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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

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 2020 (the “**Period**”), together with the comparative figures for the corresponding period in 2019, as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**
FOR THE SIX MONTHS ENDED 30 JUNE 2020

| | | Six months ended 30 June | |
|--|--------------|---------------------------------|-----------------------|
| | | 2020 | 2019 |
| | <i>NOTES</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | | (unaudited) | (unaudited) |
| Revenue | | | |
| Goods and services | 3A | 2,882,535 | 4,226,656 |
| Leases | | <u>290,288</u> | <u>376,670</u> |
| Total revenue | | 3,172,823 | 4,603,326 |
| Cost of sales | | <u>(1,740,645)</u> | <u>(2,641,563)</u> |
| Gross profit | | 1,432,178 | 1,961,763 |
| Other income | | 64,749 | 78,891 |
| Other expenses, gains and losses, net | | (10,937) | 2,218 |
| Fair value gain on investment properties, net | | 173,682 | 201,921 |
| Distribution and selling expenses | | (99,200) | (138,506) |
| General and administrative expenses | | (187,727) | (166,938) |
| Finance costs | 4 | (323,259) | (314,501) |
| Share of results of associates | | <u>889</u> | <u>1,813</u> |
| Profit before tax | | 1,050,375 | 1,626,661 |
| Income tax | 5 | <u>(695,303)</u> | <u>(861,499)</u> |
| Profit for the period | 6 | 355,072 | 765,162 |
| Other comprehensive income (expense) for the period | | | |
| <i>Items that will not be reclassified to profit or loss:</i> | | | |
| Exchange differences arising on translation from functional currency to presentation currency | | (453,884) | (5,359) |
| Fair value gain on equity instruments at fair value through other comprehensive income, net of tax | | <u>17,587</u> | <u>15,693</u> |
| Total comprehensive (expense) income for the period | | <u><u>(81,225)</u></u> | <u><u>775,496</u></u> |

| | | Six months ended 30 June | |
|---|-------------|---------------------------------|--------------------|
| | | 2020 | 2019 |
| | <i>NOTE</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | | (unaudited) | (unaudited) |
| Profit for the period attributable to: | | | |
| — Owners of the Company | | 151,041 | 310,678 |
| — Non-controlling interests | | 204,031 | 454,484 |
| | | <u>355,072</u> | <u>765,162</u> |
| Total comprehensive (expense) income attributable to: | | | |
| — Owners of the Company | | (87,246) | 314,564 |
| — Non-controlling interests | | 6,021 | 460,932 |
| | | <u>(81,225)</u> | <u>775,496</u> |
| Earnings per share | | | |
| — Basic (<i>HK cents</i>) | 7 | <u>3.14</u> | <u>6.46</u> |
| — Diluted (<i>HK cents</i>) | | <u>3.14</u> | <u>6.46</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

| | | 30 June | 31 December |
|---|--------------|--------------------------|--------------------------|
| | | 2020 | 2019 |
| | <i>NOTES</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | | (unaudited) | (audited) |
| Non-current assets | | | |
| Investment properties | 8 | 16,102,337 | 14,803,258 |
| Property, plant and equipment | | 2,231,765 | 2,105,869 |
| Right-of-use assets | | 227,930 | 246,768 |
| Intangible assets | | 55,939 | 57,047 |
| Interests in associates | | 1,218,218 | 1,241,434 |
| Interests in joint ventures | | 2,278,710 | 615,213 |
| Equity instruments at fair value through other comprehensive income | | 178,588 | 160,208 |
| Pledged bank deposits | | 241,860 | 176,749 |
| Other receivables and prepayment | 9 | 721,027 | 735,302 |
| Deferred tax assets | | 302,948 | 394,706 |
| | | <u>23,559,322</u> | <u>20,536,554</u> |
| Current assets | | | |
| Inventories | | 2,066 | 2,497 |
| Properties under development for sale and properties held-for-sale | | 27,490,440 | 28,952,836 |
| Trade and other receivables | 9 | 750,300 | 674,933 |
| Amounts due from related companies | | 1,547 | 336,499 |
| Prepaid income tax and land appreciation tax | | 337,825 | 320,841 |
| Financial assets at fair value through profit or loss | | 3,118 | 3,342 |
| Restricted and pledged bank deposits | | 111,461 | 504,740 |
| Bank balances and cash | | 7,740,449 | 9,111,782 |
| | | <u>36,437,206</u> | <u>39,907,470</u> |

