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上海實業城市開發集團有限公司

SHANGHAI INDUSTRIAL URBAN DEVELOPMENT GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 563)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

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 2022 (the “**Period**”), together with the comparative figures for the corresponding period in 2021, as follows:

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

FOR THE SIX MONTHS ENDED 30 JUNE 2022

		Six months ended 30 June	
	<i>NOTES</i>	2022	2021
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue			
Goods and services	3A	6,548,549	4,158,926
Leases		260,064	418,474
		<hr/>	<hr/>
Total revenue		6,808,613	4,577,400
Cost of sales		(5,596,970)	(2,730,163)
		<hr/>	<hr/>
Gross profit		1,211,643	1,847,237
Other income		73,215	75,265
Other expenses, gains and losses, net		(90,703)	(1,098)
Fair value gain on investment properties, net		1,208	103,938
Distribution and selling expenses		(98,433)	(176,787)
General and administrative expenses		(176,130)	(182,026)
Finance costs	4	(330,192)	(340,606)
Share of results of associates		(118,041)	(4,308)
Share of results of joint ventures		(2,929)	(3,217)
		<hr/>	<hr/>
Profit before tax		469,638	1,318,398
Income tax	5	(388,734)	(1,111,174)
		<hr/>	<hr/>
Profit for the period	6	80,904	207,224
		<hr/>	<hr/>
Other comprehensive (expense) income for the period			
<i>Items that will not be reclassified to profit or loss:</i>			
Exchange differences on translation from functional currency to presentation currency		(1,158,576)	324,403
Fair value loss on equity instruments at fair value through other comprehensive income, net of tax		(14,768)	(9,783)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Reclassification adjustment for realisation of revaluation reserve upon disposal of the related properties		(22,176)	—
		<hr/>	<hr/>
Other comprehensive (expense) income for the period		(1,195,520)	314,620
		<hr/>	<hr/>
Total comprehensive (expense) income for the period		(1,114,616)	521,844
		<hr/> <hr/>	<hr/> <hr/>

		Six months ended 30 June	
		2022	2021
	<i>NOTE</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Profit (loss) for the period attributable to:			
Owners of the Company		126,448	54,029
Non-controlling interests		(45,544)	153,195
		<u>80,904</u>	<u>207,224</u>
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(700,440)	230,525
Non-controlling interests		(414,176)	291,319
		<u>(1,114,616)</u>	<u>521,844</u>
Earnings per share			
Basic (<i>HK cents</i>)	<i>7</i>	<u>2.63</u>	<u>1.12</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	<i>NOTES</i>	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Non-current assets			
Investment properties	8	19,067,868	19,666,136
Property, plant and equipment		2,155,780	2,297,465
Right-of-use assets		470,150	503,099
Goodwill	12	23,604	23,604
Intangible assets		59,740	62,777
Interests in associates		2,020,303	2,246,277
Interests in joint ventures		2,779,559	2,914,426
Amount due from a related company		273,841	276,188
Equity instruments at fair value through other comprehensive income		70,045	93,372
Pledged bank deposits		36,590	122,575
Deferred tax assets		54,017	55,164
		<u>27,011,497</u>	<u>28,261,083</u>
Current assets			
Inventories		2,084	2,207
Properties under development for sale and properties held-for-sale		22,452,389	24,630,428
Trade and other receivables	9	1,933,631	4,365,527
Amounts due from related companies		1,593	12
Prepaid income tax and land appreciation tax		498,970	459,442
Financial assets at fair value through profit or loss		4,455	2,961
Restricted and pledged bank deposits		35,705	36,457
Bank balances and cash		8,807,685	14,116,711
		<u>33,736,512</u>	<u>43,613,745</u>
Current liabilities			
Trade and other payables	10	5,330,399	6,752,402
Amounts due to related companies		719,744	706,814
Pre-sale proceeds received on sales of properties		8,405,252	13,504,748
Bank and other borrowings	11	11,153,274	10,121,944
Lease liabilities		53,979	62,395
Income tax and land appreciation tax payables		1,593,146	3,226,796
Dividend payable		30,402	18,402
Dividends payable to non-controlling shareholders		—	1,963,472
		<u>27,286,196</u>	<u>36,356,973</u>
Net current assets		<u>6,450,316</u>	<u>7,256,772</u>
Total assets less current liabilities		<u>33,461,813</u>	<u>35,517,855</u>

