an Interpretation that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs and an interpretation issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time in the current year:

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 an interpretation in the current year has had no material impact on the Group’s financial position and performance for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

HKFRS 16 “Leases”

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 “Leases” (“**HKAS 17**”), and the related interpretations.

Definition of a lease

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

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

Sales and leaseback transactions

The Group acts as a seller-lessee

In accordance with the transition provisions of HKFRS 16, sales and leaseback transactions entered into before the date of initial application 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 consolidated statement of financial position immediately before the date of initial application. Upon application of HKFRS 16, the Group applies the requirements of HKFRS 15 to assess whether sales and leaseback transaction constitutes a sale.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

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 prepaid lease payments and deferred gains that relate to off-market terms of sales and leaseback transactions by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group 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 rate for certain leases of properties in the People’s Republic of China (“**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.

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

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

	Right-of-use assets <i>HK\$'000</i>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	246,974
Add: Reclassified from prepaid lease payments	203,610
Less: Reclassified from deferred revenue	<u>(196,436)</u>
	<u><u>254,148</u></u>

Effective from 1 January 2019, leasehold land which were classified as properties under development for sale and properties held-for-sale are measured under HKFRS 16 at cost less any accumulated depreciation and any impairment losses.

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 commenced 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 Group's consolidated statement of financial position as at 1 January 2019. However, starting from 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.
- (b) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases, to which HKAS 17 applied, under other payables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. In the opinion of the directors of the Company, the discounting on such refundable rental deposits received has had no material impact on the 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 "Revenue from Contracts with Customers" ("HKFRS 15") to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁴

¹ Effective for annual periods beginning on or after 1 January 2021.

² Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, "the Amendments to References to the Conceptual Framework in HKFRS Standards", will be effective for annual periods beginning on or after 1 January 2020.

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of “obscuring” material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from “could influence” to “could reasonably be expected to influence”; and
- include the use of the phrase “primary users” rather than simply referring to “users” which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group’s annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the “New Framework”) and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

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 of Hong Kong Limited (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain 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 and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

4. REVENUE FROM GOODS AND SERVICES

Disaggregation of revenue from contracts with customers:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Types of goods or services		
Sales of properties	7,536,760	5,966,198
Hotel operations	290,232	295,653
Property management	6,894	12,163
	<hr/>	<hr/>
Total	<u>7,833,886</u>	<u>6,274,014</u>

All the revenue of the Group generated from contracts with customers are originated in the PRC.

5. SEGMENT INFORMATION

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

The Group’s operations are located in the PRC. All revenue and non-current assets, except for certain property and equipment, of the Group are generated from and located in the PRC. No revenue from a single customer contributed 10% or more of the Group’s revenue for the years ended 31 December 2019 and 2018.

6. OTHER INCOME

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interest income on bank deposits	152,430	249,889
Gains on land resumption	—	538,579
Other interest income	3,227	2,897
Rental income from property, plant and equipment	3,564	3,524
Dividend income from equity instruments at fair value through other comprehensive income	19,049	653
Income from marketing and exhibition activities	2,149	1,504
Government grants	9,159	14,256
Others	2,674	31,583
	<u>192,252</u>	<u>842,885</u>

7. OTHER EXPENSES, GAINS AND LOSSES, NET

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Net exchange (loss) gain	(6,339)	5,252
Fair value of financial assets at fair value through profit or loss, net	596	(541)
Gains on disposal of property, plant and equipment	788	664
Others	(11,140)	(19,042)
	<u>(16,095)</u>	<u>(13,667)</u>

8. FINANCE COSTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interests on bank and other borrowings	1,213,754	1,207,106
Interests on lease liabilities	<u>2,164</u>	<u>—</u>
Total finance costs	1,215,918	1,207,106
Less: Amount capitalised into properties under development for sale	<u>(487,357)</u>	<u>(463,805)</u>
	<u><u>728,561</u></u>	<u><u>743,301</u></u>

9. INCOME TAX

Income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current tax:		
PRC Enterprise Income Tax (“EIT”)	976,087	809,528
PRC Land Appreciation Tax	1,357,185	939,611
PRC withholding tax on dividend income	32,637	27,251
Capital gains tax on disposal of PRC entities by a non-resident company	<u>—</u>	<u>14,218</u>
	<u>2,365,909</u>	<u>1,790,608</u>
(Over)underprovision in prior years:		
PRC EIT and PRC withholding tax on dividend income	<u>(7,387)</u>	<u>9,157</u>
Deferred tax	<u>(833,089)</u>	<u>(245,125)</u>
Income tax for the year	<u><u>1,525,433</u></u>	<u><u>1,554,640</u></u>