| | | 30 June | 31 December |
|---|--------------|-------------------|-------------------|
| | | 2020 | 2019 |
| | <i>NOTES</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | | (unaudited) | (audited) |
| Current liabilities | | | |
| Trade and other payables | 10 | 5,598,827 | 5,900,740 |
| Amounts due to related companies | | 657,168 | 689,723 |
| Pre-sale proceeds received on sales of properties | | 6,297,051 | 6,004,601 |
| Bank and other borrowings | 11 | 5,411,120 | 5,426,344 |
| Lease liabilities | | 58,813 | 67,385 |
| Income tax and land appreciation tax payables | | 2,413,173 | 2,840,367 |
| Dividend payable | | 23,450 | 14,169 |
| Dividend payable to non-controlling shareholders | | — | 284,081 |
| | | <u>20,459,602</u> | <u>21,227,410</u> |
| Net current assets | | <u>15,977,604</u> | <u>18,680,060</u> |
| Total assets less current liabilities | | <u>39,536,926</u> | <u>39,216,614</u> |
| Non-current liabilities | | | |
| Deferred revenue | 10 | 4,423 | 4,853 |
| Amounts due to related companies | | 61,305 | 285,508 |
| Bank and other borrowings | 11 | 12,566,204 | 11,285,958 |
| Lease liabilities | | 134,402 | 161,201 |
| Deferred tax liabilities | | 3,532,081 | 3,697,468 |
| | | <u>16,298,415</u> | <u>15,434,988</u> |
| | | <u>23,238,511</u> | <u>23,781,626</u> |
| Capital and reserves | | | |
| Share capital | 12 | 192,253 | 192,253 |
| Reserves | | 12,771,883 | 13,057,300 |
| | | <u>12,964,136</u> | <u>13,249,553</u> |
| Equity contributable to owners of the Company | | 12,964,136 | 13,249,553 |
| Non-controlling interests | | 10,274,375 | 10,532,073 |
| | | <u>23,238,511</u> | <u>23,781,626</u> |

NOTES

FOR THE SIX MONTHS ENDED 30 JUNE 2020

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**”).

1A. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

The outbreak of Covid-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly and indirectly affect the operations of the Group. The Group stopped its on-site pre-sale activities of the properties, limited its hotel operations and slowed down the delivery of completed properties from January 2020 to March 2020 due to mandatory quarantine measures imposed by the government of the People’s Republic of China (the “**PRC**”) in an effort to constrain the spread of the pandemic. On the other hand, the PRC government has announced some financial measures and supports for corporates to overcome the negative impact arising from the pandemic to the Group and it has also requested lessors to reduce or waive the rentals to tenants for the purpose of relieving their financial pressure. As such, the financial position and performance of the Group were affected in different aspects, including decrease in revenue from leases, hotel operations and sales of properties.

During the six months ended 30 June 2020, the Group injected capitals with an aggregate amount of RMB1,527,500,000 (equivalent to approximately HK\$1,680,104,000) into joint ventures, namely 上海諾卓企業管理有限公司 (“**Shanghai Nuozhuo**”) and 上海天宇實宏企業發展有限公司 (“**Shanghai Tianyu**”). The Group holds 5% equity interest in Shanghai Tianyu directly and 27.5% equity interest in Shanghai Tianyu indirectly through Shanghai Nuozhuo. Shanghai Tianyu is the project company for the acquisition of a parcel of land situated at Xuhui District in Shanghai of the PRC at a consideration of RMB4,628,000,000 during the period.

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 additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the preparation of condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those applied in the preparation of the Group’s annual financial statements for the year ended 31 December 2019.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

| | |
|---|--------------------------------|
| Amendments to HKAS 1 and HKAS 8 | Definition of Material |
| Amendments to HKFRS 3 | Definition of a Business |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform |

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs 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 of application on Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity”. The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