		30 June	31 December
		2022	2021
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(audited)
Non-current liabilities			
Deferred revenue	<i>10</i>	30,980	32,452
Bank and other borrowings	<i>11</i>	9,010,431	9,598,138
Lease liabilities		32,948	57,794
Deferred tax liabilities		2,948,364	3,118,049
		<u>12,022,723</u>	<u>12,806,433</u>
		<u>21,439,090</u>	<u>22,711,422</u>
Capital and reserves			
Share capital		192,253	192,253
Reserves		14,104,908	15,021,633
		<u>14,297,161</u>	<u>15,213,886</u>
Equity contributable to owners of the Company		7,141,929	7,497,536
Non-controlling interests		<u>21,439,090</u>	<u>22,711,422</u>

NOTES

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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”).

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the preparation of condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2021.

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 Group’s annual period beginning on 1 January 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

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 the condensed consolidated financial statements.

2.1 Impacts and changes in accounting policies on application of Amendments to HKFRS 3 “Reference to the Conceptual Framework”

2.1.1 Accounting policies

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the “Conceptual Framework”) except for transactions and events within the scope of HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” or HK(IFRIC)-Int 21 “Levies”, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

2.1.2 Transition and summary of effects

The Group applies the amendments to business combinations for which the acquisition date is on or after 1 January 2022. The application of the amendments in the current interim period had no impact on the condensed consolidated financial statements.

2.2 Impacts and accounting policies on application of Amendments to HKAS 16 “Property, Plant and Equipment — Proceeds before Intended Use”

2.2.1 Accounting policies

Property, plant and equipment

Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing the related assets functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group’s accounting policy. Sale proceeds of items that are produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly), and the related costs of producing those items are recognised in profit or loss.

2.2.2 Transition and summary of effects

The application of the amendments in the current interim period had no material impact on the condensed consolidated financial statements.

2.3 Impacts on application of Amendments to HKFRSs “Annual Improvements to HKFRSs 2018–2020”

The Group has applied the annual improvements which make amendments to the following standards:

HKFRS 9 “Financial Instruments”

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the “10 per cent” test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other’s behalf.

The application of the amendments in the current interim period had no impact on the condensed consolidated financial statements.

3A. REVENUE FROM GOODS AND SERVICES

Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2022 HK\$’000 (unaudited)	2021 HK\$’000 (unaudited)
Types of goods or services		
Sales of properties	6,464,820	4,031,412
Hotel operations	83,283	124,679
Property management	446	2,835
Total	<u>6,548,549</u>	<u>4,158,926</u>
Timing of revenue recognition		
A point in time	6,464,820	4,031,412
Over time	83,729	127,514
Total	<u>6,548,549</u>	<u>4,158,926</u>

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 People’s Republic of China (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 2022 and 2021.

4. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interests on bank and other borrowings	448,963	440,837
Interests on lease liabilities	3,580	2,076
	<hr/>	<hr/>
Total finance costs	452,543	442,913
	<hr/>	<hr/>
Less: Amount capitalised into properties under development for sale	(122,351)	(102,307)
	<hr/>	<hr/>
	330,192	340,606
	<hr/> <hr/>	<hr/> <hr/>

5. INCOME TAX

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Current tax:		
PRC Enterprise Income Tax	184,540	317,949
PRC Land Appreciation Tax	230,582	721,870
PRC withholding tax on dividend income	—	8,253
	<hr/>	<hr/>
	415,122	1,048,072
Deferred tax	(26,388)	63,102
	<hr/>	<hr/>
Income tax for the period	388,734	1,111,174
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8. MOVEMENTS IN INVESTMENT PROPERTIES

The fair values of the Group's investment properties as at 30 June 2022 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 HK\$1,208,000 (six months ended 30 June 2021: HK\$103,938,000) is recognised directly in profit or loss for the six months ended 30 June 2022.

