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 2018

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 2018 (the "**Period**"), together with the comparative figures for the corresponding period in 2017, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
			(restated)
Revenue			
Goods and services		**3,493,709**	3,910,209
Rental		**345,064**	311,703
Total revenue		**3,838,773**	4,221,912
Cost of sales		**(1,730,482)**	(2,108,952)
Gross profit		**2,108,291**	2,112,960
Other income		**200,240**	134,711
Other expenses, gains and losses, net		**3,503**	(2,663)
Fair value changes on investment properties, net	*8*	**(187,873)**	(48,927)
Distribution and selling expenses		**(193,316)**	(147,157)
General and administrative expenses		**(217,289)**	(191,776)
Gains on disposal of subsidiaries	*13*	**234,712**	—
Finance costs	*4*	**(359,452)**	(315,748)
Share of results of associates		**3,916**	951
Profit before tax		**1,592,732**	1,542,351
Income tax	*5*	**(964,397)**	(823,177)
Profit for the period	*6*	**628,335**	719,174
Other comprehensive expense for the period			
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation into presentation currency		**(315,511)**	579,040
Fair value loss on equity investments at fair value through other comprehensive income, net of tax		**(18,740)**	—
Item that may be reclassified subsequently to profit or loss:			
Fair value gain on available-for-sale investment, net of tax		**—**	2,492
Total comprehensive income for the period		**294,084**	1,300,706

	NOTE	Six months ended 30 June 2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited) (restated)
Profit for the period attributable to:			
— Owners of the Company		**254,473**	316,148
— Non-controlling interests		**373,862**	403,026
		628,335	719,174
Total comprehensive income attributable to:			
— Owners of the Company		**64,063**	601,680
— Non-controlling interests		**230,021**	699,026
		294,084	1,300,706
Earnings per share	*7*		
— Basic *(HK cents)*		**5.29**	6.57
— Diluted *(HK cents)*		**5.29**	6.57

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	NOTES	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (restated)
Non-current assets			
Investment properties	8	**14,702,382**	14,946,610
Property, plant and equipment		**2,291,538**	2,387,632
Prepaid lease payments		**216,662**	222,976
Intangible assets		**60,355**	61,261
Interests in associates		**1,309,245**	1,221,279
Interest in a joint venture		**—**	65,718
Available-for-sale investments		**—**	273,458
Equity instruments at fair value through other comprehensive income		**222,056**	—
Pledged bank deposits		**12,364**	30,427
Other receivables	9	**26,384**	26,739
Deferred tax assets		**204,875**	238,033
		19,045,861	19,474,133
Current assets			
Inventories		**28,396,940**	28,495,408
Trade and other receivables	9	**804,124**	1,762,218
Amounts due from related companies		**851,317**	862,770
Prepaid lease payments		**4,875**	4,942
Prepaid income tax and land appreciation tax		**542,901**	428,506
Financial assets at fair value through profit or loss		**2,877**	3,506
Restricted and pledged bank deposits		**89,241**	80,586
Bank balances and cash		**9,983,216**	13,185,306
		40,675,491	44,823,242
Assets classified as held-for-sale		**530,511**	180,232
		41,206,002	45,003,474

	NOTES	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (restated)
Current liabilities			
Trade and other payables	*10*	**4,700,425**	5,390,662
Amounts due to related companies		**813,453**	1,564,233
Amounts due to associates		**26,456**	5,771
Consideration payables for acquisition of subsidiaries		**161,108**	736,249
Pre-sale proceeds received on sales of properties		**6,074,731**	6,969,335
Bank and other borrowings	*11*	**3,750,948**	4,068,888
Income tax and land appreciation tax payables		**2,225,613**	2,634,606
Dividend payable		**12,130**	10,044
Dividend payable to non-controlling shareholders		**177,789**	180,180
		17,942,653	21,559,968
Liabilities associated with assets classified as held-for-sale		**137,062**	154,804
		18,079,715	21,714,772
Net current assets		**23,126,287**	23,288,702
Total assets less current liabilities		**42,172,148**	42,762,835
Non-current liabilities			
Deferred revenue	*10*	**183,184**	201,892
Amounts due to related companies		—	415,615
Bank and other borrowings	*11*	**13,558,235**	13,022,367
Deferred tax liabilities		**4,688,590**	4,925,666
		18,430,009	18,565,540
		23,742,139	24,197,295