3A. REVENUE FROM GOODS AND SERVICES

Disaggregation of revenue from contracts with customers

| | Six months ended 30 June | |
|-------------------------------|---------------------------------|--------------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Types of goods or services | | |
| Sales of properties | 2,829,760 | 4,085,037 |
| Hotel operations | 50,260 | 138,242 |
| Property management | 2,515 | 3,377 |
| | <u>2,882,535</u> | <u>4,226,656</u> |
| Total | <u>2,882,535</u> | <u>4,226,656</u> |
| Timing of revenue recognition | | |
| A point in time | 2,829,760 | 4,085,037 |
| Over time | 52,775 | 141,619 |
| | <u>2,882,535</u> | <u>4,226,656</u> |
| Total | <u>2,882,535</u> | <u>4,226,656</u> |

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

3B. SEGMENT INFORMATION

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

The Group's operations are located in the PRC. All revenue and non-current assets, except for certain property and equipment, of the Group are generated from and located in the PRC. No revenue from a single customer contributed 10% or more of the Group's revenue for the six months ended 30 June 2020 and 2019.

4. FINANCE COSTS

| | Six months ended 30 June | |
|---|--------------------------|-------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Interests on bank and other borrowings | 529,215 | 541,632 |
| Interests on lease liabilities | 2,103 | 2,518 |
| Total finance costs | 531,318 | 544,150 |
| Less: Amount capitalised in properties under development for sale | (208,059) | (229,649) |
| | 323,259 | 314,501 |

5. INCOME TAX

| | Six months ended 30 June | |
|--|--------------------------|-------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Current tax: | | |
| PRC Enterprise Income Tax | 318,653 | 499,848 |
| PRC Land Appreciation Tax | 393,717 | 668,705 |
| PRC withholding tax on dividend income | 8,775 | — |
| | 721,145 | 1,168,553 |
| Deferred tax | (25,842) | (307,054) |
| Income tax for the period | 695,303 | 861,499 |

6. PROFIT FOR THE PERIOD

| | Six months ended 30 June | |
|---|--------------------------|-----------------|
| | 2020 | 2019 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (unaudited) | (unaudited) |
| Profit for the period has been arrived at after charging (crediting) the following items: | | |
| Depreciation of property, plant and equipment | 98,123 | 62,054 |
| Depreciation of right-of-use assets | 19,591 | 18,018 |
| Interest income on bank deposits (included in other income) | (46,492) | (40,575) |
| Net foreign exchange loss (gain) (included in other expenses, gains and losses, net) | 10,952 | (3,221) |
| | <u>10,952</u> | <u>(3,221)</u> |

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 | |
|---|--------------------------|-----------------|
| | 2020 | 2019 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (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 | 151,041 | 310,678 |
| | <u>151,041</u> | <u>310,678</u> |

| | Six months ended 30 June | |
|---|--------------------------|------------------|
| | 2020 | 2019 |
| | <i>'000</i> | <i>'000</i> |
| Number of shares: | | |
| Weighted average number of ordinary shares for the purposes of calculating basic and diluted earnings per share | 4,806,323 | 4,810,973 |
| | <u>4,806,323</u> | <u>4,810,973</u> |

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 2020 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\$173,682,000 (six months ended 30 June 2019: HK\$201,921,000) is recognised directly in profit or loss for the six months ended 30 June 2020.

During the six months ended 30 June 2020, the Group has subsequent expenditures on certain investment properties of approximately HK\$85,673,000 (six months ended 30 June 2019: HK\$20,566,000).

During the six months ended 30 June 2020, the management of the Group changed the intention from selling the apartments and commercial units of several residential property projects to lease them out for rentals. Accordingly, properties held-for-sale with carrying amount of approximately HK\$1,336,003,000 was transferred to investment properties upon inception of lease agreements with the tenants during the period. A fair value gain of approximately HK\$253,146,000 in respect of these properties is recognised in the profit or loss during the period.

The Group did not dispose of any investment properties during the six months ended 30 June 2020.

9. TRADE AND OTHER RECEIVABLES AND PREPAYMENT

| | 30 June 2020 HK\$'000 (unaudited) | 31 December 2019 HK\$'000 (audited) |
|--|--|--|
| Other receivables and prepayment recognised as non-current assets | | |
| Loan receivables | 9,060 | 9,239 |
| Prepayment for acquisition of land parcels | <u>711,967</u> | <u>726,063</u> |
| | <u>721,027</u> | <u>735,302</u> |
| Trade and other receivables recognised as current assets | | |
| Trade receivables | | |
| — Contracts with customers | 1,668 | 2,236 |
| — Lease receivables | <u>19,767</u> | <u>14,019</u> |
| | 21,435 | 16,255 |
| Less: Loss allowance | <u>(710)</u> | <u>(271)</u> |
| | 20,725 | 15,984 |
| Other receivables | 330,473 | 226,832 |
| Advance payments to contractors | 33,713 | 26,173 |
| Prepaid other taxes | 327,323 | 364,719 |
| Deposits and prepayments | <u>38,066</u> | <u>41,225</u> |
| | <u>750,300</u> | <u>674,933</u> |