10. PROFIT FOR THE YEAR

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit for the year has been arrived at after charging (crediting):		
Depreciation for property, plant and equipment	139,699	130,029
Less: Depreciation capitalised into properties under development for sale	<u>(1,239)</u>	<u>(3,156)</u>
	138,460	126,873
Depreciation of right-of-use assets	40,603	—
Amortisation of prepaid lease payments	<u>—</u>	<u>6,559</u>
Total depreciation and amortisation	179,063	133,432
Gross rental income from investment properties	(750,020)	(703,669)
Less: Direct operating expenses incurred for investment properties that generated rental income during the year	<u>264,143</u>	<u>240,209</u>
	<u>(485,877)</u>	<u>(463,460)</u>
Directors' remuneration	10,784	10,601
Other staff costs		
Salaries, wages and other benefits	270,438	241,580
Retirement benefit scheme contributions	<u>34,335</u>	<u>42,881</u>
Total staff costs	315,557	295,062
Less: Staff costs capitalised into properties under development for sale	<u>(82,985)</u>	<u>(47,371)</u>
	<u>232,572</u>	<u>247,691</u>
Auditors' remuneration	6,616	6,398
Cost of properties held-for-sale recognised as an expense	3,774,585	3,472,008
Cost of inventories for hotel operations recognised as an expense	21,606	22,566
Share of tax of associates (included in share of results of associates)	<u>2,197</u>	<u>2,295</u>

11. EARNINGS PER SHARE

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Earnings		
Earnings for the purposes of calculating basic and diluted earnings per share:		
Profit for the year attributable to owners of the Company	<u>600,292</u>	<u>573,074</u>
	2019 <i>'000</i>	2018 <i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purposes of calculating basic and diluted earnings per share	<u>4,809,596</u>	<u>4,810,973</u>

The computation of diluted earnings per share in both years 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 years.

12. DIVIDENDS

A final dividend and a special dividend of HK1.8 cents per ordinary share and HK2.3 cents per ordinary share respectively in respect of the year ended 31 December 2018, in an aggregate amount of approximately HK\$197,250,000, were declared and an amount of approximately HK\$195,188,000 was paid during the year ended 31 December 2019.

Subsequent to the end of the reporting period, a final dividend and a special dividend of HK1.8 cents per ordinary share and HK2.3 cents per ordinary share respectively in respect of the year ended 31 December 2019 have been proposed by the directors of the Company and is subject to approval by the shareholders at the forthcoming annual general meeting.

13. INVESTMENT PROPERTIES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
FAIR VALUE		
At 1 January	12,002,506	14,946,610
Subsequent expenditure	53,341	223,944
Acquisition	517,845	—
Addition under sublease arrangement of leased properties	7,383	—
Fair value gain (loss) on investment properties, net	210,191	(176,447)
Carved-out	—	(14,253)
Transfer to inventories	—	(2,290,284)
Transfer from inventories	2,235,045	—
Exchange realignment	<u>(223,053)</u>	<u>(687,064)</u>
At 31 December	<u>14,803,258</u>	<u>12,002,506</u>
Unrealised gains (losses) on revaluation of investment properties included in profit or loss for the year	<u>210,191</u>	<u>(176,447)</u>

The carrying value of investment properties shown above comprises completed properties which are situated on land in the PRC.

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.

14. PROPERTIES UNDER DEVELOPMENT FOR SALE AND PROPERTIES HELD-FOR-SALE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Property development		
Properties under development for sale	22,319,212	22,211,298
Properties held-for-sale	<u>6,633,624</u>	<u>8,860,695</u>
	<u>28,952,836</u>	<u>31,071,993</u>

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

15. TRADE AND OTHER RECEIVABLES AND PREPAYMENT

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Other receivables and prepayment recognised as non-current assets		
Loan receivables	9,239	18,515
Prepayment for acquisition of land parcels	<u>726,063</u>	<u>667,616</u>
	<u>735,302</u>	<u>686,131</u>
Trade and other receivables recognised as current assets		
Trade receivables		
— Contracts with customers	2,236	7,150
— Lease receivables	<u>14,019</u>	<u>12,496</u>
	16,255	19,646
Less: Loss allowance	<u>(271)</u>	<u>(737)</u>
	15,984	18,909
Other receivables	226,832	207,938
Advance payments to contractors	26,173	70,467
Prepaid other taxes	364,719	180,939
Deposits and prepayments	<u>41,225</u>	<u>11,763</u>
	<u>674,933</u>	<u>490,016</u>

The Group allows an average credit period of 90 days to its corporate hotel customers and generally grants no credit period to property buyers and tenants unless it is specifically approved.