During the six months ended 30 June 2022, the Group has subsequent expenditures on certain investment properties of HK\$193,223,000 (six months ended 30 June 2021: HK\$89,484,000).

During the six months ended 30 June 2022, 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 HK\$110,506,000 (six months ended 30 June 2021: HK\$274,846,000) was transferred to investment properties upon inception of lease agreements with the tenants. No fair value gain or loss (six months ended 30 June 2021: a fair value gain of HK\$122,917,000) in respect of these properties is recognised in profit or loss during the period.

The Group did not dispose of any investment properties during the six months ended 30 June 2022 and 2021.

9. TRADE AND OTHER RECEIVABLES

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Trade and other receivables		
Trade receivables		
— Contracts with customers		
Sales of properties	301,862	—
Hotel operations and others	17,585	6,267
— Lease receivables	31,160	15,512
	<u>350,607</u>	<u>21,779</u>
Less: Loss allowance	(284)	(297)
	<u>350,323</u>	21,482
Other receivables	420,628	448,081
Advance payments to contractors	28,420	54,613
Prepaid other taxes	386,062	357,113
Prepayments for acquisition of parcels of land	729,130	3,472,790
Deposits and prepayments	19,068	11,448
	<u>1,933,631</u>	<u>4,365,527</u>

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 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Within 90 days	341,741	15,673
Within 91–180 days	4,721	2,967
Over 180 days	3,861	2,842
	<u>350,323</u>	<u>21,482</u>

10. TRADE AND OTHER PAYABLES AND DEFERRED REVENUE

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Trade and other payables recognised as current liabilities		
Trade payables	1,238,849	1,586,139
Accrued expenditure on properties under development for sale	2,172,508	3,002,366
Amounts due to former shareholders of the Company's former subsidiaries	164,807	171,594
Rental deposits and receipt in advance from tenants	248,719	220,902
Interest payable	221,894	127,450
Payables to the Shanghai government department	163,857	171,637
Accrued charges and other payables	441,782	429,187
Other taxes payables	677,983	1,043,127
	<u>5,330,399</u>	<u>6,752,402</u>
Deferred revenue recognised as non-current liabilities		
Deferred revenue	<u>30,980</u>	<u>32,452</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:

	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Within 30 days	918,128	1,122,073
Within 31–180 days	17,688	3,987
Within 181–365 days	213,907	177,648
Over 365 days	89,126	282,431
	<u>1,238,849</u>	<u>1,586,139</u>

11. BANK AND OTHER BORROWINGS

During the six months ended 30 June 2022, the Group obtained new bank and other borrowings of HK\$4,504,385,000, of which HK\$450,000,000 is denominated in foreign currency of the related entity (six months ended 30 June 2021: HK\$3,717,769,000, of which HK\$350,000,000 is denominated in foreign currency of the related entity).

During the six months ended 30 June 2022, the Group also repaid the bank and other borrowings of HK\$3,239,491,000 (six months ended 30 June 2021: HK\$688,643,000).

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY MARKET REVIEW

The plight faced by the property industry in China in the first quarter of 2022 was rarely seen over the years. According to the statistics of the National Bureau of Statistics, in the first quarter, the amount of property development and investment in China went down by 5.4% while the sales of commodity housing dropped by 28.9%, amongst which the sales of residential housing decreased by 31.8%. Benefited from a combination of factors including stabilisation of the epidemic situation and initial results reaped from supportive government policies, the property market has bottomed out and returned to stability. In particular, the sales of commodity housing rebounded continuously in May and June, demonstrating market resilience and the gradual recovery of the general market.