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

| | 30 June 2020 HK\$'000 (unaudited) | 31 December 2019 HK\$'000 (audited) |
|---------------|--|--|
| 0–90 days | 13,557 | 1,348 |
| 91–180 days | 76 | 1,138 |
| Over 180 days | <u>7,092</u> | <u>13,498</u> |
| | <u>20,725</u> | <u>15,984</u> |

10. TRADE AND OTHER PAYABLES AND DEFERRED REVENUE

| | 30 June 2020 HK\$'000 (unaudited) | 31 December 2019 HK\$'000 (audited) |
|---|--|--|
| Trade and other payables recognised as current liabilities | | |
| Trade payables | 1,342,121 | 1,236,195 |
| Bills payables | 92,043 | 632,627 |
| Accrued expenditure on properties under development for sale | 2,435,916 | 2,595,930 |
| Amounts due to former shareholders of the Company's former subsidiaries | 155,714 | 158,364 |
| Rental deposits and receipt in advance from tenants | 215,720 | 239,239 |
| Interest payable | 154,271 | 90,924 |
| Payables to the Shanghai government department | 194,045 | 197,887 |
| Deposit received for disposal of a subsidiary | 209,608 | 213,758 |
| Accrued charges and other payables | 455,976 | 459,012 |
| Other taxes payables | 343,413 | 76,804 |
| | <u>5,598,827</u> | <u>5,900,740</u> |
| Deferred revenue recognised as non-current liabilities | | |
| Deferred revenue | <u>4,423</u> | <u>4,853</u> |

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

| | 30 June 2020 HK\$'000 (unaudited) | 31 December 2019 HK\$'000 (audited) |
|---------------|--|--|
| 0–30 days | 355,705 | 805,946 |
| 31–180 days | 358,215 | 631,708 |
| 181–365 days | 483,568 | 276,219 |
| Over 365 days | 236,676 | 154,949 |
| | <u>1,434,164</u> | <u>1,868,822</u> |

11. BANK AND OTHER BORROWINGS

During the six months ended 30 June 2020, the Group obtained new bank and other borrowings of approximately HK\$6,617,943,000, of which HK\$660,000,000 is denominated in foreign currency of the related entity (six months ended 30 June 2019: HK\$3,366,855,000, of which HK\$423,000,000 is denominated in foreign currency of the related entity).

During the six months ended 30 June 2020, the Group also repaid the bank and other borrowings of approximately HK\$5,044,313,000 (six months ended 30 June 2019: HK\$773,113,000).

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 2019 and 30 June 2019 | 4,810,973 | 192,439 |
| Shares repurchased and cancelled | <u>(4,650)</u> | <u>(186)</u> |
| As at 31 December 2019, 1 January 2020 and 30 June 2020 | <u><u>4,806,323</u></u> | <u><u>192,253</u></u> |

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY MARKET REVIEW

Looking back to the first half of 2020, the aftershock of the novel coronavirus (“COVID-19”) still lingered subsequent to the first quarter. Amidst the global economic slowdown, suppressed domestic property market and further polarised regional development, the growth trend slightly slackened on the whole. On the policy side, the central government persisted in the guiding principle that “houses are built to be inhabited, not for speculation” while repeatedly reiterating the idea of “not resorting to real estates as a short-term economic stimulus measure”. Local authorities implemented city-based policies tailored to specific circumstances by relaxing certain policies on an appropriate scale to stabilise the property market and proposing favourable measures, including allowing developers to postpone the delivery of properties and land premium payment and to launch the pre-sale process in advance, as well as granting tax and fee remission. The government spared no effort in conducting the supply-side reform while strengthening its support to the market in view of the COVID-19 situation. On the supply side, the restrictions on purchase, loans and sale were relaxed on an appropriate scale. On the demand side, the supporting measures included adjusting and increasing the withdrawal amount of housing provident fund and lowering the threshold for home purchases. With the joint efforts of the central and local governments in stabilising the economy, the property market in first- and second-tier cities picked up quickly in the second quarter, demonstrating its strong resilience.

