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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 2011**

The board of directors (the “Board”) of Shanghai Industrial Urban Development Group Limited (the “Company”) announces that the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2011, together with the comparative figures for the year ended 31 December 2010 were as follows:

FINANCIAL HIGHLIGHT			
	For the year ended 31 December 2011	For the year ended 31 December 2010 (Restated)	Change %
Financial Highlights (HK\$'000)			
Turnover	4,433,476	4,881,135	(9.2)
Loss attributable to equity owners of the Company	(477,650)	(740,523)	35.5
Financial Information per share (HK cents)			
Loss			
– Basic	(9.93)	(21.49)	Improved
– Diluted	(9.93)	(21.49)	Improved
	As at 31 December 2011	As at 31 December 2010 (Restated)	
Pre-sale receipts from customers (HK\$'000)	9,378,864	9,831,780	
Financial Ratios			
Net debt to total equity (%)	53.1%	27.3%	
Current ratio	1.99	2.03	

Notes: Net debt = total borrowings (including bank and other borrowings, senior notes and convertible notes) – cash and cash equivalents and restricted and pledged bank deposits.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	<i>NOTES</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> (restated)
Revenue	4	4,433,476	4,881,135
Cost of sales		(3,307,014)	(4,035,707)
Gross profit		1,126,462	845,428
Other income	5(a)	182,192	114,729
Other expenses, gains and losses	5(b)	(139,369)	91,690
Fair value changes on investment properties		453,791	7,130
Fair value gain on transfer of inventories to investment properties		152,212	–
Allowance for inventories		(56,675)	(178,326)
Distribution and selling expenses		(302,552)	(446,826)
General and administrative expenses		(576,264)	(625,911)
Finance costs	6	(673,058)	(464,256)
Share of losses of associates		(297)	(442)
Profit (loss) before tax		166,442	(656,784)
Income tax	8	(594,552)	(161,375)
Loss for the year	7	(428,110)	(818,159)
Other comprehensive income (expense) for the year:			
Exchange differences on translation into presentation currency		673,517	591,442
Reclassification adjustment for realisation of revaluation gains transferred to profit or loss upon sale of completed properties held for sale		(562)	(17)
Other comprehensive income for the year		672,955	591,425
Total comprehensive income (expense) for the year		244,845	(226,734)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011

	<i>NOTES</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> (restated)
(Loss) profit for the year attributable to:			
Owners of the Company		(477,650)	(740,523)
Non-controlling interests		49,540	(77,636)
		<u>(428,110)</u>	<u>(818,159)</u>
 Total comprehensive income (expense)			
attributable to:			
Owners of the Company		(125,884)	(398,806)
Non-controlling interests		370,729	172,072
		<u>244,845</u>	<u>(226,734)</u>
 Loss per share			
Basic (HK cents)	9	<u>(9.93)</u>	<u>(21.49)</u>
Diluted (HK cents)	9	<u>(9.93)</u>	<u>(21.49)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2011

	<i>NOTES</i>	31.12.2011 <i>HK\$'000</i>	31.12.2010 <i>HK\$'000</i> (restated)	1.1.2010 <i>HK\$'000</i>
Non-current Assets				
Investment properties	10	6,168,963	5,221,079	2,949,328
Property, plant and equipment		1,182,210	897,194	740,362
Prepaid lease payments		94,031	90,378	85,238
Intangible assets		62,870	60,156	–
Interests in associates		1,588,071	357,667	328,380
Amount due from a related company		80,436	–	–
Amount due from an associate		83,915	80,292	–
Available-for-sale investments		37,761	34,951	–
Derivatives financial instruments – redemption right of the issuer		–	–	600
Restricted and pledged bank deposits		121,619	125,760	55,023
Deferred tax assets		245,383	9,465	24,142
		9,665,259	6,876,942	4,183,073
Current Assets				
Inventories	11	39,517,770	33,164,199	14,462,055
Trade and other receivables	12	830,921	2,210,864	1,196,552
Amounts due from related companies		123,969	114,579	–
Amount due from an associate		–	–	77,602
Prepaid lease payments		2,545	2,498	2,300
Consideration receivables for disposal of assets		22,007	21,381	1,370,386
Prepaid income tax and land appreciation tax		359,527	482,212	339,673
Financial assets at fair value through profit or loss		14,638	12,640	–
Pledged bank deposits		24,521	36,590	–
Bank balances and cash		3,490,568	6,932,712	1,627,196
		44,386,466	42,977,675	19,075,764
Assets classified as held for sale		–	–	2,732,943
		44,386,466	42,977,675	21,808,707
Current Liabilities				
Trade and other payables	13	4,398,642	3,188,136	1,918,894
Amounts due to related companies		700,300	709,307	50,521
Amounts due to associates		83,913	57,579	–
Consideration payables for acquisition of subsidiaries		387,200	350,262	443,592
Pre-sale proceeds received on sales of properties		9,378,864	9,831,780	8,763,402