BUSINESS REVIEW

Overview

During the first half of 2022, epidemic control measures tightened in China due to an epidemic rebound since March, causing huge disruption to Shanghai and Beijing in particular. As a China-first operator in key urban areas, the Group overcame challenges in the macro-environment and market and maintained steady development and good performance by virtue of our excellent capability of getting things done and strong resilience. The outstanding delivery performance of flagship projects, including West Diaoyutai • Emperor Seal in Beijing and Shangtou Xinhong, Shangtou Baoxu and Urban Cradle in Shanghai, brought in stable and remarkable revenue and profit growth for SIUD. During the period, the Group continued to develop our investment property business, facilitate diversification and increase our high-quality land reserve at opportune times through the strategic plan of focusing in Shanghai while expanding to first- and second-tier core cities. In June 2022, the Group won the bid for the land use rights to six land parcels in Lingang New Area, the China (Shanghai) Pilot Free Trade Zone. Being valuable commercial and residential land primely located in the central business district of Lingang New Area, these land parcels can further consolidate the Group's leadership in Shanghai.

Contract Sales

During the six months ended 30 June 2022, the contract sales from commodity housing and affordable housing of the Group decreased 6.1% year-on-year to RMB4,568,240,000 (six months ended 30 June 2021: RMB4,866,570,000). Total contract sales in terms of G.F.A. were 331,000 sq.m., up 198.2% year-on-year, while the total average selling price declined 68.5% to approximately RMB13,800 per sq.m. This was mainly attributable to the higher proportion of affordable housing sold and the different locations of projects during the period.

During the period, the contract sales of commodity housing decreased by 61.8% year-on-year to RMB1,623,150,000 (six months ended 30 June 2021: RMB4,250,320,000). The contract sales in terms of G.F.A. were 93,000 sq.m., up 11.1% year-on-year. The average selling price of commodity housing dropped to approximately RMB17,500 per sq.m. During the period, Originally in Xi'an and Contemporary Art Villa • Jade Villa, Urban Cradle and Contemporary Splendour Villa • Courtyard Villa in Shanghai were the Group's principal projects for sale, which accounted for approximately 58.1%, 11.6%, 10.5% and 8.1% respectively of the total contract sales of commodity housing during the period.

The contract sales of affordable housing increased 377.9% year-on-year to RMB2,945,090,000 (six months ended 30 June 2021: RMB616,250,000), whereas the contract sales in terms of G.F.A. were 238,000 sq.m. Such contract sales were mainly derived from Shangtou Xinhong and Shangtou Baoxu in Shanghai.

Property Development

During the six months ended 30 June 2022, the Group had 12 projects with a total G.F.A. of 2,430,000 sq.m. under construction, which primarily included Originally in Xi'an, Shanghai TODTOWN, Shandong Yantai project and Tianjin Hedong Polytechnic University Project • 仰山華庭. The floor space started of the Group was 220,000 sq.m., which mainly came from the Qingpu project and Lingang project in Shanghai. The Group delivered a total G.F.A. of 270,000 sq.m., which mainly comprised Shangtou Xinhong and Shangtou Baoxu in Shanghai, West Diaoyutai • Emperor Seal in Beijing and Urban Cradle in Shanghai.

Despite the volatility of the pandemic, the Group succeeded in launching several residential projects for sale in a timely manner, thus leading to stable transaction volume and prices. Our projects, including Shangtou Xinhong and Shangtou Baoxu in Shanghai, Originally in Xi'an, and Contemporary Art Villa • Jade Villa and Urban Cradle in Shanghai, were highly sought after by the market and posted good presales performance.

Investment Properties

As at 30 June 2022, the Group had a number of 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 893,000 sq.m. During the period, the overall rental income of the Group decreased 37.9% year-on-year to HK\$260,064,000 (2021: HK\$418,474,000), which was mainly attributable to several rent-free periods granted to customers during the period to support the anti-epidemic policies of the country and Shanghai government.

By upholding the policy of placing dual focus on leasing and sale, the Group achieved steady progress in the residential leasing operation. Three of our long-term rental apartment projects, namely Shanghai Jingxiang, Shanghai Shenzhicheng and Shanghai Chenglong, offer a total G.F.A. of 295,000 sq.m. The Shanghai Jingxiang and Shanghai Shenzhicheng projects, which were completed in the first half of the year, are expected to be ready for lease in the second half. The Shanghai Chenglong project will be completed by 2023 and will also contribute stable rental income for the Group in future.

