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上海實業城市開發集團有限公司

SHANGHAI INDUSTRIAL URBAN DEVELOPMENT GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 563)

**ANNOUNCEMENT OF FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

The board of directors (the “**Board**”) of Shanghai Industrial Urban Development Group Limited (the “**Company**”) is pleased to announce that the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2017, together with the comparative figures for the year ended 31 December 2016, as follows:

	For the year ended 31 December		
	2017	2016	Change
FINANCIAL HIGHLIGHT			
Financial Highlights (HK\$'000)			
Revenue	9,356,865	5,490,564	70.4%
Gross profit	4,385,800	1,400,613	213.1%
Gross profit margin	46.9%	25.5%	21.4 points
Profit attributable to owners of the Company	557,964	521,888	6.9%
Financial Information per share (HK cents)			
Profit			
— Basic and Diluted	11.60	10.85	6.9%
Proposed Dividend/Dividend paid			
— Final dividend (HK cents)	1.6	1.4	14.3%
— Special dividend (HK cents)	2.5	1.9	31.6%
	4.1	3.3	24.2%
Net asset value attributable to owners of the Company per share (HK\$)	2.81	2.55	10.2%
	As at 31 December		
	2017	2016	
Financial Ratios			
Net debt to total equity (%) (note)	16.2%	8.1%	

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

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

FOR THE YEAR ENDED 31 DECEMBER 2017

	<i>NOTES</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenue	4	9,356,865	5,490,564
Cost of sales		(4,971,065)	(4,089,951)
Gross profit		4,385,800	1,400,613
Other income	5(a)	402,572	487,781
Other expenses, gains and losses, net	5(b)	(11,879)	(304,505)
Fair value changes on investment properties, net	11	(39,496)	260,505
Impairment loss in respect of properties held-for-sale		(113,120)	(221,104)
Distribution and selling expenses		(235,033)	(275,194)
General and administrative expenses		(444,055)	(444,626)
Gains on disposal of assets through disposal of subsidiaries		—	2,395,035
Finance costs	6	(621,332)	(716,138)
Share of results of associates		4,129	3,222
Profit before tax		3,327,586	2,585,589
Income tax	7	(2,080,264)	(1,259,024)
Profit for the year	8	1,247,322	1,326,565
Other comprehensive income (expense) for the year			
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation into presentation currency		1,545,025	(1,293,710)
Share of other comprehensive income of associates		57,735	(7,757)
Item that may be reclassified subsequently to profit or loss:			
(Loss) gain on fair value changes of available-for-sale investment, net of tax		(26,182)	439
Other comprehensive income (expense) for the year		1,576,578	(1,301,028)
Total comprehensive income for the year		2,823,900	25,537

	<i>NOTE</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Profit for the year attributable to:			
Owners of the Company		557,964	521,888
Non-controlling interests		689,358	804,677
		<u>1,247,322</u>	<u>1,326,565</u>
 Total comprehensive income (expense) attributable to:			
Owners of the Company		1,403,468	(110,368)
Non-controlling interests		1,420,432	135,905
		<u>2,823,900</u>	<u>25,537</u>
 Earnings per share			
Basic (<i>HK cents</i>)	<i>9</i>	<u>11.60</u>	<u>10.85</u>
 Diluted (<i>HK cents</i>)	<i>9</i>	<u>11.60</u>	<u>10.85</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2017

	<i>NOTES</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Non-current assets			
Investment properties	<i>11</i>	14,932,613	13,744,306
Property, plant and equipment		2,386,833	1,726,009
Prepaid lease payments		222,976	213,435
Intangible assets		61,261	56,945
Interests in associates		1,221,279	1,135,065
Interest in a joint venture		65,718	65,718
Available-for-sale investments		249,434	265,662
Pledged bank deposits		30,427	20,937
Other receivables		26,739	103,394
Deferred tax assets		226,179	409,786
		<u>19,423,459</u>	<u>17,741,257</u>
Current assets			
Inventories	<i>12</i>	27,546,284	25,483,600
Trade and other receivables	<i>13</i>	750,101	1,259,937
Amounts due from related companies		322,229	299,527
Prepaid lease payments		4,942	4,593
Prepaid income tax and land appreciation tax		428,506	375,240
Financial assets at fair value through profit or loss		3,506	5,193
Restricted and pledged bank deposits		80,586	137,672
Bank balances and cash		12,685,436	12,818,335
		<u>41,821,590</u>	<u>40,384,097</u>
Assets classified as held-for-sale		<u>180,232</u>	<u>—</u>
		<u>42,001,822</u>	<u>40,384,097</u>