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AT 31 DECEMBER 2011

	<i>NOTES</i>	31.12.2011 <i>HK\$'000</i>	31.12.2010 <i>HK\$'000</i> (restated)	1.1.2010 <i>HK\$'000</i>
Bank and other borrowings		4,805,875	5,120,536	2,104,440
Derivative financial instrument – warrants		3	16,600	29,600
Income tax and land appreciation tax payables		2,131,516	1,903,861	1,238,927
Dividend payable		6,423	6,423	6,473
Dividend payable to non-controlling shareholders		418,846	–	–
Convertible loan notes		–	2,607	–
		22,311,582	21,187,091	14,555,849
Liabilities associated with assets classified as held for sale		–	–	835
		22,311,582	21,187,091	14,556,684
Net Current Assets		22,074,884	21,790,584	7,252,023
Total Assets less Current Liabilities		31,740,143	28,667,526	11,435,096
Non-current Liabilities				
Bank and other borrowings		6,374,383	4,227,165	768,064
Convertible loan notes		–	–	62,136
Senior notes		3,009,479	2,974,260	2,942,803
Deferred tax liabilities		2,479,675	2,275,215	1,002,111
		11,863,537	9,476,640	4,775,114
		19,876,606	19,190,886	6,659,982
Capital and Reserves				
Share capital		192,461	105,173	77,826
Reserves		12,825,209	12,351,322	5,995,603
Equity attributable to owners of the Company		13,017,670	12,456,495	6,073,429
Non-controlling interests		6,858,936	6,734,391	586,553
		19,876,606	19,190,886	6,659,982

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

1. GENERAL

The Company is incorporated in Bermuda 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 (“SIHL”) (incorporated in Hong Kong and listed on the Stock Exchange) and its ultimate holding company is Shanghai Industrial Investment (Holdings) Company Limited (“SIIC”) (a private limited company also incorporated in Hong Kong).

The principle activities of the Group are property development and property investment in the People’s Republic of China (“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. MERGER ACCOUNTING AND RESTATEMENTS

The Group accounts for all its business combinations involving entities under common control under the principles of merger accounting. In current year, the Group acquired Silvery Champ Limited (“Silvery Champ”) together with its subsidiaries, including Joy Century Investment Limited (“Joy Century”), 上海城開(集團)有限公司 (“SUD”) and its subsidiaries (collectively with Silvery Champ as the “SUD Group”) from its parent, SIHL, and accordingly, the Group has applied the principles of merger accounting to the acquisition.

Silvery Champ and Joy Century were incorporated on 19 January 2011 and 22 February 2011 respectively. SUD and its subsidiaries first came under common control with the Company when the Company was acquired by SIHL on 24 June 2010.

The consolidated statement of financial position of the Group as at 31 December 2010 has been restated to include the assets and liabilities of SUD Group as if they were within the Group on that date (see below for the financial impact). The consolidated statement of comprehensive income for the year ended 31 December 2010 have also been restated to include the results of SUD Group since SUD Group and the Group were under common control by SIHL from 24 June 2010 (see below for the financial impact). The consolidated statement of cash flows for the year ended 31 December 2010 has been restated to include the cash flows of SUD Group since SUD Group and the Group were under common control by SIHL from 24 June 2010.