The following is an ageing analysis of trade receivables, net of loss allowance, presented based on the date of billing at the end of the reporting period:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 90 days	1,348	18,552
Within 91–180 days	1,138	357
Over 180 days	<u>13,498</u>	<u>—</u>
	<u>15,984</u>	<u>18,909</u>

16. TRADE AND OTHER PAYABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade and other payables recognised as current liabilities		
Trade payables	1,236,195	729,566
Bills payables	632,627	—
Accrued expenditure on properties under development for sale	2,595,930	2,464,448
Amounts due to former shareholders of the Company's former subsidiaries	158,364	160,831
Rental deposits and receipt in advance from tenants	239,239	202,945
Interest payable	90,924	54,499
Payables to the Shanghai government department	197,887	543,055
Provision for compensation expense in relation to settlement of a legal case	—	117,879
Deposit received for disposal of a subsidiary	213,758	217,604
Deferred revenue	—	41,977
Accrued charges and other payables	459,012	567,554
Other taxes payables	76,804	140,446
	<u>5,900,740</u>	<u>5,240,804</u>

The following is an ageing analysis of the Group's trade and bills payables presented based on the invoice date at the end of the reporting period:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 30 days	805,946	—
Within 31–180 days	631,708	315,839
Within 181–365 days	276,219	21,752
Over 365 days	154,949	391,975
	<u>1,868,822</u>	<u>729,566</u>

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY MARKET REVIEW

In 2019, China's property market recorded a growth in overall sales. Housing prices began with a quick rise, and then went down slowly after staying steady for a while. But the overall transaction prices generally remained stable. Under the "City-based Policy", China's property market further polarised: housing prices in first- and second-tier key cities remained stable whereas the sales in third- and fourth-tier cities were under pressure. Additionally, owing to the frequent introduction of a number of market stabilisation policies and tightening of financing channels, many property developers saw a drop in average sales prices, and tended to lower prices to increase the sales volume. Property developers with low gearing ratios and persist in diversified development can still excel and keep up their robust development under the challenging market environment.

BUSINESS REVIEW

Overview

In 2019, the Group continued to capitalise on its key development projects and strategic advantages in first- and second-tier cities. The outstanding sales performance of flagship projects, including Urban Cradle in Shanghai, Jade Villa in Shanghai and Originally in Xi'an, was the Group's main contributor of revenue and brought in loads of stable profits for SIUD. During the period, the Group paid continuous effort to further develop its investment property operation and refine the investment and operation of commercial assets in core urban areas. The overall rental income from main investment properties increased gradually. In November 2019, a construction contract was entered into for the Caohejing project, which was the Group's first residential leasing project with a total G.F.A. of approximately 66,134 sq.m. The project will bring steady rental income for the Group in the long run and allow the Group to explore a new business form in Shanghai, in response to the national housing system of "encouraging both house purchase and rental". In December 2019, the Group acquired a premium land parcel in Zhifu District, Yantai, Shandong Province for a total consideration of RMB619 million. This marked the first step of the Group to formally enter into Yantai, which is named the most livable city in China for a number of consecutive years.

Contract Sales

During the year ended 31 December 2019, the Group recorded contract sales of RMB7,687,720,000 (2018: RMB5,149,000,000) from both commodity housing and affordable housing.

The contract sales from commodity housing of the Group amounted to RMB6,179,920,000 (2018: RMB5,149,000,000), contract sales in terms of G.F.A. were 165,000 sq.m. during 2019, down 31% year-on-year. The average selling price rose to approximately RMB37,500 per sq.m. mainly because of the timely and orderly project launching strategy, which allowed the Group to fully realise the value of its projects. In 2019, West Diaoyutai • Emperor Seal in Beijing, Jade Villa in Shanghai, Urban Cradle in Shanghai and Originally in Xi'an were the Group's principal projects for sale, which accounted for approximately 30.8%, 25.7%, 24.0% and 15.8% of the total contract sales during the year.