	NOTE	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (restated)
Capital and reserves			
Share capital	*12*	**192,439**	192,439
Reserves		**13,083,131**	13,575,180
Equity contributable to owners of the Company		**13,275,570**	13,767,619
Non-controlling interests		**10,466,569**	10,429,676
		23,742,139	24,197,295

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

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. MERGER ACCOUNTING FOR BUSINESS COMBINATION INVOLVING ENTITIES UNDER COMMON CONTROL

In April 2018, the Group acquired an entity, namely Shanghai Shangtou Real Estate Investment Company Limited 上海市上投房地產投資有限公司 ("**Shangtou Real Estate**") and its subsidiaries (collectively referred to as "**Shangtou Real Estate Group**"), from Shanghai Shangtou Assets Operations Company Limited 上海上投資產經營有限公司 ("**Shangtou Assets**") to which Shanghai Industrial Investment (Holdings) Company Limited ("**SIIC**"), being the ultimate parent of the Company, exercises the authority as a state-owned shareholder at a cash consideration of approximately RMB530,827,000 (equivalent to approximately HK$657,086,000). Shangtou Real Estate were established in the PRC and principally engaged in secondary land development.

The Group's acquisition of Shangtou Real Estate is considered to be a business combination under common control as the Group and Shangtou Real Estate Group are both controlled by SIIC. As such, this acquisition is accounted for by applying the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("**AG 5**") as if Shangtou Real Estate Group have always been operated by the Group.

In applying AG 5, the Company's condensed consolidated statement of financial position as at 31 December 2017 and 1 January 2017 has been restated to include the assets and liabilities of Shangtou Real Estate Group as if they were within the Group on these respective dates. The Company's condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 June 2017 have also been restated to include the financial performance, changes in equity and cash flows of Shangtou Real Estate Group as if they were within the Group since 1 January 2017.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than change in accounting policies resulting from application of new and amendments and interpretation 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 2018 are the same as those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Application of new and amendments and interpretation to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments and interpretation to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Impacts and changes in accounting policies on application of HKFRS15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed as at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations.

Summary of effects arising from initial application of HKFRS 15

Upon application of HKFRS 15, the Group's contract liabilities named as pre-sale proceeds received on sales of properties have been included in current liabilities in the condensed consolidated statement of financial position.

The application of HKFRS 15 has no significant impact on the timing and amounts of revenue recognised in the current interim period and accumulated losses as at 1 January 2018.

Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments"

In the current interim period, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Available-for-sale investments *HK$'000*	**Equity instruments at fair value through other comprehensive income** *HK$'000*
At 31 December 2017 — HKAS 39	273,458	—
Effect arising from initial application of HKFRS 9:		
Reclassification		
From available-for-sale investments	(273,458)	273,458
At 1 January 2018 — HKFRS 9	—	273,458

Except as described above, the application of new and amendments to HKFRS and interpretation in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

The directors of the Company, being the chief operating decision maker, only reviews the overall results and the financial position of the Group, which are prepared based on the same accounting policies used in the preparation of the Group's annual financial statements for the year ended 31 December 2017, for the purposes of resource allocation and performance assessment. Accordingly, the Group presents only one single operating segment in the PRC and no further analysis is presented.

4. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Interests on bank and other borrowings	**527,751**	485,580
Less: Amount capitalised under properties under development for sale	**(168,299)**	(169,832)
	359,452	315,748

5. INCOME TAX

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Current tax		
— PRC Enterprise Income Tax	**336,689**	159,187
— PRC Land Appreciation Tax	**672,479**	496,240
— PRC withholding tax on dividend income	**14,767**	18,095
— Capital gains tax on disposal of PRC entities by a non-resident company	**14,767**	—
	1,038,702	673,522
Deferred tax	**(74,305)**	149,655
	964,397	823,177

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Profit for the period has been arrived at after charging (crediting) the following items:		
Depreciation of property, plant and equipment	**72,200**	58,197
Interest income on bank deposits (included in other income)	**(152,428)**	(68,837)
Other interest income (included in other income)	**(9,021)**	(7,128)
Net foreign exchange gain (included in other expenses, gains and losses, net)	**(340)**	(9,196)

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	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Earnings:		
Earnings for the purposes of calculating basic and diluted earnings per share		
Profit for the period attributable to owners of the Company	**254,473**	316,148

	Six months ended 30 June	
	2018	2017
	'000	*'000*
Number of shares:		
Number of ordinary shares for the purposes of calculating basic and diluted earnings per share	**4,810,973**	4,811,257

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 2018 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 values of the Group's investment properties were arrived at by reference to comparable sales transactions available in the relevant markets and, where appropriate, investment approach by capitalising the net rental income derived from existing tenancies with due allowance for the reversionary potential of the properties. The resulting net decrease in fair values of the Group's investment properties of approximately HK$187,873,000 (six months ended 30 June 2017: HK$48,927,000) has been recognised directly in profit or loss for the six months ended 30 June 2018.