LAND BANK AND NEW PROJECT ACQUISITION

In the first half of 2022, the transaction volume and prices of land recorded year-on-year decreases in general. Most property developers remained prudent in land acquisition and the market sentiment was still lukewarm. The Group persisted in the strategy of focusing on the metropolitan areas in Shanghai as well as other first- and second-tier core cities while keeping an eye on opportunities of enriching our premium land bank.

In June 2022, the Group won the bid for the land use rights to six parcels of land in Lingang New Area, the China (Shanghai) Pilot Free Trade Zone with a site area of 119,545 sq.m. at a price of RMB3,890,000,000. The site is located in World Laureates Community of Lingang New Area and in close proximity to Lingang Science and Technology City. The land parcels are for residential and commercial uses and may be developed into approximately 271,081 sq.m. of residential development and 9,892 sq.m. of commercial development. Lingang New Area will be the major arena of residential development for SIUD in the Yangtze River Delta in future. SIUD will engage itself deeply in boutique residence, urban renewals and ancillary works in this new area and fully adhere to the relevant requirements for high-quality residence so as to create urban masterpieces.

As at 30 June 2022, the Group's land bank was developed into 29 property projects located in 11 major cities in China, including Shanghai, Beijing, Tianjin, Xi'an, Chongqing, Kunshan, Wuxi, Shenyang, Yantai, Shenzhen and Wuhan, and comprised medium to high class residential and commercial properties, most of which were completed or still under development. The Group has a land bank with a future saleable planned G.F.A. of approximately 3,947,000 sq.m. to support its development for the next three to five years.

FINANCIAL REVIEW

Revenue

During the six months ended 30 June 2022, the Group's revenue increased by 48.7% year-on-year to HK\$6,808,613,000 (six months ended 30 June 2021: HK\$4,577,400,000), primarily due to strong sales performance recorded by the Group under economic downturn thanks to the stable launch of competitive flagship projects and timely delivery of affordable housing projects. During the period, property sales remained as the Group's main source of revenue and amounted to HK\$6,464,820,000 (six months ended 30 June 2021: HK\$4,031,412,000), accounting for 95.0% (six months ended 30 June 2021: 88.1%) of the Group's total revenue. The revenue contribution from West Diaoyutai • Emperor Seal in Beijing and Shangtou Xinhong, Shangtou Baoxu and Urban Cradle in Shanghai accounted for 39.3%, 33.7%, 17.2% and 6.2% of property sales, respectively.

Revenue from leasing, property management and services, hotel operations continued to provide stable revenue sources for the Group, contributing HK\$260,064,000, HK\$446,000 and HK\$83,283,000 (six months ended 30 June 2021: HK\$418,474,000, HK\$2,835,000 and HK\$124,679,000) respectively and accounting for 3.8%, 0.0% and 1.2% (six months ended 30 June 2021: 9.1%, 0.1% and 2.7%) of the total revenue, respectively.

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2022, the Group's gross profit amounted to HK\$1,211,643,000, representing a decrease of 34.4% as compared to that of the same period in 2021. The gross profit margin was 17.8%, down by 22.6 percentage points as compared to that of the last year. This was mainly attributable to lower gross profit margin of the affordable housing projects delivered during the period. After netting off the effect of the Group's revenue from delivery of affordable housing during the period, the gross profit margin of the revenue from commodity housing was approximately 35.1%.

Investment Property Revaluation

For the six months ended 30 June 2022, the Group recorded a net gain on revaluation of investment properties of HK\$1,208,000, which was mainly attributable to ShanghaiMart.

Distribution and Selling Expenses

For the six months ended 30 June 2022, the Group's distribution and selling expenses decreased by 44.3% year-on-year to HK\$98,433,000 (six months ended 30 June 2021: HK\$176,787,000), which was mainly attributable to the year-on-year decrease in commodity housing delivered by the Group.

