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 2021

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 2021 (the "**Period**"), together with the comparative figures for the corresponding period in 2020, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2021

		Six months ended 30 June	
		2021	2020
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue			
Goods and services	*3A*	**4,158,926**	2,882,535
Leases		**418,474**	290,288
Total revenue		**4,577,400**	3,172,823
Cost of sales		**(2,730,163)**	(1,740,645)
Gross profit		**1,847,237**	1,432,178
Other income		**75,265**	64,749
Other expenses, gains and losses, net		**(1,098)**	(10,937)
Fair value gain on investment properties, net		**103,938**	173,682
Distribution and selling expenses		**(176,787)**	(99,200)
General and administrative expenses		**(182,026)**	(187,727)
Finance costs	*4*	**(340,606)**	(323,259)
Share of results of associates		**(4,308)**	889
Share of results of joint ventures		**(3,217)**	—
Profit before tax		**1,318,398**	1,050,375
Income tax	*5*	**(1,111,174)**	(695,303)
Profit for the period	*6*	**207,224**	355,072
Other comprehensive income (expense) for the period			
Items that will not be reclassified to profit or loss:			
Exchange differences on translation from functional currency to presentation currency		**324,403**	(453,884)
Fair value (loss) gain on equity instruments at fair value through other comprehensive income, net of tax		**(9,783)**	17,587
Total comprehensive income (expense) for the period		**521,844**	(81,225)

	Note	Six months ended 30 June	
		2021	2020
		HK$'000	*HK$'000*
		(unaudited)	(unaudited)
Profit for the period attributable to:			
— Owners of the Company		**54,029**	151,041
— Non-controlling interests		**153,195**	204,031
		207,224	355,072
Total comprehensive income (expense) attributable to:			
— Owners of the Company		**230,525**	(87,246)
— Non-controlling interests		**291,319**	6,021
		521,844	(81,225)
Earnings per share	*7*		
— Basic *(HK cents)*		**1.12**	3.14
— Diluted *(HK cents)*		**N/A**	3.14

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Notes	**30 June 2021 *HK$'000* (unaudited)**	31 December 2020 *HK$'000* (audited)
Non-current assets			
Investment properties	*8*	**19,314,728**	17,825,877
Property, plant and equipment		**2,469,934**	2,286,082
Right-of-use assets		**232,838**	232,024
Goodwill	*12*	**23,604**	—
Intangible assets		**61,528**	60,584
Interests in associates		**2,194,753**	1,687,818
Interests in joint ventures		**2,714,429**	2,506,533
Amount due from a related company		**270,963**	154,713
Equity instruments at fair value through other comprehensive income		**107,259**	134,224
Pledged bank deposits		**11,482**	8,704
Other receivables, prepayments and deposit	*9*	**—**	1,795,501
Deferred tax assets		**156,366**	252,246
		27,557,884	26,944,306
Current assets			
Inventories		**2,214**	2,242
Properties under development for sale and properties held-for-sale		**33,724,153**	29,238,947
Trade and other receivables	*9*	**797,050**	1,414,021
Amounts due from a related company		**12**	12
Prepaid income tax and land appreciation tax		**284,056**	214,871
Financial assets at fair value through profit or loss		**22,186**	3,464
Restricted and pledged bank deposits		**388,145**	57,392
Bank balances and cash		**9,039,343**	9,550,663
		44,257,159	40,481,612
Current liabilities			
Trade and other payables	*10*	**5,923,383**	6,745,691
Amounts due to related companies		**543,103**	528,337
Pre-sale proceeds received on sales of properties		**13,360,925**	11,351,177
Bank and other borrowings	*11*	**5,247,259**	3,668,189
Lease liabilities		**67,399**	64,811
Income tax and land appreciation tax payables		**1,899,455**	2,089,637
Dividend payable		**27,706**	16,234
		27,069,230	24,464,076
Net current assets		**17,187,929**	16,017,536
Total assets less current liabilities		**44,745,813**	42,961,842

	Notes	30 June 2021 HK$'000 (unaudited)	31 December 2020 HK$'000 (audited)
Non-current liabilities			
Deferred revenue	*10*	**20,180**	20,176
Bank and other borrowings	*11*	**15,739,637**	14,079,077
Lease liabilities		**90,052**	110,738
Deferred tax liabilities		**3,239,709**	3,238,389
		19,089,578	17,448,380
		25,656,235	25,513,462
Capital and reserves			
Share capital		**192,253**	192,253
Reserves		**14,197,931**	14,174,078
Equity contributable to owners of the Company		**14,390,184**	14,366,331
Non-controlling interests		**11,266,051**	11,147,131
		25,656,235	25,513,462