Contract sales from affordable housing, Shanghai Baoxu, was RMB1,507,800,000 whereas the contract sales in terms of G.F.A. was 98,000 sq.m..

Land Bank

In December 2019, the Group acquired a premium land parcel in Zhifu District, Yantai, Shandong Province for a total consideration of RMB619 million. The land parcel is expected to be used for creating a new city featured with healthcare and cultural and educational tourism. This marked the first step of the Group to formally enter into Yantai, which is named the most livable city in China for a number of consecutive years.

As at 31 December 2019, the Group's land bank was developed into 26 property projects located in 11 major cities in China, including Shanghai, Beijing, Tianjin, Xi'an, Chongqing, Kunshan, Wuxi, Shenyang, Yantai, Changsha and Shenzhen, and comprised medium to high class residential and commercial properties, most of which were completed or still under development. The Group has a land bank with a future saleable planned G.F.A. of approximately 3,777,000 sq.m. to support its development plan for the next three to five years.

Property Development

During the year ended 31 December 2019, the Group had 14 projects with a total G.F.A. of 3,186,000 sq.m. under construction, which primarily included TODTOWN in Shanghai, Originally in Xi'an, Binjiang U Center and Shangtou Baoxu. The floor space started of the Group was 888,000 sq.m., which mainly came from Originally in Xi'an and TODTOWN. The Group delivered a total G.F.A. of 244,500 sq.m., which mainly comprised Urban Cradle in Shanghai, Jade Villa in Shanghai and Originally in Xi'an.

Many of the Group's residential projects rolled out new housing units for sale, and the transaction volume and prices were steady. In particular, West Diaoyutai • Emperor Seal in Beijing achieved impressive sales performance at an average selling price of more than RMB120,000 per sq.m., which was a record high for new properties in Beijing. The project was the biggest sales contributor for the Group. The Courtyard Villa in Shanghai also obtained good pre-sale prices with careful timing of project launch.

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

In 2020, several projects, including West Diaoyutai • Emperor Seal in Beijing, Urban Cradle in Shanghai, Courtyard Villa in Shanghai and Originally in Xi'an, will continue to bring in steady sales and cash flows for the Group. Meanwhile, the sufficient inventory will also allow the Group to respond flexibly to the ups and downs of the property market and realise the value of its properties at optimal prices in response to the ever-changing market conditions.

Investment Properties

For the year ended 31 December 2019, the Group had several completed commercial projects in 7 major developed cities, including Shanghai, Beijing, Tianjin, Chongqing, Shenyang, Kunshan and Shenzhen. The investment properties held by the Group had a total G.F.A. of approximately 756,000 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 year, the overall rental income of the Group increased 6.6% year-on-year to HK\$750,020,000 (2018: HK\$703,669,000), mainly attributable to the rise in the overall letting rate and average unit rental of its projects.

Under the policy of dual focus on leasing and sale, the Group continued to promote its residential leasing operation. In November 2019, a construction contract was entered into for the Caohejing project, which was the Group's first residential leasing project with a total G.F.A. of approximately 66,134 sq.m. The project will bring steady rental income for the Group in the long run and allow the Group to explore a new business form in Shanghai.

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2019, the Group's revenue increased by 23.0% year-on-year to HK\$8,583,906,000 (2018: HK\$6,977,683,000), primarily due to the timely and orderly project launching strategy, which allowed the Group to fully realise the value of its projects. During the year, property sales remained as the Group's main source of revenue and amounted to HK\$7,536,760,000 (2018: HK\$5,966,198,000), accounting for 87.8% (2018: 85.5%) of the Group's total revenue. The revenue contribution from Urban Cradle in Shanghai, Originally in Xi'an and Jade Villa in Shanghai accounted for 51.4%, 20.7%, and 18% 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\$750,020,000, HK\$6,894,000 and HK\$290,232,000 (2018: HK\$703,669,000, HK\$12,163,000 and HK\$295,653,000) respectively and accounting for 8.7%, 0.1% and 3.4% (2018: 10.1%, 0.2% and 4.2%) of the total revenue, respectively.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2019, the Group's gross profit amounted to HK\$3,676,392,000 (2018: HK\$3,380,865,000), representing an increase of 8.7% compared with that of the same period in last year. Gross profit margin was 42.8%, down by 5.7 percentage points as compared to that of the same period last year, mainly because most of the residential projects completed and delivered by the Group were relatively low margin projects during the year.