During the six months ended 30 June 2018, the Group incurred subsequent expenditures of approximately RMB125,665,000 (equivalent to approximately HK$154,646,000) (six months ended 30 June 2017: approximately RMB60,261,000 (equivalent to approximately HK$68,153,000)) on certain investment properties.

9. TRADE AND OTHER RECEIVABLES

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(unaudited)	(restated)
Trade and other receivables recognised as current assets:		
Trade receivables	**30,737**	26,002
Less: Allowance for doubtful debts	**(767)**	(777)
	29,970	25,225
Other receivables	**482,168**	529,598
Advance payments to contractors	**68,310**	48,934
Prepaid other taxes	**211,525**	186,676
Deposits and prepayments	**12,151**	9,623
Deposit paid for acquisition of land parcels	**—**	962,162
	804,124	1,762,218
Other receivables recognised as non-current assets:		
Other receivables	**26,384**	26,739

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (restated)
Within 90 days	**19,066**	19,217
Within 91–180 days	**1,399**	1,156
Over 180 days	**9,505**	4,852
	29,970	25,225

10. TRADE AND OTHER PAYABLES AND DEFERRED REVENUE

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (restated)
Trade and other payables recognised as current liabilities:		
Trade payables	**417,102**	826,771
Accrued expenditure on properties under development for sale	**2,144,740**	2,458,988
Amounts due to former shareholders of the Company's former subsidiaries	**166,501**	167,878
Receipts from customers for payment of expenses on their behalf	**48,018**	42,537
Rental deposits and receipt in advance from tenants	**214,970**	209,770
Interest payables	**229,247**	86,786
Payables to the Shanghai government department	**565,261**	537,540
Provision for compensation expense in relation to settlement of a legal case	**122,700**	124,350
Deposit received for disposal of a subsidiary	**226,503**	—
Deferred revenue	**43,694**	44,281
Accrued charges and other payables	**497,606**	785,803
Other taxes payables	**24,083**	105,958
	4,700,425	5,390,662
Deferred revenue recognised as non-current liabilities:		
Deferred revenue	**183,184**	201,892

	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (restated)
Within 30 days	—	17,107
Within 31–180 days	**73,530**	299,016
Within 181–365 days	**139,505**	248,465
Over 365 days	**204,067**	262,183
	417,102	826,771

11. BANK AND OTHER BORROWINGS

During the six months ended 30 June 2018, the Group obtained new bank and other borrowings of approximately RMB1,061,303,000 (equivalent to approximately HK$1,257,915,000) (six months ended 30 June 2017: approximately RMB833,883,000 (equivalent to approximately HK$943,093,000)). As at 30 June 2018, the balances of banks and other borrowings carry variable interest ranging from 3.80% to 7.19% (31 December 2017: 2.23% to 7.48%) per annum and are payable from one to twelve years (six months ended 30 June 2017: one to six years). The borrowings were obtained for the purpose of property development projects of the Group.

During the six months ended 30 June 2018, the Group also repaid the bank and other borrowings of approximately RMB650,600,000 (equivalent to approximately HK$800,640,000) (six months ended 30 June 2017: approximately RMB1,459,615,000 (equivalent to approximately HK$1,650,775,000)).