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

On 22 January 2020, the Group entered into a subscription agreement with, among others, SIIC Financial Leasing Co., Ltd 上實融資租賃有限公司 ("SIIC Financial Leasing"), which is an associate of the Company's controlling shareholder. Pursuant to the subscription agreement the Group conditionally agreed to subscribe for 20.0% of the enlarged register capital of SIIC Financial Leasing by injecting approximately RMB407,942,000 in cash to SIIC Financial Leasing. SIIC Financial Leasing is an integrated credit provider based in Shanghai. Its business includes providing finance to regional governments and its platform companies to fund their projects in local infrastructure, water supply and construction of rail transportation as well as providing automobile financing to individual customers. In December 2020, the condition precedents for completion of the acquisition as set out in the subscription agreement were fulfilled. Accordingly, the Group made a payment of approximately RMB407,942,000 in late December 2020. As at 31 December 2020, the injection payment made by the Group of approximately HK$484,607,000 was recognised as a deposit paid for acquisition of an associate. Details of this transaction are set out in the Company's announcement and circular on 22 January 2020 and 25 August 2020 respectively. On 6 January 2021, the acquisition was completed after SIIC Financial Leasing had received the amount and completed the capital injection verification process.

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") and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the preparation of condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

2.1 Accounting policies which became relevant to the Group

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

Foreign currencies

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

2.2 Application of amendments to HKFRSs

In the current interim period, the Group has applied 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 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

Except as described below, the application of the amendments to HKFRSs in the current interim 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.

Impacts and accounting policies on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 "Interest Rate Benchmark Reform — Phase 2"

Accounting policies

Financial instruments

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

Leases

<u>The Group as a lessee</u>

Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform, the Group applies the practical expedient to remeasure the lease liabilities by discounting the revised lease payments using the unchanged discount rate and makes a corresponding adjustment to the related right-of-use assets. A lease modification is required by interest rate benchmark reform if, and only if, both of these conditions are met:

- the modification is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the lease payments is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

Transition and summary of effects

As at 1 January 2021, the Group has several financial liabilities, the interest of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform.

The following table shows the total amounts of outstanding contracts. The amounts of financial liabilities are shown at their carrying amounts.

	HK$ Hong Kong Interbank Offered Rate *HK$'000*
Bank borrowings	300,000

The Group intends to apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for certain bank borrowings measured at amortised cost. The amendments have had no impact on the condensed consolidated financial statements as none of the above contracts has been transitioned to the relevant replacement rates during the six months ended 30 June 2021. The impacts on application of the amendments, if any, including additional disclosures, will be reflected in the Group's consolidated financial statements for the year ending 31 December 2021.

3A. REVENUE FROM GOODS AND SERVICES

Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Types of goods or services		
Sales of properties	**4,031,412**	2,829,760
Hotel operations	**124,679**	50,260
Property management	**2,835**	2,515
Total	**4,158,926**	2,882,535

All the revenue of the Group generated from contracts with customers are originated 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 2021 and 2020.

4. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interests on bank and other borrowings	**440,837**	529,215
Interests on lease liabilities	**2,076**	2,103
Total finance costs	**442,913**	531,318
Less: Amount capitalised into properties under development for sale	**(102,307)**	(208,059)
	340,606	323,259

5. INCOME TAX

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax:		
PRC Enterprise Income Tax	**317,949**	318,653
PRC Land Appreciation Tax	**721,870**	393,717
PRC withholding tax on dividend income	**8,253**	8,775
	1,048,072	721,145
Deferred tax	**63,102**	(25,842)
Income tax for the period	**1,111,174**	695,303

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting) the following items:		
Depreciation of property, plant and equipment	**75,040**	98,123
Depreciation of right-of-use assets	**15,105**	19,591
Interest income on bank deposits (included in other income)	**(41,615)**	(46,492)
Net foreign exchange loss (included in other expenses, gains and losses, net)	**22,132**	10,952

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	
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings:		
Earnings for the purposes of calculating basic and diluted earnings per share		
Profit for the period attributable to owners of the Company	**54,029**	151,041

	Six months ended 30 June	
	2021	2020
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purposes of calculating basic and diluted earnings per share	**N/A**	4,806,323
Number of ordinary shares for the purposes of calculating basic earnings per share	**4,806,323**	N/A

The calculation of diluted earnings per share in comparative prior interim period did 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 that period.