The effects of the application of merger accounting on the consolidated statement of comprehensive income for the year ended 31 December 2010 are as follows:

	<i>HK\$'000</i> <i>(originally stated)</i>	Adjustments on merger accounting <i>HK\$'000</i> <i>(note i)</i>	<i>HK\$'000</i> <i>(restated)</i>
Revenue	4,110,291	770,844	4,881,135
Cost of sales	<u>(3,476,750)</u>	<u>(558,957)</u>	<u>(4,035,707)</u>
Gross profit	633,541	211,887	845,428
Other income	30,841	83,888	114,729
Other expenses, gains and losses	89,303	2,387	91,690
Fair value gain on investment properties	7,130	–	7,130
Allowance for inventories	(178,326)	–	(178,326)
Distribution and selling expenses	(401,945)	(44,881)	(446,826)
General and administrative expenses	(524,769)	(101,142)	(625,911)
Finance costs	(359,661)	(104,595)	(464,256)
Share of (losses) profits of associates	<u>(3,244)</u>	<u>2,802</u>	<u>(442)</u>
(Loss) profit before tax	(707,130)	50,346	(656,784)
Income tax	<u>(128,778)</u>	<u>(32,597)</u>	<u>(161,375)</u>
(Loss) profit for the year	<u>(835,908)</u>	<u>17,749</u>	<u>(818,159)</u>
Other comprehensive income (expense) for the year:			
Exchange difference on translation into presentation currency	160,954	430,488	591,442
Reclassification adjustment for realisation of revaluation gains transferred to profit or loss upon sale of completed properties held for sale	<u>(17)</u>	<u>–</u>	<u>(17)</u>
Other comprehensive income for the year	<u>160,937</u>	<u>430,488</u>	<u>591,425</u>
Total comprehensive (expense) income	<u>(674,971)</u>	<u>448,237</u>	<u>(226,734)</u>
(Loss) profit for the year attributable to:			
Owners of the Company	(749,649)	9,126	(740,523)
Non-controlling interests	<u>(86,259)</u>	<u>8,623</u>	<u>(77,636)</u>
	<u>(835,908)</u>	<u>17,749</u>	<u>(818,159)</u>

	<i>HK\$'000</i> <i>(originally stated)</i>	Adjustments on merger accounting <i>HK\$'000</i> <i>(note i)</i>	<i>HK\$'000</i> <i>(restated)</i>
Total comprehensive (expense) income attributable to:			
Owners of the Company	(607,721)	208,915	(398,806)
Non-controlling interests	(67,250)	239,322	172,072
	<u>(674,971)</u>	<u>448,237</u>	<u>(226,734)</u>
(Loss) earnings per share			
Basic (HK cents)	(32.55)	11.06	(21.49)
Diluted (HK cents)	(32.55)	11.06	(21.49)

The effects of the application of merger accounting on the consolidated statement of financial position as at 31 December 2010 are summarised below:

	<i>HK\$'000</i> <i>(originally stated)</i>	Adjustments on merger accounting <i>HK\$'000</i> <i>(note i)</i>	<i>HK\$'000</i> <i>(restated)</i>
ASSETS			
Investment properties	3,003,575	2,217,504	5,221,079
Property, plant and equipment	857,660	39,534	897,194
Prepaid lease payments	88,195	4,681	92,876
Intangible assets	–	60,156	60,156
Interests in associates	330,401	27,266	357,667
Amount due from an associate	80,292	–	80,292
Available-for-sale investments	–	34,951	34,951
Restricted and pledged bank deposits	54,191	108,159	162,350
Deferred tax assets	–	9,465	9,465
Inventories	18,042,959	15,121,240	33,164,199
Trade and other receivables	702,770	1,508,094	2,210,864
Amounts due from related companies	–	114,579	114,579
Consideration receivable for disposal of assets	21,381	–	21,381
Prepaid income tax and land appreciation tax	362,895	119,317	482,212
Financial assets at fair value through profit or loss	–	12,640	12,640
Bank balances and cash	2,381,542	4,551,170	6,932,712
	<u>25,925,861</u>	<u>23,928,756</u>	<u>49,854,617</u>