Investment Property Revaluation

For the year ended 31 December 2019, the Group recorded a net gain on revaluation of investment properties of approximately HK\$210,191,000 (2018: net loss of HK\$176,447,000), which was mainly attributable to the ShanghaiMart.

Distribution and Selling Expenses

For the year ended 31 December 2019, the Group's distribution and selling expenses dropped 20.8% year-on-year to HK\$254,730,000 (2018: HK\$321,707,000), which was mainly attributable to the decrease in marketing and promotion expenses for the launch of new projects during the year.

General and Administrative Expenses

For the year ended 31 December 2019, the Group's general and administrative expenses decreased by 11.5% to HK\$341,464,000 (2018: HK\$385,812,000), which was mainly attributable to the decrease in preliminary expenses for new projects and the continuous efforts in stringent implementation of cost control measures which proved to be effective during the year.

Other Expenses, Gains and Losses, Net

For the year ended 31 December 2019, the Group recorded a net loss of approximately HK\$16,095,000 in other expenses, gains and losses (2018: HK\$13,667,000). The changes were mainly due to the devaluation of Renminbi on foreign currency denominated other borrowings during the year.

Profit

During the year ended 31 December 2019, the Group's profit decreased by 3.9% year-on-year to HK\$1,219,698,000 (2018: HK\$1,269,747,000). Profit attributable to owners of the Company was approximately HK\$600,292,000 (2018: HK\$573,074,000). The basic and diluted earnings per share amounted to 12.48 HK cents (2018: basic and diluted earnings per share of 11.91 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 31 December 2019, bank balances and cash of the Group were HK\$9,111,782,000 (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 29.1%. Current ratio dropped to 1.9 times (31 December 2018: 2.3 times).

As at 31 December 2019, the total borrowings of the Group including bank borrowings and other borrowings (including advanced bonds, medium term notes and borrowings from a subsidiary of SIHL) amounted to approximately HK\$16,712,302,000 (2018: HK\$15,395,520,000).

The Group maintained sufficient cash balance during the year. 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 year, most of the Group's revenue and operating costs were denominated in Renminbi. Except for the bank deposits and other borrowings 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 31 December 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 31 December 2019, the Group employed 782 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 year ended 31 December 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.

OUTLOOK

In 2020, the global economy is still under the threat of a number of risk factors. For instance, the uncertainty in the China-US trade conflict, hard Brexit, oil prices and uncertain geopolitical risks in different countries will also pose greater risk to the global economic growth momentum. The signing of the first-phase trade accord between China and the United States can contribute to the stable growth in global economy and trading. Meanwhile, with the global economic slowdown and the situation of COVID-19 outbreak, major developed economies and developing countries will turn to an easing monetary policy, which is beneficial to the steady rebound of the global economy. The Chinese economy will still be faced with many internal and external challenges. Although the outbreak of COVID-19 at the beginning of 2020 will have short-term impact on the Chinese economy, the situation has been basically under control with the effective control measures adopted by the Chinese government. According to the estimate of the Group, though the expected progress of contract sales and construction will be affected by the outbreak, we can still recover the contract sales for the first half of 2020 and eliminate the impact of the outbreak by speeding up in sales given the fact that the first quarter is normally the off-peak season for the property market and the Group does not have any projects in Hubei Province. The austerity measures imposed on the property market will adhere to the principle that “houses are built to be inhabited, not for speculation”, and more concrete “City-based Policy” will be implemented step by step in order to achieve the goals of “stabilizing land premiums, property prices and market expectations”. A stable policy is believed to be more beneficial for a company with high quality assets and expectable growth to realise its value.

Looking ahead, the Group will dedicate its efforts to the development of medium to high end residential properties while developing the investment and operation of commercial assets in core urban areas in a pragmatic and prudent manner, with a view to maintaining its market strengths. In particular, the villa projects in Beijing and Shanghai will bring steady revenue growth and lay a solid foundation for the high-quality development of the Group. By capitalising on its years of development experience and its robust diversified development strategy, SIUD hopes to create greater investment value for the shareholders.