During the six months ended 30 June 2021, none of the Company's share options were outstanding as all of them had expired on 23 September 2020.

8. MOVEMENTS IN INVESTMENT PROPERTIES

The fair values of the Group's investment properties as at 30 June 2021 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$103,938,000 (six months ended 30 June 2020: HK$173,682,000) is recognised directly in profit or loss for the six months ended 30 June 2021.

During the six months ended 30 June 2021, the Group has subsequent expenditures on certain investment properties of approximately HK$89,484,000 (six months ended 30 June 2020: HK$85,673,000).

During the six months ended 30 June 2021, 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$274,846,000 was transferred to investment properties upon inception of lease agreements with the tenants. A fair value gain of approximately HK$122,917,000 in respect of these properties is recognised in profit or loss during the period.

During the six months ended 30 June 2021, the Group obtained the land use right certificate for two parcels of land in Minhang District in Shanghai in the PRC. One of them will be developed into residential properties held for earning rentals and the other one will have a portion to develop commercial building held for earning rentals. Accordingly, the respective prepayments made in prior year of approximately HK$919,974,000 were transferred to investment properties during the period.

The Group did not dispose of any investment properties during the six months ended 30 June 2021.

9. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSIT

	30 June 2021	31 December 2020
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Other receivables, prepayments and deposit recognised as non-current assets		
Deposit paid for acquisition of an associate	—	484,607
Prepayments for acquisition of parcels of land	—	1,310,894
	—	1,795,501
Trade and other receivables recognised as current assets		
Trade receivables		
— Contracts with customers	**3,706**	1,924
— Lease receivables	**23,594**	13,424
	27,300	15,348
Less: Loss allowance	**(291)**	(288)
	27,009	15,060
Other receivables	**347,512**	347,281
Advance payments to contractors	**14,558**	15,205
Prepaid other taxes	**384,073**	461,630
Guarantee deposit paid for the auction of a parcel of land	—	534,569
Deposits and prepayments	**23,898**	40,276
	797,050	1,414,021

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

	30 June 2021	31 December 2020
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0–90 days	**21,926**	11,850
91–180 days	**785**	133
Over 180 days	**4,298**	3,077
	27,009	15,060

10. TRADE AND OTHER PAYABLES AND DEFERRED REVENUE

	30 June 2021	31 December 2020
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade and other payables recognised as current liabilities		
Trade payables	**1,270,857**	1,953,441
Accrued expenditure on properties under development for sale	**2,588,985**	2,597,353
Amounts due to former shareholders of the Company's former subsidiaries	**168,606**	166,828
Rental deposits and receipt in advance from tenants	**228,490**	212,231
Interest payable	**242,288**	138,366
Payables to the Shanghai government department	**254,200**	502,189
Accrued charges and other payables	**476,061**	388,836
Other taxes payables	**693,896**	786,447
	5,923,383	6,745,691
Deferred revenue recognised as non-current liabilities		
Deferred revenue	**20,180**	20,176

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

	30 June 2021 *HK$'000* **(unaudited)**	31 December 2020 *HK$'000* (audited)
0–30 days	**473,479**	886,849
31–180 days	**97,603**	395,267
181–365 days	**349,404**	325,188
Over 365 days	**350,371**	346,137
	1,270,857	1,953,441

11. BANK AND OTHER BORROWINGS

During the six months ended 30 June 2021, the Group obtained new bank and other borrowings of approximately HK$3,717,769,000, of which HK$350,000,000 is denominated in foreign currency of the related entity (six months ended 30 June 2020: HK$6,617,943,000, of which HK$660,000,000 is denominated in foreign currency of the related entity).

During the six months ended 30 June 2021, the Group also repaid the bank and other borrowings of approximately HK$688,643,000 (six months ended 30 June 2020: HK$5,044,313,000).

12. ACQUISITION OF A SUBSIDIARY

In February 2021, the Group acquired 80% of the equity interest in Chelsea Securities Limited ("CSL") for a cash consideration of HK$56,000,000 from independent third parties. This acquisition was accounted for as a business combination. CSL operates in Hong Kong and is principally engaged securities dealing and portfolio management. CSL was acquired to enhance the competitiveness of the Group's business and explore a new dimension in Hong Kong. However, during the six months ended 30 June 2021, CSL has limited operation and, in the opinion of the directors of the Company, the business of CSL is not regarded as a separate segment of the Group.