	<i>NOTE</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current liabilities			
Trade and other payables	14	5,325,245	5,173,828
Amounts due to related companies		735,404	609,801
Amounts due to associates		5,771	50,371
Consideration payables for acquisition of subsidiaries		98,619	342,585
Pre-sale proceeds received on sales of properties		6,387,497	7,996,881
Bank and other borrowings		3,954,956	854,595
Income tax and land appreciation tax payables		2,633,222	2,497,983
Dividend payable		10,044	8,384
Dividend payable to non-controlling shareholders		180,180	61,344
		19,330,938	17,595,772
Liabilities classified as held-for-sale		154,804	—
		19,485,742	17,595,772
Net current assets		22,516,080	22,788,325
Total assets less current liabilities		41,939,539	40,529,582
Non-current liabilities			
Deferred revenue		201,892	195,776
Amounts due to related companies		115,315	—
Bank and other borrowings		12,734,079	13,891,575
Deferred tax liabilities		4,925,666	4,722,103
		17,976,952	18,809,454
		23,962,587	21,720,128
Capital and reserves			
Share capital		192,439	192,451
Reserves		13,342,599	12,098,372
Equity contributable to owners of the Company		13,535,038	12,290,823
Non-controlling interests		10,427,549	9,429,305
		23,962,587	21,720,128

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1. GENERAL

Shanghai Industrial Urban Development Group Limited (the “**Company**”) is a public limited company incorporated in Bermuda under the Companies Act 1981 of Bermuda (as amended) as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Its parent is Shanghai Industrial Holdings Limited (incorporated in Hong Kong and listed on the Stock Exchange) and its ultimate parent is Shanghai Industrial Investment (Holdings) Company Limited (a private limited company also incorporated in Hong Kong).

The principal activities of the Group are residential and commercial properties development, property investment and hotel operations in the People’s Republic of China (the “**PRC**”).

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”) as the Company is listed on the Stock Exchange, where most of its investors are located in Hong Kong. The functional currency of the Company is Renminbi (“**RMB**”).

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKFRS 12	As part of the annual improvements to HKFRSs 2014–2016 cycle

New and revised HKFRSs issued but not yet effective

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

HKFRS 9	Financial instruments ¹
HKFRS 15	Revenue from contracts with customers and related amendments ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance contracts ⁴
HK(IFRIC) — Int 22	Foreign currency transactions and advance consideration ¹
HK(IFRIC) — Int 23	Uncertainty over income tax treatments ²
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts ¹
Amendments to HKFRS 9	Prepayment features with negative compensation ²
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ³
Amendments to HKAS 28	Long-term interests in associates and joint ventures ²
Amendments to HKAS 28	As part of the annual improvements to HKFRSs 2014–2016 cycle ¹
Amendments to HKAS 40	Transfers of investment property ¹
Amendments to HKFRSs	Annual improvements to HKFRSs 2015–2017 cycle ²

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2019.

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

⁴ Effective for annual periods beginning on or after 1 January 2021.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and by the Hong Kong Companies Ordinance.

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

4. REVENUE AND SEGMENT INFORMATION

Segment information

The Group is principally engaged in the residential and commercial properties development, property investment and hotel operations.

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 as set out in note 3, for the purposes of resource allocation and performance assessment. Accordingly, the Group presents only one single operating segment and no further analysis is presented.

The Group's operations are located in the PRC. All revenue and non-current assets, excluding certain financial instruments, of the Group are generated from and located in the PRC. No revenue from a single customer or a group of customers under common control contributed 10% or more of the Group's revenue for the years ended 31 December 2017 and 2016.

Revenue analysis

Revenue represents the net amounts received and receivable for goods sold by the Group in the normal course of business to outside customers, net of discounts and sales related taxes for the year.