BUSINESS REVIEW

Overview

In the first half of 2020, in face of the outbreak of COVID-19, SIUD adopted a versatile approach by providing online property viewing and online sale services, etc. The outstanding sales performance of flagship projects, including Contemporary Splendour Villa in Shanghai, West Diaoyutai in Beijing and Urban Cradle in Shanghai, continued to bring in loads of stable revenue for the Group. During the period, as an operator in key urban areas, the Group remained focused on the metropolitan areas in Shanghai as well as other core first- and second-tier cities and kept capitalizing on its core development projects and strategic advantages in first- and second-tier cities. It also facilitated the co-development of a diversified business portfolio by focusing on four core business segments, namely, “residential property development + investment property development + urban renewal services + capital cooperation between industry and finance”. During the period, SIUD paid continuous effort to refine the investment and operation of commercial assets in core urban areas and adhered to the policy of dual focus on leasing and sale in order to see stable increase in the rental income from its residential leasing operation. SIUD played an active role in facilitating the transformation and industrial upgrading of the Group and strove to diversify its operations in a sound manner with a view to fully covering the demand for quality housing of mainstream urban dwellers.

Contract Sales

During the six months ended 30 June 2020, benefited from the strong sales performance of Contemporary Splendour Villa, a newly launched high-end project in Shanghai, the contract sales from commodity housing of the Group increased 8.5% year-on-year to RMB3,706,390,000 (six months ended 30 June 2019: RMB3,414,670,000).

Total contract sales in terms of G.F.A. were 64,000 sq.m. during the period, down 35.4% year-on-year. The average selling price rose 67.8% to approximately RMB57,900 per sq.m. The Group took advantage of the market window to develop its WeChat mini programme, “U LIFE”, as its online property sale office and quickened its pace in sales launches. Key projects such as Contemporary Splendour Villa in Shanghai, West Diaoyutai in Beijing, Urban Cradle and 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 RMB1,501,640,000, RMB1,024,060,000, RMB471,580,000, RMB316,280,000 and RMB303,100,000 respectively, accounting for approximately 40.5%, 27.6%, 12.7%, 8.5% and 8.2% of the total contract sales respectively.

Property Development

During the six months ended 30 June 2020, the Group had 11 projects with a total G.F.A. of 2,767,000 sq.m. under construction, which primarily included TODTOWN, Binjiang U Center in Shanghai, Originally in Xi’an and Shangtou Baoxu in Shanghai. During the period, the Group delivered a total G.F.A of approximately 110,300 sq.m., which mainly came from Urban Cradle in Shanghai, Originally in Xi’an and Contemporary Art Villa in Shanghai.

Many of the Group’s residential projects rolled out new housing units for sale, and the transaction volume and prices both went up. Not only did Contemporary Splendour Villa, a high-end low-density villa project located in Minhang District, Shanghai, serve as an important driver for the development of SIUD in Shanghai, it also represented another milestone of SIUD’s dual-focus strategy of developing residential as well as commercial properties. During the period, by virtue of its high reputation for quality, Contemporary Splendour Villa was well received by the market and sold out soon after being launched in January. Besides, Courtyard Villa, a classic project under this project, also ranked first in terms of total transaction volume among all the villa projects in Shanghai from January to May 2020. During the pre-sale of Emperor Seal (phase 3 of the West Diaoyutai project in Beijing) in the first half of 2020, its pre-sale price reached record high among all pre-sale properties in Beijing since 2016. This project brought steady sales and cashflows for the Group.

Investment Properties

As at 30 June 2020, the Group had several completed commercial projects in seven major developed cities, including Shanghai, Beijing, Tianjin, Chongqing, Shenyang, Kunshan and Shenzhen. The investment projects held by the Group had a total G.F.A. of approximately 816,000 sq.m. During the period, the overall rental income of the Group decreased 22.9% year-on-year to HK\$290,288,000 (as at 30 June 2019: HK\$376,670,000), which was mainly attributable to the drop in rental income during the period due to the rent remission policy adopted by local governments to remit rent of tenants for two to four months in response to the impact of COVID-19 during the first quarter. The completion of one of the land parcels under Binjiang U Center in Shanghai during the period brought approximately 26,000 sq.m. to the investment property portfolio of SIUD and the business solicitation and operation of its commercial and office areas progressed robustly. The project will drive the rental income of the Group in the future. The commercial asset efficiency of the Group went up steadily. More than one million sq.m. of commercial areas are expected to be completed in the next three to five years.