	HK$'000
Consideration transferred:	
Cash	26,000
Deposit paid in previous years	30,000
	56,000

The fair value of the assets acquired and liabilities assumed of CSL recognised at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	63
Right-of-use assets	608
Intangible assets	200
Financial assets at fair value through profit or loss	13
Other receivables, deposits and prepayments	4,894
Prepaid income tax	4
Amount due from a shareholder	30,002
Bank balances and cash	222,439
Other payables and accrued charges	(217,107)
Lease liabilities	(621)
	40,495

	HK$'000
Goodwill arising from the acquisition:	
Consideration transferred	56,000
Add: Non-controlling interests	8,099
Less: Fair value of identifiable net assets acquired	(40,495)
	23,604

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY MARKET REVIEW

During the first half of 2021, the consistent pandemic control measures imposed in China helped secure the benefits of economic and social development and maintain stable economic recovery. The favourable policies imposed by the central government also further released potential domestic demand. The gross domestic product ("**GDP**") of China increased 12.7% year-on-year for the first half, with a gradual increase in production needs and generally stable employment and consumer price levels.

During the period, the central government imposed stringent control over the property financial sector across the country by persisting in the direction that "houses are built to be inhabited, not for speculation". The "14th Five-Year Plan" promulgated by the Chinese People's Political Consultative Conference and the National People's Congress in March placed an emphasis on establishing a long-term mechanism for facilitating the stable and sound development of the property market so as to balance the development between properties and the real economy and to further refine the housing market system and affordable housing system. According to the National Bureau of Statistics, property sales statistics maintained a stable and positive growth. During the first half, the sales of commodity housing grew 38.9% year-on-year to RMB9,293.1 billion and the floor space sold increased 27.7% year-on-year to 886,350,000 sq.m.

BUSINESS REVIEW

Overview

In the first half of 2021, in tandem with the improving domestic economic conditions, SIUD stepped up efforts in developing its existing land reserve and engaged in high-standard urban renewals with a focus on the metropolitan areas in Shanghai as well as other core first- and second-tier cities. The continuous strong sales performance of flagship projects, including Contemporary Splendour Villa • Courtyard Villa, Urban Cradle and Contemporary Art Villa • Jade Villa in Shanghai, brought in stable and hefty revenue and profits for SIUD. In March 2021, the Group won the bid for the land use rights to lot CB4–3–225 located to the south of Qiyuan Second Road and to the east of Shangchun North Road in Xi'an, Shaanxi Province. With a site area of approximately 51,208 sq.m., the land is well supported by the rich natural ecological resources along Ba River and the mature ancillary facilities nearby. This valuable solely residential site also fits into the Group's strategy of developing in the main regions of key metropolitan areas. During the period, the Group attached high importance to identifying potential opportunities for high-return urban renewal projects and promoted the in-depth development of its investment property operation. The Group also facilitated city-industry integration, further diversified its business operations and continued to refine the investment and operation of commercial assets in key urban areas.

Contract Sales

During the six months ended 30 June 2021, the total contract sales from commodity housing and affordable housing of the Group increased 31.3% year-on-year to RMB4,866,570,000 (six months ended 30 June 2020: RMB3,706,390,000). Total contract sales in terms of G.F.A. were 111,000 sq.m., up 73.4% year-on-year. The average selling price declined 24.4% to approximately RMB43,800 per sq.m. During the period, the contract sales of commodity housing amounted to RMB4,250,320,000, representing 87.3% of the Group's total contract sales, with a sales area of approximately 83,700 sq.m. Our perfectly designed high-quality projects, including Originally in Xi'an, West Diaoyutai • Emperor Seal in Beijing, Contemporary Splendour Villa • Courtyard Villa and Urban Cradle in Shanghai, were highly sought after by the market and performed well in pre-sale as they were able to satisfy the strong market demand for properties. During the period, each of these projects brought remarkable revenue for the Group by posting sales of RMB1,175,520,000, RMB1,153,410,000, RMB1,008,990,000 and RMB812,600,000 respectively, accounting for approximately 24.2%, 23.7%, 20.7% and 16.7% of the total contract sales respectively. During the period, the contract sales of affordable housing amounted to RMB616,250,000, representing 12.7% of the Group's total contract sales, with a sales area of approximately 27,300 sq.m. Such contract sales were mainly derived from Shanghai Jing City.