The following is an analysis of the Group's revenue from its major business activities:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenue from sales of properties	8,375,839	4,557,433
Rental income from leasing of properties	634,999	654,358
Service income from property management	152,923	94,703
Revenue from hotel operations	193,104	184,070
	<u>9,356,865</u>	<u>5,490,564</u>

5(a). OTHER INCOME

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Gain on land resumption	—	209,999
Interest income on bank deposits	283,903	141,081
Other interest income	13,606	71,414
Rental income from property, plant and equipment	8,639	20,700
Dividend income from available-for-sale investments	363	368
Income from marketing and exhibition activities	2,746	5,962
Governments grants	66,120	10,874
Others	27,195	27,383
	<u>402,572</u>	<u>487,781</u>

5(b). OTHER EXPENSES, GAINS AND LOSSES, NET

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Net exchange loss	(18,675)	(209,168)
Changes in fair value of financial assets at fair value through profit or loss, net	(1,997)	1,000
Impairment loss recognised on other receivables	—	(120,038)
Gain (loss) on disposal of property, plant and equipment	7,534	(282)
Waiver of consideration payables for acquisition of subsidiaries	—	27,299
Others	1,259	(3,316)
	<u>(11,879)</u>	<u>(304,505)</u>

6. FINANCE COSTS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interests on bank and other borrowings	932,280	930,998
Less: Amount capitalised into properties under development for sale	(310,948)	(214,860)
	<u>621,332</u>	<u>716,138</u>

7. INCOME TAX

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current tax:		
PRC Enterprise Income Tax (“EIT”)	592,627	1,001,918
PRC Land Appreciation Tax (“LAT”)	1,327,433	397,285
PRC withholding tax on dividend income	18,450	—
	<u>1,938,510</u>	<u>1,399,203</u>
Under(over)provision in prior years:		
PRC EIT	(6,461)	(25,731)
PRC LAT	79,750	(6,234)
	<u>73,289</u>	<u>(31,965)</u>
Deferred tax	<u>68,465</u>	<u>(108,214)</u>
Income tax for the year	<u>2,080,264</u>	<u>1,259,024</u>

8. PROFIT FOR THE YEAR

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Profit for the year has been arrived at after charging (crediting):		
Depreciation for property, plant and equipment	109,647	97,347
Less: Depreciation capitalised into properties under development for sale	<u>(2,733)</u>	<u>(605)</u>
	106,914	96,742
Amortisation of prepaid lease payments	<u>6,370</u>	<u>6,453</u>
Total depreciation and amortisation	113,284	103,195
Auditors' remuneration	5,729	6,693
Gross rental income from investment properties	(634,999)	(654,358)
Less: Direct operating expenses incurred for investment properties that generated rental income during the year	<u>140,530</u>	<u>141,765</u>
	<u>(494,469)</u>	<u>(512,593)</u>
Directors' remuneration	11,733	10,456
Other staff costs		
Salaries, wages and other benefits	244,604	228,327
Retirement benefit scheme contributions	<u>37,381</u>	<u>34,262</u>
Total staff costs	293,718	273,045
Less: Staff costs capitalised into properties under development for sale	<u>(48,385)</u>	<u>(42,563)</u>
	<u>245,333</u>	<u>230,482</u>
Cost of properties held-for-sale recognised as an expense	4,540,034	3,404,691
Cost of inventories for hotel operations recognised as an expense	184,032	157,733
Share of tax of associates (included in share of results of associates)	<u>679</u>	<u>546</u>

9. 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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Earnings		
Earnings for the purposes of calculating basic and diluted earnings per share:		
Profit for the year attributable to owners of the Company	<u>557,964</u>	<u>521,888</u>
Number of shares		
	2017 <i>'000</i>	2016 <i>'000</i>
Weighted average number of ordinary shares for the purposes of calculating basic and diluted earnings per share	<u>4,811,114</u>	<u>4,811,273</u>

The computation of diluted earnings per share in both years does not assume the exercise of the Company's share options because the exercise price of the share options was higher than the average market price for both years.

10. DIVIDENDS

A final dividend and a special dividend of HK1.4 cents per ordinary share and HK1.9 cents per ordinary share respectively in respect of the year ended 31 December 2016, in an aggregate amount of approximately HK\$158,772,000, were declared and an amount of approximately HK\$157,112,000 was paid during the year ended 31 December 2017.

Subsequent to the end of the reporting period, a final dividend and a special dividend of HK1.6 cents per ordinary share and HK2.5 cents per ordinary share respectively in respect of the year ended 31 December 2017 have been proposed by the directors of the Company and is subject to approval by the shareholders at the forthcoming annual general meeting.