Besides, under the policy of dual focus on leasing and sale, the Group continued to enhance its residential leasing operation. The Group currently has three residential leasing projects on hand, namely Shanghai Shenzhicheng, Jinxiang and Chenglong, representing a total area of approximately 295,000 sq.m.. In the future, the Group will further develop more diversified strategic cooperation initiatives and expand its commercial property portfolio.

FINANCIAL REVIEW

Revenue

During the six months ended 30 June 2020, the Group's revenue decreased by 31.1% year-on-year to HK\$3,172,823,000 (six months ended 30 June 2019: HK\$4,603,326,000), primarily due to the inability of the Group in settling the sales of certain properties during the period because of the impact of the outbreak of COVID-19 pandemic as implementation of quarantine and social distancing measures in the mainland China resulted in limitation on contract sales and delay in property delivery, coupled with a decrease in revenue from leasing. During the period, property sales remained as the Group's main source of revenue and amounted to HK\$2,829,760,000 (six months ended 30 June 2019: HK\$4,085,037,000), accounting for 89.2% (six months ended 30 June 2019: 88.7%) of the Group's total revenue. The revenue contribution from Urban Cradle in Shanghai, Originally in Xi'an and Contemporary Art Villa in Shanghai accounted for 47.9%, 33.3% and 16.1% of property sales, respectively.

Due to the impact of the COVID-19 outbreak, the Group's revenue from leasing, property management and services, and hotel operations recorded a decline. These three operations contributed a revenue of HK\$290,288,000, HK\$2,515,000 and HK\$50,260,000 (six months ended 30 June 2019: HK\$376,670,000, HK\$3,377,000 and HK\$138,242,000) respectively and accounted for 9.1%, 0.1% and 1.6% (six months ended 30 June 2019: 8.2%, 0.1% and 3.0%) of the total revenue, respectively.

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2020, the Group's gross profit amounted to HK\$1,432,178,000, down by 27.0% as compared to that of the same period in 2019. The gross profit margin rose 2.5 percentage points from 42.6% for the same period last year to 45.1%. The decrease in gross profit was mainly due to the decline in sales revenue under the impact of COVID-19 during the period. But since the sales came from high-margin projects in Shanghai, such as Urban Cradle and Contemporary Art Villa, the gross profit margin went up slightly.

Investment Property Revaluation

For the six months ended 30 June 2020, the Group recorded a net gain on revaluation of investment properties of approximately HK\$173,682,000, which was mainly attributable to the revaluation gains arising from the transfer of certain properties held-for-sale under Binjiang U Center to investment properties.

Distribution and Selling Expenses

For the six months ended 30 June 2020, the Group's distribution and selling expenses decreased by 28.4% year-on-year to HK\$99,200,000 (six months ended 30 June 2019: HK\$138,506,000), which was mainly attributable to the drop in property sales and decrease in marketing expenses caused by the development of online property sales during the period.

General and Administrative Expenses

For the six months ended 30 June 2020, the Group's general and administrative expenses increased by 12.5% year-on-year to HK\$187,727,000 (six months ended 30 June 2019: HK\$166,938,000), which was mainly attributable to the increase in expenses related to the increase in new investment property projects during the period.

Other Expenses, Gains and Losses, Net

For the six months ended 30 June 2020, the Group recorded a net loss of approximately HK\$10,937,000 in other expenses, gains and losses (six months ended 30 June 2019: net gain of HK\$2,218,000), which was mainly due to the change in exchange rates of Renminbi during the period.

Profit

During the six months ended 30 June 2020, the Group's profit decreased year-on-year by 53.6% to HK\$355,072,000 (six months ended 30 June 2019: HK\$765,162,000). During the first half of the year, profit attributable to owners of the Company was approximately HK\$151,041,000 (six months ended 30 June 2019: HK\$310,678,000), and the basic and diluted earnings per share amounted to 3.14 HK cents (six months ended 30 June 2019: basic and diluted earnings per share of 6.46 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).