In April 2021, the Tianjin Hedong Polytechnic University project, which is a key residential project being developed by SIUD in Tianjin, commenced construction. Located at Chenglin Road, Hedong District near the Inner Ring Line and supplemented by a number of premium facilities, the Tianjin Hedong Polytechnic University project enjoys clear advantages and receives high attention and full support from the Hedong District Committee and District Government. The high standard construction of the Hedong Polytechnic University project will play an important role in enhancing the image of Hedong District and the entire Tianjin City, and in improving the local environment generally.

In May 2021, the "U Plaza+欣虹匯" commercial project, which is located at one of the first plots dedicated for village-in-town remodeling projects in Shanghai, commenced construction. Situated at the central business district of Hongqiao with close proximity to the National Exhibition and Convention Center and the Hongqiao International Transportation Hub, "U Plaza+欣虹匯" will provide multiple business functions with a planned area of nearly 80,000 sq.m. It is expected to contribute loads of revenue and profit for the Group in the future. In the same month, the Garden Office Headquarters of Urban Cradle U Center were formally launched, comprising six garden office headquarters, two Grade A office buildings and one small commercial center. The six garden office buildings, each with a GFA of about 3,500 to 6,200 sq.m., and the two Grade A office buildings, totalling about 47,000 sq.m., are expected to roll out to the market early next year.

July 2021 marked the grand opening of U Plaza, a commercial center located within Urban Cradle in Shanghai. It not only added a small but elegant ancillary commercial facility to the residents of Urban Cradle, but also represented a strategic shift of Urban Cradle from residential development to commercial operation.

Property Development

During the six months ended 30 June 2021, the Group had 15 projects with a total G.F.A. of 3,107,000 sq.m. under construction, which primarily included TODTOWN, Binjiang U Center in Shanghai, Originally in Xi'an and Shangtou Baoxu in Shanghai. The floor space started of the Group was 309,000 sq.m., which mainly came from Tianjin Hedong Polytechnic University project, Shangtou Xinhong and Xi'an Qiyuan Road project. During the period, the Group delivered a total G.F.A. of 96,000 sq.m., which mainly comprised Contemporary Splendour Villa • Courtyard Villa, Urban Cradle and Contemporary Art Villa • Jade Villa in Shanghai.

Through conducting market investment research, the Group precisely took advantage of the market window to improve its project liquidity and further boost the sales volume. Key projects, including Contemporary Splendour Villa • Courtyard Villa, Urban Cradle and Contemporary Art Villa • Jade Villa in Shanghai, posted outstanding sales performance and generated satisfactory revenue for the Group. In particular, Contemporary Splendour Villa • Courtyard Villa in Shanghai achieved impressive sales performance and also became the biggest sales contributor for the Group.

Investment Properties

As at 30 June 2021, the Group had several completed commercial projects in eight major developed cities, including Shanghai, Beijing, Tianjin, Chongqing, Shenyang, Xi'an, Kunshan and Shenzhen. The investment projects held by the Group had a total G.F.A. of approximately 880,000 sq.m. During the period, the overall rental income of the Group increased 44.2% year-on-year to HK$418,474,000 (2020: HK$290,288,000), which was mainly attributable to the increase in general occupancy rate and project average unit rental.

The Group persisted in upholding the policy of placing dual focus on leasing and sale, and continued to promote its residential leasing operation. Three of its long-term rental apartment projects, namely Shanghai Jinxiang, Shanghai Shenzhicheng and Shanghai Chenglong, are currently under orderly development, offering a total G.F.A. of 295,000 sq.m. The Shanghai Jinxiang and Shanghai Shenzhicheng projects are expected to be completed by 2022, while the Shanghai Chenglong project is estimated to be completed by 2023. This business operation will contribute stable rental income for the Group in the future.

Looking forward, the Group will explore more alternative opportunities during the industrial adjustment period. By virtue of its extensive experience in quality project acquisition, the Group will seek to further develop more diversified strategic cooperation initiatives and expand its commercial property portfolio while guaranteeing the long-term operating results and sustainable business development of the Group.