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 2017	4,811,273	192,451
Shares repurchased and cancelled	(300)	(12)
As at 30 June 2017, 1 January 2018 and 30 June 2018	**4,810,973**	**192,439**

13. GAINS ON DISPOSAL OF SUBSIDIARIES

During current interim period, the Group disposed of three subsidiaries namely Shanghai Shenda Property Company Limited 上海申大物業有限公司 ("Shanghai Shenda"), Shanghai Urban Development Commercial Property Development Company Limited 上海城開商用物業發展有限公司 ("Shanghai Commercial") and Fine Mark Investment Limited ("Fine Mark"). Details of the gains from these disposals are set out below:

The net assets of Shanghai Shenda at the disposal date are as follows:

	HK$'000
Consideration:	
Cash received	86,881
Analysis of assets and liabilities over which control was lost:	
Plant and equipment	140
Trade and other receivables	4,266
Bank balances and cash	138,642
Trade and other payables	(124,502)
Income tax payable	(697)
Net assets disposed of	17,849
Gain on disposal of Shanghai Shenda	
Total cash consideration	86,881
Net assets disposed of	(17,849)
Gain on disposal	69,032

The net assets of Shanghai Commercial at the disposal date are as follows:

	HK$'000
Consideration:	
Cash received	21,100
Analysis of assets and liabilities over which control was lost:	
Plant and equipment	409
Inventories	41
Other receivables	4,309
Bank balances and cash	30,129
Other payables	(23,800)
Income tax payable	(528)
Net assets disposed of	10,560
Gain on disposal of Shanghai Commercial	
Total cash consideration	21,100
Net assets disposed of	(10,560)
Gain on disposal	10,540

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

	HK$'000
Consideration:	
Cash received	220,858
The asset over which control was lost:	
Interest in a joint venture	65,718
Gain on disposal of Fine Mark	
Total consideration	220,858
The asset disposed of	(65,718)
Gain on disposal	155,140

Summary of gains on disposal of subsidiaries

	HK$'000
Gains on disposal of subsidiaries:	
— Shanghai Shenda	69,032
— Shanghai Commercial	10,540
— Fine Mark	155,140
	234,712

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY MARKET REVIEW

In the first half of 2018, despite the growing complexity of the market environment, China's economy followed a positive track on the whole and the adjustment and control measures on both the supply and demand sides of the domestic property industry remained stringent, thus pushing the industry back on the track of accommodation instead of speculation. Against this backdrop, property prices in first-tier cities, including Beijing, Shanghai, Guangzhou and Shenzhen, cooled down steadily while the property market in Shanghai was resilient in terms of selling prices and transaction volume due to the strong rigid demand for high quality housing. In the meantime, as the national "competition for talents" and the competition in the property market are getting fiercer and fiercer, it is foreseeable that only urban operators with adequate working capital and low gearing ratio will be able to achieve stable long-term growth in adversity.

BUSINESS REVIEW

Overview

In the first half of 2018, the Group derived its profits mainly from the sales revenue of Urban Cradle and Grand Mansion in Shanghai and Originally in Xi'an as well as the rental income from its investment properties. The Group took the initiative to develop its investment property operation. During the period, by persisting in refining its commercial property footprint, the Group completed a number of commercial projects all over the country and set up complementary business management centers and capital management companies. The Group continued to derive stable rental income from mature properties, such as ShanghaiMart and Urban Development International Tower, while stepping up its efforts in transforming its landmark commercial and office projects in Shanghai, such as Binjiang U Center and TODTOWN, into brand new business lifestyle experience complex. Leveraging on its own resources and strengths for innovation, SIUD made successful attempts to release its potential and create value by taking advantage of the peak in inventory. Under the leadership of a strong, innovative and committed management team, SIUD weathered through difficulties and adhered to the vision of "innovative leadership and continuous reforms" by focusing on developing high quality products, reforming its sales tactics, and perfecting its strategic planning and land acquisition strategies in order to achieve sound development in the challenging market environment.

Contract Sales

During the six months ended 30 June 2018, the contract sales from commodity housing of the Group decreased 51.0% year-on-year to RMB2,275,250,000 (six months ended 30 June 2017: RMB4,644,890,000), representing 50.6% of the sales target of RMB4.5 billion set at the beginning of the year. The Group is confident in fulfilling the annual sales target. Total contract sales in terms of G.F.A. were 110,000 sq.m. during the period, down 59.9% year-on-year. The average selling price rose approximately 22.5% to approximately RMB20,700 per sq.m., which was mainly attributable to slower project launches under the general influence of the price restriction order in China and the general reduction in contract sales area due to the planned launch of its new projects in Shanghai, namely the residential portions of TODTOWN, a metro-oriented comprehensive development project in Shanghai, and Contemporary Art Villa, a low-density urban project in Shanghai, in the second half of 2018. During the period, the key projects Urban Cradle in Shanghai and Originally in Xi'an performed well in sales and remained as the principal sources of revenue of the Group, which delivered sales of RMB1,231,970,000 and RMB740,910,000 respectively, accounting for approximately 54.2% and 32.6% of the total contract sales respectively.