ANNUAL GENERAL MEETING

It is proposed that the 2020 annual general meeting of the Company will be held on Monday, 18 May 2020 (the “**2020 AGM**”). Notice of the 2020 AGM will be published on the websites of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (www.hkex.com.hk) and the Company (www.siud.com) and despatched to the shareholders of the Company (the “**Shareholders**”) in the manner as required by the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange in due course.

FINAL DIVIDEND AND SPECIAL DIVIDEND

The Board recommends the payment of a final dividend of 1.8 HK cents per share in cash and a special dividend of 2.3 HK cents per share in cash for the year ended 31 December 2019 (for the year ended 31 December 2018: final dividend of 1.8 HK cents per share in cash and special dividend of 2.3 HK cents per share in cash) to Shareholders whose names appear on the register of members of the Company at the close of business on Friday, 29 May 2020, subject to approval by the Shareholders at the 2020 AGM. It is expected that the final dividend and special dividend warrants will be despatched to those entitled Shareholders on or around Tuesday, 23 June 2020.

CLOSURE OF REGISTER OF MEMBERS

Entitlement to attend and vote at the 2020 AGM

The 2020 AGM is scheduled to be held on Monday, 18 May 2020. For determining the entitlement to attend and vote at the 2020 AGM, the register of members of the Company will be closed from Wednesday, 13 May 2020 to Monday, 18 May 2020, 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 2020 AGM, unregistered holders of shares of the Company should ensure that all duly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30p.m. on Tuesday, 12 May 2020.

Entitlement to receive the proposed final and special dividend

For determining the entitlement of the Shareholders to receive the proposed final and special dividend, the Company's register of members will be closed from Wednesday, 27 May 2020 to Friday, 29 May 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final and special dividend (subject to Shareholders' approval at the 2020 AGM), all duly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30p.m. on Tuesday, 26 May 2020.

CORPORATE GOVERNANCE

During the year ended 31 December 2019, the Company has complied with the code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules.

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 2019, 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 of the Company currently comprising 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, has reviewed the audited financial statements of the Group for the year ended 31 December 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; and financial reporting matters.

SHARE CAPITAL

The Company's issued and fully paid share capital as at 31 December 2019 amounted to HK\$192,252,927.56 divided into 4,806,323,189 ordinary shares of HK\$0.04 each.

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.

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 Directors.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Repurchase of Shares

During the year ended 31 December 2019, the Company repurchased a total of 4,650,000 ordinary shares of the Company of HK\$0.04 each on the Stock Exchange at an aggregate purchase price of HK\$4,916,995.17. Details of the repurchase of such ordinary shares were as follows:

Date of repurchase	Number of ordinary shares repurchased	Price per ordinary share		Aggregate purchase price HK\$
		Highest HK\$	Lowest HK\$	
30 August 2019	2,200,000	1.1215	1.1215	2,467,300.00
26 September 2019	1,000,000	1.02	1.00	1,008,800.00
27 September 2019	1,150,000	1.00	0.97	1,131,255.00
3 October 2019	300,000	0.99	0.99	297,000.00
Total	<u>4,650,000</u>			<u>4,904,355.00</u>
	Total expenses on shares repurchased			<u>12,640.17</u>
			Total	<u>4,916,995.17</u>

All of the above-mentioned repurchased ordinary shares were cancelled on 30 October 2019 and 27 December 2019 respectively. The issued share capital of the Company was accordingly reduced by the par value of the repurchased ordinary shares so cancelled. The above repurchase was effected by the Directors pursuant to the repurchase mandate granted at the annual general meeting of the Company held on 22 May 2019.

Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the year ended 31 December 2019.

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 year ended 31 December 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 year ended 31 December 2019.

CHANGES IN INFORMATION OF DIRECTORS

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

- (a) Ms. Huang Fei retired as an executive Director and vice president of the Company with effect from 1 September 2019; and
- (b) Mr. Li Ka Fai, David, an independent non-executive director of the Company, was appointed as an independent non-executive director, the chairman of the audit committee and the remuneration committee and a member of the nomination committee of CR Construction Group Holdings Limited, a company listed on the Stock Exchange with stock code of 1582, with effect from 16 October 2019.

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 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 during this year 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, 30 March 2020

As at the date of this announcement, the Board comprises Mr. Zeng Ming, Mr. Zhou Xiong, Mr. Lou Jun, Mr. Fei Zuoxiang, Mr. Ye Weiqi 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.