	<i>HK\$'000</i> <i>(originally stated)</i>	Adjustments on merger accounting <i>HK\$'000</i> <i>(note i)</i>	<i>HK\$'000</i> <i>(restated)</i>
LIABILITIES			
Trade and other payables	2,358,019	830,117	3,188,136
Amounts due to related companies	54,813	712,073	766,886
Consideration payables for acquisition of subsidiaries	350,262	–	350,262
Pre-sale proceeds received on sales of properties	8,417,661	1,414,119	9,831,780
Bank and other borrowings	2,107,119	7,240,582	9,347,701
Derivative financial instruments – warrants	16,600	–	16,600
Income tax and land appreciation tax payables	998,891	904,970	1,903,861
Dividend payable	6,423	–	6,423
Convertible loan notes	2,607	–	2,607
Senior notes	2,974,260	–	2,974,260
Deferred tax liabilities	996,924	1,278,291	2,275,215
	<u>18,283,579</u>	<u>12,380,152</u>	<u>30,663,731</u>
NET ASSETS	<u>7,642,282</u>	<u>11,548,604</u>	<u>19,190,886</u>
CAPITAL AND RESERVES			
Share capital and reserves	7,122,979	5,333,516	12,456,495
Non-controlling interests	519,303	6,215,088	6,734,391
	<u>7,642,282</u>	<u>11,548,604</u>	<u>19,190,886</u>

Note:

- (i) The adjustments are to include the assets and liabilities of SUD and its subsidiaries as at 31 December 2010 and their relevant results during the period from 24 June 2010 to 31 December 2010.

Silvery Champ and Joy Century are newly set up after 1 January 2011. The application of merger accounting does not have any effect on the Group's equity as at 1 January 2010.

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

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

Except as described below, the application of these new and revised HKFRSs has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures sets out in these consolidated financial statements.

HKAS 24 Related Party Disclosures (as revised in 2009)

The application of HKAS 24 (as revised in 2009) has resulted in changes in related party disclosures on the following two aspects:

- (a) The Group is a government-related entity as defined in HKAS 24 (as revised in 2009). HKAS 24 (as revised in 2009) provides a partial exemption from the disclosure requirements for government-related entities whilst the previous version of HKAS 24 did not contain specific exemption for government-related entities. Under HKAS 24 (as revised in 2009), the Group has been exempted from making the disclosures required by paragraph 18 of HKAS 24 (as revised in 2009) in relation to related party transactions and outstanding balances (including commitment) with (a) the government that has control, joint control or significant influence over the Group and (b) other entities that are controlled, jointly controlled, significantly influenced by the same government. Rather, in respect of these transactions and balances, HKAS 24 (as revised in 2009) requires the Group to disclose (a) the nature and amount of each individually significant transaction, and (b) a qualitative or quantitative indication of the extent of transactions that are collectively, but not individually, significant.
- (b) In addition, HKAS 24 (as revised in 2009) has revised the definition of a related party.

HKAS 24 (as revised in 2009) requires retrospective application. The application of HKAS 24 (as revised in 2009) has had no effect on the amounts recognised or recorded in the consolidated financial statements for the current and prior years.

The application of the other new and revised HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosure set out in these consolidated financial statements.

New and revised HKFRSs in issue 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:

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets ¹ Disclosures – Offsetting Financial Assets and Financial Liabilities ² Mandatory Effective Date of HKFRS 9 and Transition Disclosures ³
HKFRS 9	Financial Instruments ³
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income ⁵
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets ⁴
HKAS 19 (as revised in 2011)	Employee Benefits ²
HKAS 27 (as revised in 2011)	Separate Financial Statements ²
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ²
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ⁶
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine ²

¹ Effective for annual periods beginning on or after 1 July 2011.

² Effective for annual periods beginning on or after 1 January 2013.

³ Effective for annual periods beginning on or after 1 January 2015.