11. INVESTMENT PROPERTIES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
FAIR VALUE		
At 1 January	13,744,306	11,811,202
Subsequent expenditure	180,179	418,525
Acquired from acquisition of subsidiaries	—	2,165,185
Fair value changes on investment properties, net	(39,496)	260,505
Disposals	—	(52,043)
Exchange realignment	1,047,624	(859,068)
	14,932,613	13,744,306
Unrealised (loss) gains on revaluation of investment properties included in profit or loss for the year	(39,496)	263,741

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

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

12. INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Property development		
Properties under development for sale	18,895,589	19,136,194
Properties held-for-sale	8,647,024	6,343,749
	27,542,613	25,479,943
Hotel operations		
Food and beverage and others	3,671	3,657
	27,546,284	25,483,600

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

13. TRADE AND OTHER RECEIVABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade and other receivables		
Trade receivables	26,002	24,820
Less: Allowance for doubtful debts	<u>(777)</u>	<u>(722)</u>
	25,225	24,098
Other receivables	496,897	594,278
Advance payments to contractors	31,680	11,136
Prepaid other taxes	186,676	276,558
Deposits and prepayments	9,623	18,896
Consideration receivables	<u>—</u>	<u>334,971</u>
	<u>750,101</u>	<u>1,259,937</u>

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

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 90 days	19,217	12,800
Within 91–180 days	1,156	5,300
Over 180 days	<u>4,852</u>	<u>5,998</u>
	<u>25,225</u>	<u>24,098</u>

Majority of the trade receivables that are neither past due nor impaired has no default payment history.

14. TRADE AND OTHER PAYABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade and other payables		
Trade payables	826,058	469,809
Accrued expenditure on properties under development for sale	2,458,988	2,861,832
Amounts due to former shareholders of the Company's former subsidiaries	167,878	158,120
Receipts from customers for payment of expenses on their behalf	42,537	56,952
Rental deposits and receipt in advance from tenants	209,770	193,160
Interest payable	86,786	82,200
Payables to the Shanghai government department	537,540	450,618
Provision for compensation expense in relation to settlement of a legal case	124,350	115,589
Deferred revenue	44,281	38,402
Accrued charges and other payables	721,099	614,729
Other taxes payables	105,958	132,417
	<u>5,325,245</u>	<u>5,173,828</u>

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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 30 days	16,394	13,372
Within 31–180 days	299,016	278,946
Within 181–365 days	248,465	12,824
Over 365 days	262,183	164,667
	<u>826,058</u>	<u>469,809</u>

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY MARKET REVIEW

In 2017, despite the control measures under the “City-based Policy” and “One City, One Policy”, China’s property market still maintained solid development and demonstrated a differentiation trend among cities. Since the living demand of residents in first-tier cities, such as Beijing, Shanghai and Shenzhen, was shifting from quantity-driven to quantity and quality-driven, housing prices still stood at a high level given the shortage in supply. The property market in third- and fourth-tier cities was buoyant with notable increases in selling prices and transaction volume. During the year, the property market scaled new heights in sales area and sales amount in history. In the long run, the property industry will remain as one of the main industries in China, and the stable and positive outlook of the property market fundamentals will also remain unchanged.

BUSINESS REVIEW

Overview

In 2017, the Group derived its profits mainly from the increases in the delivered and booked area and unit prices of the properties in Shanghai. Urban Cradle and Grand Mansion, the Group’s flagship projects in Shanghai, continued to see robust sales while Originally in Xi’an, Royal Villa in Kunshan and Laochengxiang in Tianjin delivered satisfactory sales. ShanghaiMart and Urban Development International Tower also brought steady rental income to the Group. During the year, the Group proactively expanded its business coverage. In August 2017, the Group won the bid in the public bidding, auction and listing-for-sale of Wanyuan A land plot in Minhang District, Shanghai for commercial and office use at a competitive price. In January and February 2018, the Group acquired 35% equity interest in Shanghai Real Estate Northern Region Investment Development Company Limited (“NR Investment”), which was engaged in primary land development, and intended to acquire the entire equity interest in Shanghai Shangtou Real Estate Investment Company Limited (“Shanghai Shangtou”), which was engaged in secondary land development, to continually optimize its strategic deployment of land and assets, strengthen its competitive edges in various land development sectors and consolidate its position as a preeminent property developer in Shanghai.