Property Development

During the six months ended 30 June 2018, the Group had 9 projects with a total G.F.A. of 2,296,000 sq.m. under construction, which primarily included TODTOWN, Binjiang U Center, Originally in Xi'an, Shenyang U Center and Contemporary Splendour Villa. The floor space started of the Group was 376,000 sq.m., which mainly came from Originally in Xi'an and Contemporary Splendour Villa. The Group delivered a total G.F.A of 71,000 sq.m., which mainly came from Urban Cradle and Grand Mansion in Shanghai and Originally in Xi'an.

The phase I residential portions of TODTOWN, i.e. the Xinzhuang Metro Superstructure associate project in Minhang District, Shanghai, were already sold out in a few hours on the first day of launch in August. Currently, the pre-launch activities of Contemporary Art Villa, a low-density urban villa project in Shanghai, are progressing in full swing and the project is expected to be launched for sale in the second half of 2018. The sufficient new premium housing inventory supported SIUD in gaining market insights, weighing the pros and cons, responding to the market at opportune times and selling each of its high class property project at the most favourable prices, thus bringing the Group's sales performance to another new height.

Apart from Shanghai, SIUD also launched its projects in Xi'an, Tianjin and Shenyang one by one for sale. During the period, new products continued to roll out under Originally, which is the Group's landmark project in the core area in Chanba, Xi'an, forming a diversified product line covering villas, houses, high-rise buildings and commercial buildings. This project continued to outperform the regional market in both trading volume and trading prices, contributing greatly to the sales revenue of the Group.

Investment Properties

To extend the commercial industry chain, SIUD has set up two major functional divisions, namely business management centers and capital management companies. SIUD is gradually enriching its tenant database to enhance its leasing capability and boost its rental income. As at 30 June 2018, the investment properties held by the Group in major cities, including Shanghai, Beijing, Tianjin and Chongqing, provided an operational G.F.A. of approximately 686,000 sq.m.. The overall rental income of the Group increased 10.7% year-on-year to HK$345,064,000 (six months ended 30 June 2017: HK$311,703,000), mainly attributable to the rises in the overall letting rate and average unit rental of its projects. Going forward, in view of the future trends and demands, the Group will continue to upgrade and renovate its mature and premium commercial properties, such as ShanghaiMart and Urban Development International Tower, while turning its commercial and office property landmarks in Shanghai, including Binjiang U Center and TODTOWN, into brand new business lifestyle experience complex, with a view to brining stable rental income for the Group and further refining its commercial property operation.

FINANCIAL REVIEW

Revenue

During the six months ended 30 June 2018, the Group's revenue decreased by 9.1% year-on-year to HK$3,838,773,000 (six months ended 30 June 2017: HK$4,221,912,000), primarily due to the delay in project launches and revenue carry-over under the general influence of the price restriction order in Mainland China. During the period, property sales remained as the Group's main source of revenue and amounted to HK$3,349,779,000 (six months ended 30 June 2017: HK$3,789,598,000), accounting for 87.3% (six months ended 30 June 2017: 89.8%) of the Group's total revenue. The revenue contribution from Urban Cradle in Shanghai, Grand Mansion in Shanghai and Originally in Xi'an accounted for 69.9%, 20.4% and 4.4% (six months ended 30 June 2017: 49.1%, 35.4% and 11.2%) 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$345,064,000, HK$9,307,000 and HK$134,623,000 (six months ended 30 June 2017: HK$311,703,000, HK$52,502,000 and HK$68,109,000) respectively and accounting for 9.0%, 0.2% and 3.5% (six months ended 30 June 2017: 7.4%, 1.2% and 1.6%) of the total revenue, respectively.

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2018, the Group's gross profit amounted to HK$2,108,291,000, which was similar to that of the same period in 2017. Gross profit was 54.9%, up by 4.9 percentage points as compared to that of the same period last year. This was mainly because most of the projects completed and delivered by the Group during the period were the high-return projects in Shanghai and the Group kept adopting a steadily increasing pricing strategy.

Investment Property Revaluation

For the six months ended 30 June 2018, the Group recorded a net loss on revaluation of investment properties of approximately HK$187,873,000, which was mainly attributable to the Top City project in Chongqing and the Contemporary Art Villa project.