Comprehensive Health Operation

In October 2020, the Shanghai Industrial International Obstetrics and Gynaecology Hospital project built by the Group together with Shanghai Pharmaceuticals, a subsidiary of SIIC (the Company's parent group), was formally launched to introduce the smart medical industry model into Yantai, Shandong. The Group also formed an associate with Shanghai Lingfeng Medical (a wholly-owned subsidiary of the Company's parent company) and Shanghai Huashi to engage in the development and operation of a medical beauty institution in Shanghai. In May 2021, SIUD entered into a project management services agreement with Shanghai Pharmaceuticals for a management fee of RMB4,800,000.

To proactively align with the deployment of the parent group in the comprehensive health sector, the Group has placed the comprehensive health industry as its key strategy and business. By seizing the valuable opportunity presented by the parent group, SIUD made active deployments in the comprehensive health industry to take advantage of the long-term strategic development opportunities, in order to add new growth impetus to its own development.

FINANCIAL REVIEW

Revenue

During the six months ended 30 June 2021, the Group's revenue increased by 44.3% year-on-year to HK$4,577,400,000 (six months ended 30 June 2020: HK$3,172,823,000), primarily due to the recovery of property delivery during the period given the effective pandemic control in China, in contrast with the limitation on contract sales and delay in property delivery during the same period last year owing to the implementation of quarantine and social distancing measures in the Mainland China during the COVID-19 pandemic. During the period, property sales remained as the Group's main source of revenue and amounted to HK$4,031,412,000 (six months ended 30 June 2020: HK$2,829,760,000), accounting for 88.1% (six months ended 30 June 2020: 89.2%) of the Group's total revenue. The revenue contribution from Contemporary Splendour Villa • Courtyard Villa, Urban Cradle and Contemporary Art Villa • Jade Villa in Shanghai accounted for 76.0%, 20.9% and 2.3% of property sales, respectively.

The Group's revenue from leasing, property management and services, and hotel operations recorded a rise. These three operations contributed a revenue of HK$418,474,000, HK$2,835,000 and HK$124,679,000 (six months ended 30 June 2020: HK$290,288,000, HK$2,515,000 and HK$50,260,000) respectively and accounted for 9.1%, 0.1% and 2.7% (six months ended 30 June 2020: 9.1%, 0.1% and 1.6%) of the total revenue, respectively.

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2021, the Group's gross profit amounted to HK$1,847,237,000, up by 29.0% as compared to that of the same period in 2020. The gross profit margin was 40.4%, which was slightly lower than that of the same period last year mainly due to the sale of mostly higher margin projects, such as Urban Cradle and Contemporary Art Villa • Jade Villa in Shanghai, during the same period last year.

Investment Property Revaluation

For the six months ended 30 June 2021, the Group recorded a net gain on revaluation of investment properties of approximately HK$103,938,000, which was mainly attributable to the transfer of certain properties held-for-sale of Originally in Xi'an to investment properties.

Distribution and Selling Expenses

For the six months ended 30 June 2021, the Group's distribution and selling expenses increased by 78.2% year-on-year to HK$176,787,000 (six months ended 30 June 2020: HK$99,200,000), which was mainly attributable to the increase in promotional and marketing efforts in response to the COVID-19 pandemic in order to promote sales during the period.

General and Administrative Expenses

For the six months ended 30 June 2021, the Group's general and administrative expenses decreased by 3.0% year-on-year to HK$182,026,000 (six months ended 30 June 2020: HK$187,727,000). This was mainly attributable to the continual implementation of strict cost control measures, which proved effective, during the period.

Other Expenses, Gains and Losses, Net

For the six months ended 30 June 2021, the Group recorded a net loss of approximately HK$1,098,000 in other expenses, gains and losses (six months ended 30 June 2020: net loss of HK$10,937,000).

Profit

During the six months ended 30 June 2021, the Group's profit decreased year-on-year by 41.6% to HK$207,224,000 (six months ended 30 June 2020: HK$355,072,000). During the first half of the year, profit attributable to owners of the Company was approximately HK$54,029,000 (six months ended 30 June 2020: HK$151,041,000), and the basic earnings per share amounted to 1.12 HK cents (six months ended 30 June 2020: basic and diluted earnings per share of 3.14 HK cents).

Liquidity and Capital Resources

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

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

As at 30 June 2021, bank balances and cash of the Group were HK$9,039,343,000 (31 December 2020: HK$9,550,663,000). 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) was 45.0% as at the period end. The current ratio was 1.6 times.