Contract Sales

During the year ended 31 December 2017, the contract sales from commodity housing of the Group decreased slightly year-on-year to RMB5,936,000,000 (2016: RMB6,595,000,000). Total contract sales in terms of G.F.A. were 386,000 sq.m. during 2017, up 8.4% year-on-year. The average selling price dropped slightly to approximately RMB15,400 per sq.m., mainly because the Group quickened its steps in selling its projects in certain second- and third-tier cities and delayed in rolling out new projects in

Shanghai last year, leading to a corresponding adjustment in overall sales. In 2017, Urban Cradle in Shanghai, Originally in Xi'an and Grand Mansion in Shanghai were the Group's principal projects for sale, which accounted for approximately 39.9%, 30.9% and 17.3% of the total contract sales during the year.

New Project Acquisition (Land Bank)

As at 31 December 2017, the Group's land bank was developed into 20 property projects located in 11 major cities in China, including Shanghai, Beijing, Tianjin, Xi'an, Chongqing, Kunshan, Wuxi, Shenyang, Fuzhou, 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 3.86 million sq.m., the Group's land bank is sufficient to support its development pipeline for the next three to five years.

The Group continued to adopt a multi-channel land acquisition strategy as ever and analysed the possibility of acquiring new projects through participation in bidding, auction and listing-for-sale, equity acquisition, urban renewal and redevelopment. In August 2017, the Group won the bid for Wanyuan A land plot in Minhang District, Shanghai in the public bidding, auction and listing-for-sale. The land is for commercial and office use with a future permissible gross area of approximately 118,000 sq.m., served by mature auxiliary facilities. The land is located next to a large park and is an above-station project along Metro Line No. 12. It is planned to be developed into a low density commercial complex. SIUD's acquisition of the land at a competitive price will help to establish the Group's presence in the neighbourhood, and further consolidate the Group's brand image as one of the leading real estate developers in Shanghai.

Besides, the Group also made some progress with initial achievements in primary and secondary land development in Shanghai. On 31 January 2018, the Group acquired 35% equity interest in NR Investment at a consideration of RMB88,338,100, which will enable the Group to expand its investment to the primary land development business in Shanghai. On 28 February 2018, the Group proposed to acquire the entire equity interest in Shanghai Shangtou at a consideration of RMB530,827,057.19, which will help the Group expand into the secondary land development business. These two acquisitions will complement and create synergy with the principal businesses of the Group. With nearly twenty years' experience in Shanghai property development, brand impact on the market and background as a state-owned enterprise, the Group will continue to utilise its competitive edge in the Yangtze River Delta region and coastal areas to actively explore new land resources as its continuous development drivers and support.

Property Development

During the year ended 31 December 2017, the Group had 10 projects with a total G.F.A. of 1,546,000 sq.m. under construction, which primarily included TODTOWN, Urban Cradle, Shanghai Jing City, Originally in Xi'an and Laochengxiang in Tianjin. The floor space started of the Group was 320,000 sq.m., which mainly came from Originally in Xi'an and Laochengxiang in Tianjin. The Group completed construction with G.F.A. of 245,000 sq.m., which mainly comprised Shanghai Jing City and Originally in Xi'an, and delivered a total G.F.A of 358,000 sq.m..

During the year, the formal topping-out of phase I residential projects T2 and T3 of TODTOWN, i.e. the Xinzhuang Metro Superstructure associate project in Minhang District, Shanghai, marked that the project has successfully achieved its periodical target since the commencement of construction on 26 June 2014. Contemporary Art Villa, which was acquired at the end of 2016, earned a high reputation after renovation and upgrading. Both of these new additional projects in Shanghai are planned to be launched for sale at opportune times in 2018. The sufficient new housing inventory supported SIUD in responding flexibly to the ups and downs in the property market, and selling each of its property project at the most favourable prices in light of the ever-changing market conditions.

Apart from Shanghai, SIUD also launched its projects in Xi'an, Tianjin and Shenyang one by one for sale. During the year, SIUD's project in Xi'an became the indicators of property value in the region and outperformed the industry in both trading volume and trading prices, reflecting the prominent position of the Group in the region. In 2018, new products will be rolled out under the Xi'an projects in "Chanba". As the leaders in the region, these invaluable and unbeatable products will continue to contribute greatly to the sales revenue of the Group.