Distribution and Selling Expenses

For the six months ended 30 June 2018, the Group's distribution and selling expenses increased by 31.4% year-on-year to HK$193,316,000 (six months ended 30 June 2017: HK$147,157,000 (restated)), which was mainly attributable to the increase in marketing and promotion expenses due to the launch of new projects.

General and Administrative Expenses

For the six months ended 30 June 2018, the Group's general and administrative expenses increased by 13.3% year-on-year to HK$217,289,000 (six months ended 30 June 2017: HK$191,776,000 (restated)), which was mainly attributable to the increase in preliminary expenses of new projects.

Other Expenses, Gains and Losses, Net

For the six months ended 30 June 2018, the Group recorded a net gain of approximately HK$3,503,000 in other expenses, gains and losses (six months ended 30 June 2017: net loss of HK$2,663,000 (restated)), mainly due to the depreciation of Renminbi during the period, leading to exchange gains from its foreign capital overseas.

Profit

During the six months ended 30 June 2018, the Group's profit decreased year-on-year by 12.6% to HK$628,335,000 (six months ended 30 June 2017: HK$719,174,000 (restated)). During the period, the Group recorded one-off gains of approximately HK$155,140,000 from the disposal of the entire issued share capital of Fine Mark Investment Limited, an indirect wholly owned subsidiary, and assignment of the outstanding loans for an aggregate consideration of RMB176,750,000 on 17 April 2018.

During the first half of the year, the basic and diluted earnings per share amounted to 5.29 HK cents (six months ended 30 June 2017: earnings per share of 6.57 HK cents (restated)).

Liquidity and Capital Resources

The Group manages its capital to ensure that entities within the Group will be able to operate on a going concern while maximising the return to shareholders through optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes bank and other borrowings, cash and cash equivalents, and equity attributable to owners of the Company (comprising issued share capital and reserves).

As at 30 June 2018, bank balances and cash of the Group were HK$9,983,216,000 (31 December 2017: HK$13,185,306,000 (restated)). 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 15.7% (restated) as at the end of last year to 30.4% as at the period end. Current ratio rose slightly to 2.3 times (31 December 2017: 2.2 times).

As at 30 June 2018, the total borrowings of the Group including bank borrowings, other borrowings and advanced bonds amounted to approximately HK$17,309,183,000 (2017: HK$17,091,255,000 (restated)).

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

Foreign Exchange Risks

During the period, most of the Group's revenue and operating costs were denominated in Renminbi. Except for the bank deposits denominated in foreign currencies, the Group's operating cash flow or liquidity is not directly subject to any other material exchange rate fluctuations. The Group did not enter into any foreign exchange hedging arrangements to control its exposure to exchange rate fluctuations as at 30 June 2018. 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 2018, the Group employed 892 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 2018, 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

For the six months ended 30 June 2018, the Group's land bank was developed into 21 highly cost competitive property projects located in 10 major cities in Mainland China, including Shanghai, Beijing, Tianjin, Xi'an, Chongqing, Kunshan, Wuxi, Shenyang, Changsha and Shenzhen, and comprised medium to high class residential and commercial properties, most of which were completed or under construction. With a future saleable planned G.F.A. of approximately 3,680,000 sq.m., the Group's land bank provides strong support for its development pipeline for the next three to five years.

By pursuing a multi-channel land acquisition strategy as ever, the Group continued to enrich its land bank and made some progress with initial achievements through participation in bidding, auction and listing-for-sale, equity acquisition, urban renewal and redevelopment in the primary and secondary markets. In July 2018, SIUD acquired the first commercial and office land parcel under the "urban village" renewal project in Shanghai at RMB522,530,000. With a focus on business community, the land is planned to be developed into a refined living center integrating the functions of business office, culture and education, leisure and entertainment and lifestyle retailing. The land will lay a solid strategic foundation for the long-term development of the Group in Minhang District, Shanghai.

During the period, SIUD acquired 35% equity interest in Shanghai Real Estate Northern Region Investment Development Company Limited at a consideration of RMB88,338,100 on 31 January 2018 to allow the Group to expand its investment to the primary land development business in Shanghai. On 28 February 2018, SIUD also acquired the entire equity interest in Shanghai Shangtou Real Estate Investment Company Limited at a consideration of RMB530,827,057 to help the Group expand into the secondary land development business. These two strategic acquisitions complemented the principal businesses of the Group and fueled its future development. With a strong foothold in Shanghai, SIUD will continue to seek nationwide expansion and strive to acquire land resources with high appreciation potential at competitive prices in order to further consolidate its leading position in the property market.