⁴ Effective for annual periods beginning on or after 1 January 2012.

⁵ Effective for annual periods beginning on or after 1 July 2012.

⁶ Effective for annual periods beginning on or after 1 January 2014.

4. REVENUE AND SEGMENT INFORMATION

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 sales related taxes for the year. The Group is engaged in the property development, property investment activities, property management and hotel operation.

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of performance focuses only on revenue analysis. As no other discrete financial information is available for the assessment of different business activities, no segment information is presented other than entity-wide disclosures.

Entity-wide disclosures

Revenue from major business services

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> (restated)
Revenue from sales of properties	3,997,663	4,686,094
Rental income from leasing of properties	234,571	90,004
Property management service income	77,759	45,403
Revenue from hotel operations	123,483	59,634
	<u>4,433,476</u>	<u>4,881,135</u>

Geographical information

The Group's operations are located in the PRC. All revenue and non-current assets 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 2011 and 2010.

5(a). OTHER INCOME

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> (restated)
Government unconditional subsidies (<i>note</i>)	34,077	16,186
Interest income on bank deposits	63,092	26,833
Other interest income	11,690	40,887
Rental income from property, plant and equipment	14,644	13,046
Dividend income from available-for-sale investments	1,580	–
Others	57,109	17,777
	<u>182,192</u>	<u>114,729</u>

Note: The government subsidies mainly represent business and other taxes refund from local tax authorities.

5(b). OTHER EXPENSES, GAINS AND LOSSES

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> (restated)
Exchange gain on senior notes	134,194	102,026
Exchange gain on interest on other borrowing from SIHL Finance Limited	44,070	–
Other net exchange (loss) gain	(17,558)	20,071
Costs associated with acquisition of subsidiaries	(58,856)	–
Costs associated with change in terms of senior notes	(42,102)	–
Change in fair values of derivative financial instrument	16,597	12,400
Change in fair values of financial assets at FVTPL	625	2,387
Loss on disposal of available-for-sale investments	(41)	–
Compensation to customers in respect of late delivery of properties	(132,832)	(42,031)
Loss on disposal of property, plant and equipment	(53)	(73)
Loss on disposal of a subsidiary	(38,512)	–
Gain on disposal of an associate	1,872	–
Loss on redemption of convertible loan notes	–	(3,163)
Settlement of litigation loss	(44,267)	–
Others	(2,506)	73
	<u>(139,369)</u>	<u>91,690</u>

6. FINANCE COSTS

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> (restated)
Interest on:		
Bank and other borrowings wholly repayable within five years	758,738	461,817
Bank and other borrowings not wholly repayable within five years	67,817	78,951
Convertible loan notes	107	4,634
Senior notes	339,419	335,657
	<u>1,166,081</u>	<u>881,059</u>
Total borrowing costs	1,166,081	881,059
Less: amount capitalised under properties under development	(493,023)	(416,803)
	<u>673,058</u>	<u>464,256</u>

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 10.9% (2010: 10.8%) per annum to expenditure on qualifying assets.

7. LOSS FOR THE YEAR

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> (restated)
Loss for the year has been arrived at after charging (crediting):		
Depreciation on property, plant and equipment	60,240	47,708
Less: depreciation capitalised into properties under development	(5,032)	(2,695)
	55,208	45,013
Amortisation of prepaid lease payments	2,545	2,477
Auditors' remuneration	5,601	4,599
Gross rental income from investment properties (<i>note</i>)	(234,571)	(90,004)
Less: operating expenses	11,807	9,291
	(222,764)	(80,713)
Directors' remuneration	46,927	50,203
Other staff costs		
Retirement benefit scheme contributions	22,130	13,709
Equity-settled share-based payment expenses	15,765	37,349
Salaries, wages and other benefits	184,541	149,391
Total staff costs	269,363	250,652
Less: staff costs capitalised into properties under development	(92,554)	(29,781)
	176,809	220,871
Cost of properties held for sale recognised as an expense	3,098,545	3,924,107
Cost of inventories for hotel operations recognised as an expense	17,694	10,592
Share of tax of associates (included in share of results of associates)	1,076	1,017

Note: Including contingent rental income of nil (2010: HK\$8,327,000) from investment properties.