Investment Properties

To actively capture the golden opportunity of "conversion from residential properties to commercial properties" in the property industry, SIUD stepped up its efforts in building complex and cross-disciplinary mixed residential and commercial property projects for its sustainable development. The Group is committed to developing investment properties at premium locations in popular cities, mainly including Shanghai, Beijing, Tianjin, Chongqing and Xi'an. During the year ended 31 December 2017, the G.F.A. of investment properties held by the Group was approximately 686,000 sq.m.. Owing to the emphasis of the Group on the construction, renewal and renovation of investment properties during the year, the overall rental income decreased slightly year-on-year to HK\$634,999,000 (2016: HK\$654,358,000). As the renovation of ShanghaiMart, YOYO Tower and Chongqing K-Mall comes to completion smoothly one after another, it is anticipated that the Group's rental income will reach another new height in the coming year, thereby contributing sustainable and substantial revenue to the Group in 2018.

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2017, the Group's revenue increased by 70.4% year-on-year to HK\$9,356,865,000 (2016: HK\$5,490,564,000), primarily due to the completion and delivery of more residential buildings for projects in Shanghai during the period, leading to an increase in carry-over income. During the period, property sales remained as the Group's main source of revenue and amounted to HK\$8,375,839,000 (2016: HK\$4,557,433,000), accounting for 89.5% (2016: 83.0%) of the Group's total revenue. The revenue contribution from Shanghai Jing City, Urban Cradle and Originally accounted for 54.8%, 18.3% and 10.6% 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\$634,999,000, HK\$152,923,000 and HK\$193,104,000 (2016: HK\$654,358,000, HK\$94,703,000 and HK\$184,070,000) respectively and accounting for 6.8%, 1.6% and 2.1% (2016: 11.9%, 1.7% and 3.4%) of the total revenue, respectively.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2017, the Group's gross profit increased by 213.1% from 2016 to HK\$4,385,800,000 due to an increase in revenue and gross profit margin. Gross profit margin was 46.9%, up by 21.4 percentage points as compared to that of the same period last year, delivering a satisfactory overall growth.

Investment Property Revaluation

For the year ended 31 December 2017, the Group recorded a net loss on revaluation of investment properties of approximately HK\$39,496,000 which was mainly attributable to the Top City project in Chongqing.

Distribution and Selling Expenses

For the year ended 31 December 2017, the Group's distribution and selling expenses decreased by 14.6% year-on-year to HK\$235,033,000 (2016: HK\$275,194,000), which was mainly attributable to the Group's continual efforts in stringent implementation of cost control measures which proved to be effective.

General and Administrative Expenses

For the year ended 31 December 2017, the Group recorded general and administrative expenses of approximately HK\$444,055,000 (2016: HK\$444,626,000), which was generally similar to that of the same period last year.

Other Expenses, Gains and Losses, Net

For the year ended 31 December 2017, the Group recorded a net loss of approximately HK\$11,879,000 in other expenses, gains and losses (2016: HK\$304,505,000), mainly due to repayment of borrowings denominated in foreign currencies in prior year and appreciation of Renminbi during the year, leading to slight exchange losses.

Profit

During the year ended 31 December 2017, the Group's profit decreased slightly by 6.0% to HK\$1,247,322,000 (2016: HK\$1,326,565,000) mainly due to the one-off gain arising from the disposal of the 35% and 40% interests in Shanghai U Center through withdrawal from the partnership in Green Carbon Fund and public listing-for-sale in 2016. However, excluding such one-off gain, the Group's profit for the period grew HK\$1,717,033,000 year-on-year. During the year, profit attributable to owners of the Company was approximately HK\$557,964,000 (2016: HK\$521,888,000), increased by 6.9% year-on-year. The basic and diluted earnings per share amounted to 11.60 HK cents (2016: earnings per share of 10.85 HK cents).

Liquidity and Capital Resources

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

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

As at 31 December 2017, bank balances and cash of the Group were HK\$12,658,436,000 (31 December 2016: HK\$12,818,335,000). The net debt to total equity of the Group (net debt (total borrowings less cash and cash equivalents and pledged bank deposits) to total equity) increased from 8.1% as at the end of last year to 16.2%. Current ratio fell slightly to 2.2 times (31 December 2016: 2.3 times).

As at 31 December 2017, the total borrowings of the Group including bank borrowings, other borrowings and advanced bonds amounted to approximately HK\$16,689,035,000 (2016: HK\$14,746,170,000).