As at 30 June 2021, the total borrowings of the Group including bank borrowings, other borrowings and advanced bonds amounted to approximately HK$20,986,896,000 (30 June 2020: HK$17,747,266,000).

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 certain bank 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 2021. 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 2021, the Group employed 823 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 2021, 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 AND NEW PROJECT ACQUISITION

As at 30 June 2021, the Group's land bank was developed into 27 property projects located in 11 major cities in China, including Shanghai, Beijing, Tianjin, Xi'an, Chongqing, Kunshan, Wuxi, Shenyang, Yantai, Wuhan and Shenzhen, and comprised medium to high class residential and commercial properties, most of which were completed or still under development. The Group has a land bank with a future saleable planned G.F.A. of approximately 4,140,000 sq.m. to support its development for the next three to five years.

In March 2021, the Group won the bid for the land use rights to lot CB4–3–225 located to the south of Qiyuan Second Road and to the east of Shangchun North Road in Xi'an, Shaanxi Province for a land premium of approximately RMB1.525 billion. The land is located in the Chanba Ecological Area in Xi'an and is in close proximity to the Weiyang Lake Station of the Xi'an Metro Line No. 10 in construction and Ba River. With a site area of approximately 51,208 sq.m., the land is for residential use and may be developed into approximately 102,418 sq.m. of residential development with ancillary public and commercial facilities.

The Group will stay on a steadily progressing development path by enhancing the development of its existing premium land bank and optimising resource allocation for boutique development.

OUTLOOK

During the first half of 2021, thanks to the central policies, the achievements made by China in pandemic control and socio-economic development continued to expand and consolidate, and stable and positive growth was witnessed in property sales. The Group is confident that, under the lead of the "14th Five-Year Plan" of the central government, the property market will maintain stable and robust growth in the second half of the year. In the second half, with a vision of strengthening its operational capability, the Group will take advantage of the sales window period to redouble its product launch and sales efforts and enhance its turnover strategy in a timely manner, in a bid to fulfil the annual performance target.

Looking ahead, the Group will remain focused on the metropolitan areas in Shanghai as well as other first- and second-tier cities and stay on a steadily progressing development path by enhancing the development of its existing premium land bank. By continuing to leverage on urban renewal and redevelopment opportunities and its brand advantage as a state-owned enterprise, the Group will focus its efforts in the redevelopment of old areas and the restructuring and upgrading of industrial plots. The Group will also continue to develop city-industry integrated operations to further diversify its business operations and gain insights into market trends with an aim of expanding into the investment and operation of property and commercial asset sectors, which will drive the sustainable high quality growth of the Group in the future. By adopting the two-pronged approach of asset management and capital operation, the Group targets at restructuring and upgrading its assets while achieving innovative business development. Capitalising on its rich development experience and diversified product strategy, SIUD will keep on creating 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 2021 (for the six months ended 30 June 2020: Nil).

SHARE CAPITAL

The Company's issued and fully paid share capital as at 30 June 2021 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 2021.

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 2021, 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**").

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 2021.

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 2021.

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 2021, 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 2021 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 2021 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. Tang Jun was appointed as the President, an executive Director and a member of the Investment Appraisal Committee of the Company with effect from 15 January 2021;

(b) Mr. Fan Ren Da, Anthony ("**Mr. Fan**"), an independent non-executive director of the Company, has been re-designated from an independent non-executive director to an executive director and has resigned as the chairman of the remuneration committee and a member of the audit committee and the nomination committee of Tenfu (Cayman) Holdings Company Limited, a company listed on the Stock Exchange with stock code of 6868, with effect from 18 May 2021;

(c) Mr. Fan has retired as an independent non-executive director and ceased to be a member of the audit committee, the remuneration committee and the nomination committee of Raymond Industrial Limited, a company listed on the Stock Exchange with stock code of 229, with effect from 21 May 2021; and

(d) Mr. Li Ka Fai, David, an independent non-executive director of the Company, has retired as independent non-executive director and ceased to be a member of the nomination committee, chairman of the audit committee and the remuneration committee of CR Construction Group Holdings Limited, a company listed on the Stock Exchange with stock code of 1582, with effect from 25 June 2021.

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 2021 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, 30 August 2021

As at the date of this announcement, the Board comprises Mr. Huang Haiping, Mr. Tang Jun, 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.