On mid-June 2020, a non-wholly owned subsidiary of SIUD, Shanghai Urban Development (Holdings) Co., Ltd., was permitted by the China Securities Regulatory Commission to issue corporate bonds amounting to not more than RMB1.7 billion. In June 2020, Shanghai Urban Development (Holdings) Co., Ltd. completed the public issuance of the corporate bonds (phase 1) with a term of three years at a coupon rate of 3.49%. The issuance successfully raised RMB550 million, which was intended to be used for the repayment of corporate bonds.

As at 30 June 2020, bank balances and cash of the Group were HK\$7,740,449,000 (31 December 2019: HK\$9,111,782,000). 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 29.1% as at the end of last year to 42.5% as at the period end. Current ratio dropped slightly to 1.8 times (31 December 2019: 1.9 times).

As at 30 June 2020, the total borrowings of the Group including bank borrowings, other borrowings and advanced bonds amounted to approximately HK\$17,977,324,000 (31 December 2019: HK\$16,712,302,000).

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 certain 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 30 June 2020. 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 2020, the Group employed 785 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 2020, 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

In the first half of 2020, SIUD continued with the expansion of its premium land bank. On 2 January 2020, SIUD successfully bid for the land plot (no. xh221-01) situated at Hong Mei Block, Xuhui District, Shanghai together with Shanghai Aerospace and Hongyi Group at a total price of RMB4,628,000,000. The land had a total site area of 91,100 sq.m. with 260,000 sq.m., 90,000 sq.m. and 60,000 sq.m. being planned to be developed for scientific research, residential leasing and below-ground commercial purposes, respectively. This move showed SIUD's persistence in the strategic development direction of joining forces to concentrate in the core areas in Shanghai and to prosper together with the city.

During the six months ended 30 June 2020, the Group's land bank was developed into 26 highly competitive property projects with great development potential 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 under construction and development. The Group has a land bank with a future saleable planned G.F.A. of approximately 3,710,000 sq.m. to support its development plan for the next three to five years.

OUTLOOK

Looking ahead to the second half of 2020, the national economy is expected to further turn around as the situation of the pandemic in the PRC improves. Guided by the “six stabilities and six guarantees” promulgated by the National Committee of the Chinese People’s Political Consultative Conference and National People’s Congress, the property market will stay on the track of stable and orderly development. The financial environment for the property market will remain relatively relaxing, which will be beneficial to the investment and financing of property developers. The policy effort will remain unchanged and the central and local governments will stay focused on the regulation of the property financing sector and supply-side adjustments. As the polarisation of urban and regional developments intensifies, the investment focus will be moved further to the core areas in popular cities and the housing improvement demand is expected to be released at a quicker pace. Against this background, the Group will take advantage of the sales window period to actively promote sales and enhance turnover strategy in the second half, in a bid to fulfil its annual performance target.

Looking forward, the Group will maintain its steadily progressing development strategy and its competitive strengths in developing high-quality medium to high end residence while actively exploring different types of operations and innovating its development path. During the challenging market window period, the Group will gear itself up and gain insights into market trends with an aim of expanding into the investment and operation of property financing and commercial asset sectors, which will provide an impetus for the sustainable high quality growth of the Group in the future. By taking advantage of its years of development experience and its diversified product strategy adopted in recent years, SIUD will continue 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 2020 (for the six months ended 30 June 2019: Nil).

SHARE CAPITAL

The Company’s issued and fully paid share capital as at 30 June 2020 amounted to HK\$192,252,927.56 divided into 4,806,323,189 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 2020.

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 2020, 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 2020.

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 2020.

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 2020, 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 2020 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 2020 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.

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) Mr. Zeng Ming resigned as the chairman of the Board, an executive director and the chairman of the nomination committee of the Company with effect from 18 May 2020;
- (b) Mr. Fei Zuoxiang resigned as an executive director of the Company with effect from 18 May 2020; and
- (c) Mr. Huang Haiping was appointed as the chairman of the Board, an executive director and the chairman of the nomination committee of the Company with effect from 18 May 2020.

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

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

This results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.siud.com). The interim report of the Company for the six months ended 30 June 2020 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
Huang Haiping
Chairman

Hong Kong, 27 August 2020

As at the date of this announcement, the Board of the Company comprises Mr. Huang Haiping, Mr. Zhou Xiong, Mr. Lou Jun, 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.