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

Foreign Exchange Risks

During the year, most of the Group's revenue and operating costs were denominated in Renminbi. Except for the bank deposits denominated in foreign currencies, the Group's operating cash flow or liquidity is not directly subject to any other material exchange rate fluctuations. The Group did not enter into any foreign exchange hedging arrangements to control its exposure to exchange rate fluctuations as at 31 December 2017. However, the Group will adopt necessary measures whenever appropriate to minimise the impact arising from exchange rate fluctuations.

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 31 December 2017, the Group employed 1,318 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 “**Director**”) are determined by the remuneration committee of the Company, having regard to the operating results of the Group, individual performance and comparable market statistics. Staff benefits include discretionary bonus payments which are linked to the profitability of the Group and individual performances and contributions to the Mandatory Provident Fund Schemes.

The Group had adopted a share option scheme as an incentive to the Directors and eligible employees. During the year ended 31 December 2017, the Group provided training programs relating to work to employees. Activities aiming at building up team spirit were regularly organised for employees, so as to enhance the human capital of the Group and the sense of belonging of the staff.

OUTLOOK

China's economy demonstrated a steady rebound in 2017, and will see a stable growth in 2018. Due to the continuously high domestic purchasing power and robust demand for high-grade residence, it is expected that high quality property projects in first-tier core cities will continue to be sought after and housing prices in Shanghai and other first-tier cities will remain at a high level. The gradual implementation of the national strategy of the Belt and Road Initiative will bring a new round of enormous development opportunities for the future development of the core cities in central and western China. We believe that the stable and promising macroeconomic conditions, regional development and industrial trends will further drive the solid development of the Group's property operations.

The Group will make more efforts to develop the existing premium land reserves and quicken its steps in realising the intrinsic value of its projects. Apart from rolling out more properties under Urban Cradle, the Group also plans to launch the residential portions of TODTOWN, a landmark metro-oriented comprehensive development project in Shanghai, and Contemporary Art Villa, a rarely found low-density urban villa project in Shanghai, for sale at opportune times in 2018. SIUD will also gradually launch its projects in Xi'an, Tianjin and Shenyang for sale. In particular, Originally in Xi'an has already become another earning growth driver of the Company and will continue to contribute greatly to the sales revenue and profits of the Group.

In the meantime, grasping the golden opportunity presented by the “conversion from residential properties to commercial properties” in the industry, the Group will accelerate its pace of building complex and cross-disciplinary mixed residential and commercial property projects. In the future, as Binjiang U Center, the commercial and office portions of TODTOWN and other landmark investment properties in Shanghai are completed one after another, together with the smooth completion of ShanghaiMart, Urban Development International Tower, YOYO Tower and Chongqing K-Mall, which are undergoing renovation and upgrading, the rental income from investment properties will continue to grow. These properties will become a crucial foundation for the future development, transformation and upgrading of the principal operations of the Group.

With more than 20 years of development experience in Shanghai, coupled with its brand advantages in the Shanghai metropolitan circle and other highly-developed regions, existing premium land bank, outstanding financial structure and strong support of its controlling shareholder, the Group will be able to maintain sustainable and stable growth in the future and bring satisfactory returns for the shareholders.

ANNUAL GENERAL MEETING

It is proposed that the 2018 annual general meeting of the Company will be held on Wednesday, 23 May 2018 (the “**2018 AGM**”). Notice of the 2018 AGM will be published on the websites of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (www.hkex.com.hk) and the Company (www.siud.com) and despatched to the shareholders of the Company (the “**Shareholders**”) in the manner as required by the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange in due course.

FINAL DIVIDEND AND SPECIAL DIVIDEND

The Board recommends the payment of a final dividend of 1.6 HK cents per share in cash and a special dividend of 2.5 HK cents per share in cash for the year ended 31 December 2017 (for the year ended 31 December 2016: final dividend of 1.4 HK cents per share in cash and special dividend of 1.9 HK cents per share in cash) to Shareholders whose names appear on the register of members of the Company at the close of business on Friday, 1 June 2018, subject to approval by the Shareholders at the 2018 AGM. It is expected that the final dividend and special dividend warrants will be despatched to those entitled Shareholders on or around Tuesday, 26 June 2018.

CLOSURE OF REGISTER OF MEMBERS

Entitlement to attend and vote at the 2018 AGM

The 2018 AGM is scheduled to be held on Wednesday, 23 May 2018. For determining the entitlement to attend and vote at the 2018 AGM, the register of members of the Company will be closed from Thursday, 17 May 2018 to Wednesday, 23 May 2018, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2018 AGM, unregistered holders of shares of the Company should ensure that all duly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30p.m. on Wednesday, 16 May 2018.