OUTLOOK

In the second half of 2018, driven by the acceleration in the adjustment and control of the supply and demand sides as well as the diversification and furtherance of national consumption, transformation and upgrading will continue to prevail in China's property market. The demand for high quality housing is expected to remain robust from home purchasers with rigid demand for residence. An unprecedented golden opportunity has arisen for the development of commercial properties. The flourishing development of city clusters around Yangtze River Delta continued to drive the demand for auxiliary modernised and comprehensive commercial projects. By adapting to the tempo of the housing policies and grasping the opportunities presented by the upgrading of commercial properties, the Group will build on its past achievements and further promote the four main strategic plans of "residential property development + investment property operation + urban renewal service + cooperation between industrial and financial capital". The Group will adjust its pace in residential project development and launch new potential key projects at opportune times, acquire new premium land resources at a reasonable risk level and capital costs to support its future development, focus on strengthening its commercial property operation by actively enhancing its letting rate and rental income, and promote the synergy between industrial and financial capital and explore the pan-financial investment model. In the second half, by strictly following the guiding principle of "lean management in a proactive and pragmatic manner", SIUD will seek to optimise its internal resource allocation, enhance its capital utilization and operational efficiency and proactively realise high quality growth for the Group amidst the complex and ever-changing market environment with a view to creating sustainable fruitful returns for the shareholders.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2018 (for the six months ended 30 June 2017: Nil).

SHARE CAPITAL

The Company's issued and fully paid share capital as at 30 June 2018 amounted to HK$192,438,927.56 divided into 4,810,973,189 ordinary shares of HK$0.04 each.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2018.

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 2018, the Company has complied with the code provisions as set out in the Corporate Governance Code (the "**Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") except as deviated hereunder.

Code Provision A.2.1 of the Code

The code provision A.2.1 of the Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Following the re-designation of Mr. Ji Gang ("**Mr. Ji**") as the chairman of the Board (the "**Chairman**") since 2 February 2015, there had been a deviation from code provision A.2.1 as Mr. Ji had also been performing the role of chief executive of the Group until 23 May 2018, the date of his retirement as the Chairman, the president and an executive Director. The Board was aware of the said deviation but considered that this arrangement was appropriate and in the best interests of the Group as it helped to maintain the continuity of the Group's policies and strategies and the stability of the operations of the Group. The Board also considered that such arrangement would not impair the balance of power and authority between the Board and the management of the Company as the Board did meet regularly on a quarterly basis to review the operations of the Group and to consider other major matters affecting the business development and operations of the Group.

Following the retirement of Mr. Ji as the Chairman, the president and an executive Director at the annual general meeting held on 23 May 2018 (the "**2018 AGM**"), Mr. Zeng Ming was appointed as the Chairman and an executive Director while Mr. Zhou Xiong was appointed as the vice chairman, the president and an executive Director with effect from the conclusion of the 2018 AGM. Therefore, there is no longer aforesaid deviation since then.

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 2018.

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 2018.

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 2018, 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 2018 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 2018 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. Fan Ren Da, Anthony ("**Mr. Fan**"), an independent non-executive director of the Company, has been appointed as a Class II independent non-executive director, the chairman of the audit committee and a member of the nomination committee of Semiconductor Manufacturing International Corporation, a company listed on the Stock Exchange with stock code of 981, with effect from 22 June 2018; and

(b) Mr. Fan has resigned as an independent non-executive director, a member of the audit committee, the remuneration committee and the nomination committee of CGN New Energy Holdings Co., Ltd., a company listed on the Stock Exchange with stock code of 1811, with effect from 26 June 2018.

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 2018 containing all the applicable information required by the Listing Rules will be despatched to the Shareholders as well as published on the above websites in due course.

APPRECIATION

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

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

Hong Kong, 28 August 2018

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, Ms. HUANG Fei and Mr. ZHONG Tao as executive Directors and Mr. DOO Wai-Hoi, William, J.P., Mr. FAN Ren Da, Anthony, Mr. LI Ka Fai, David and Mr. QIAO Zhigang as independent non-executive Directors.