General and Administrative Expenses

For the six months ended 30 June 2022, the Group's general and administrative expenses decreased slightly by 3.2% year-on-year to HK\$176,130,000 (six months ended 30 June 2021: HK\$182,026,000). 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 2022, the Group recorded a net loss of HK\$90,703,000 in other expenses, gains and losses (six months ended 30 June 2021: net loss of HK\$1,098,000) primarily due to foreign exchange losses on foreign currency denominated bank and other borrowings arising from the depreciation of RMB against HKD during the period.

Profit

During the six months ended 30 June 2022, the Group's profit decreased year-on-year by 61.1% to HK\$80,904,000 (six months ended 30 June 2021: HK\$207,224,000) mainly attributable to foreign exchange losses on foreign currency denominated bank and other borrowings arising from the depreciation of RMB against HKD and share of loss of an associate due to expected credit loss provision on its loans and other receivables. During the first half of the year, profit attributable to owners of the Company increased by 134.0% year-on-year to approximately HK\$126,448,000 (six months ended 30 June 2021: HK\$54,029,000), and the basic earnings per share amounted to 2.63 HK cents (six months ended 30 June 2021: earnings per share of 1.12 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 2022, bank balances and cash of the Group were HK\$8,807,685,000 (31 December 2021: HK\$14,116,711,000). 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 52.6% as at the period end. The current ratio was 1.2 times.

As at 30 June 2022, the total borrowings of the Group including bank borrowings, other borrowings, advanced bonds and medium term notes amounted to HK\$20,163,705,000 (31 December 2021: HK\$19,720,082,000), which included the short-term borrowings of Shanghai Industrial Holdings Limited of HK\$2,263,000,000 (31 December 2021: HK\$1,813,000,000). The Group will continue to optimise the term of the borrowings based on our business needs.

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 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 2022. 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 2022, the Group employed 789 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 2022, the Group provided training programs relating to work to employees. Activities aiming at building up team spirit were regularly organized for employees, so as to enhance the human capital of the Group and the sense of belonging of the staff.

OUTLOOK

Although the property market in China operated in a generally stable manner in the first half of 2022, the downward trend attracts great concern. At the macro-policy level, members at the meeting of the Political Bureau of the Communist Party of China expressed their determination to facilitate the steady and healthy development of the property market by supporting local governments in improving their respective property policies based on real situations, supporting rigid and upgrading housing demand, and

optimising the regulation over the pre-sale proceeds of commodity housing. To achieve the goal of stabilising land premium, property prices and market expectation, we believe that more property easing policies will be launched in the second half of the year. This, together with further improvement of the financial environment, will support the property market to take on a path of recovery.

Following the property development and operation model of meeting basic livelihood needs while placing a dual focus on property leasing and selling, the Group will take the opportunity to implement national strategies and keep on engaging in high-standard urban renewals with an emphasis on Shanghai in order to seek all-rounded and long-term growth and maintain high-quality development. By leveraging its strength as a high-class state-owned company brand to increase its premium land bank in a steadily progressive manner and prudently explore various investment projects, the Group aims at achieving solid development in core city clusters in China, creating more fine products and driving urban lifestyle reformation so as to generate greater value for the shareholders at large.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: Nil).

SHARE CAPITAL

The Company's issued and fully paid share capital as at 30 June 2022 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 2022.

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 2022, 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 2022.

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 2022.

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, *B.B.S., 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 2022, 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 2022 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 2022 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. Zhong Tao, an executive director of the Company, resigned as an executive director, the vice president of the Company and a member of the investment appraisal committee of the Company with effect from 31 March 2022; and
- (b) Mr. Fan Ren Da, Anthony, an independent non-executive director of the Company, has been appointed as a non-executive director of Hilong Holding Limited, a company listed on the Stock Exchange with stock code of 1623, with effect from 25 July 2022.

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 2022 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, 29 August 2022

As at the date of this announcement, the Board comprises Mr. Huang Haiping, Mr. Tang Jun, Mr. Lou Jun and Mr. Ye Weiqi as executive directors and Mr. Doo Wai-Hoi, William, B.B.S., J.P., Mr. Fan Ren Da, Anthony, Mr. Li Ka Fai, David and Mr. Qiao Zhigang as independent non-executive directors.