Entitlement to receive the proposed final and special dividend

For determining the entitlement of the Shareholders to receive the proposed final and special dividend, the Company's register of members will be closed from Wednesday, 30 May 2018 to Friday, 1 June 2018, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final and special dividend (subject to Shareholders' approval at the 2018 AGM), all duly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30p.m. on Tuesday, 29 May 2018.

CORPORATE GOVERNANCE

During the year ended 31 December 2017, the Company has complied with the code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Listing Rules 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 as the Chairman of the Board since 2 February 2015, there has been a deviation from code provision A.2.1 as Mr. Ji Gang has also been performing the role of chief executive of the Group. The Board is aware of the said deviation but considers that this arrangement is appropriate and in the best interests of the Group as it helps to maintain the continuity of the Group's policies and strategies and the stability of the operations of the Group. The Board also considers that such arrangement would not impair the balance of power and authority between the Board and the management of the Company as the Board does 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. Going forward, the Board will periodically review the effectiveness of this arrangement.

Further information on the Company's corporate governance practices will be set out in the Corporate Governance Report contained in the Company's annual report for the year ended 31 December 2017, which will be published and despatched to the Shareholders in the manner as required by the Listing Rules in due course.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The audit committee of the Company currently comprising three independent non-executive Directors, namely Mr. Li Ka Fai, David (Committee Chairman), Mr. Doo Wai-Hoi, William, *J.P.* and Mr. Fan Ren Da, Anthony, has reviewed the audited financial statements of the Group for the year ended 31 December 2017 and discussed with the management and the auditor of the Company on the accounting principles and practices adopted by the Group; risk management and internal controls; and financial reporting matters.

SHARE CAPITAL

The Company's issued and fully paid share capital as at 31 December 2017 amounted to HK\$192,438,927.56 divided into 4,810,973,189 ordinary shares of HK\$0.04 each.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this announcement, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

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

Repurchase of Shares

During the year ended 31 December 2017, the Company repurchased a total of 300,000 ordinary shares of the Company of HK\$0.04 each on the Stock Exchange at an aggregate purchase price of HK\$481,246.56. Details of the repurchase of such ordinary shares were as follows:

Date of repurchase	Number of ordinary shares repurchased	Price per ordinary share		Aggregate purchase price HK\$
		Highest HK\$	Lowest HK\$	
4 May 2017	<u>300,000</u>	1.60	1.60	<u>480,000.00</u>
Total	<u>300,000</u>			<u>480,000.00</u>
		Total expenses on shares repurchased		<u>1,246.56</u>
			Total	<u><u>481,246.56</u></u>

All of the above-mentioned repurchased ordinary shares were cancelled on 20 June 2017. The issued share capital of the Company was accordingly reduced by the par value of the repurchased ordinary shares so cancelled. The above repurchase was effected by the Directors pursuant to the repurchase mandate granted at the annual general meeting of the Company held on 25 May 2016.

Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the year ended 31 December 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct regarding dealings in the securities of the Company by the directors and the relevant employees (who are likely to be in possession of inside information relating to the Company or its securities) (the “**Guidelines for Securities Transactions by Relevant Employees**”) on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards as set out in the Model Code and its code of conduct regarding directors’ securities transactions throughout the year ended 31 December 2017.

In addition, no incident of non-compliance of the Guidelines for Securities Transactions by Relevant Employees by the relevant employees of the Group was noted by the Company throughout the year ended 31 December 2017.

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:

Mr. Ye Weiqi, an executive director of the Company, has resigned as a director of Ningbo Fubang Jingye Group Co., Ltd. (寧波富邦精業集團股份有限公司), a company listed on the Shanghai Stock Exchange with stock code of 600768, with effect from 4 May 2017.

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 FINAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.siud.com). The annual report of the Company for the year ended 31 December 2017 containing all the applicable information required by the Listing Rules will be despatched to the Shareholders as well as published on the above websites in due course.

APPRECIATION

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

By order of the Board of
Shanghai Industrial Urban Development Group Limited
Ji Gang
Chairman

Hong Kong, 27 March 2018

As at the date of this announcement, the Board comprises Mr. Ji Gang, Mr. Lou Jun Mr. Yang Jianwei, 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.