8. INCOME TAX

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> (restated)
Current tax:		
PRC enterprise income tax (“EIT”)	400,262	92,412
PRC land appreciation tax (“LAT”)	301,265	160,661
	<u>701,527</u>	<u>253,073</u>
Under (over) provision in prior years:		
PRC EIT	23,589	26,458
PRC LAT	–	(74,878)
	<u>23,589</u>	<u>(48,420)</u>
Deferred tax	<u>(130,564)</u>	<u>(43,278)</u>
	<u>594,552</u>	<u>161,375</u>

Under the Law of the People’s Republic of China on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Under the Provisional Regulations of LAT (《中華人民共和國土地增值稅暫行條例》) effective on 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例實施細則》) effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, being the proceeds of sales of properties less deductible expenditures including borrowing costs and property development expenditures in relation to the gains arising from sales of properties in the PRC effective from 1 January 2004, with an exemption provided for property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

No provision for Hong Kong Profits Tax has been made as the Group’s income neither arises in, nor is derived from, Hong Kong.

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands, the Group is not subject to any income tax in Bermuda and the British Virgin Islands in respect of the year ended 31 December 2011 (2010: Nil).

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> (restated)
Losses		
Loss for the purposes of basic and diluted loss per share:		
Loss for the year attributable to owners of the Company	<u>(477,650)</u>	<u>(740,523)</u>

	2011 <i>'000</i>	2010 <i>'000</i> (restated)
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Number of shares

Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>4,811,523</u>	<u>3,445,321</u>
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For the purpose of calculating loss per share for all periods prior to the acquisition of the SUD Group, the 2,182,191,000 ordinary shares issued pursuant to the acquisition, which is accounted for using merger accounting, are included in the calculation of the weighted average number of shares for all periods presented from the date when the Group and SUD Group were under common control by SIHL, which is 24 June 2010.

The computation of diluted loss per share does not assume:

- (i) the conversion of the Company's outstanding convertible loan notes since their exercise would result in a decrease in loss per share for the years ended 31 December 2011 and 2010; and
- (ii) the exercise of the Company's options/warrants because the exercise price of these options/warrants was higher than the average market price for the years ended 31 December 2011 and 2010.

10. INVESTMENT PROPERTIES

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i> (restated)
FAIR VALUE		
At 1 January	5,221,079	2,949,328
Subsequent expenditures	4,975	–
Acquisitions of subsidiaries arising from merger accounting	–	2,135,393
Transfer from inventories	352,402	–
Fair value gain on investment properties	453,791	7,130
Disposals	(116,575)	(54,334)
Exchange realignment	<u>253,291</u>	<u>183,562</u>
At 31 December	<u>6,168,963</u>	<u>5,221,079</u>

During the year ended 31 December 2011, inventories with carrying amount of approximately HK\$200,190,000 were transferred to investment properties as the management had changed the intention use of the properties upon entering into various operating leases with tenants. The properties were fair-valued by external valuers, DTZ Debenham Tie Leung Limited (“DTZ”), at the date of transfer by reference to net rental income allowing for reversionary income potential. The resulting increase in fair value of approximately HK\$152,212,000 has been recognised directly in profit of loss.

The fair value of the Group’s investment properties at 31 December 2011 have been arrived at on the basis of a valuation carried out on that date by DTZ, an independent qualified professional valuers not connected with the Group. DTZ is a member of the institute of valuer and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuations were arrived at by reference to comparable sales transactions available in the relevant market or by reference to net rental income allowing revisionary income potential prices for similar properties in the similar locations and conditions, where appropriate.

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.

During the year, the Group disposed of certain investment properties, for cash proceeds of HK\$116,575,000 (2010: HK\$54,334,000 (restated)).

The carrying value of investment properties shown above comprises:

	31.12.2011 <i>HK\$’000</i>	31.12.2010 <i>HK\$’000</i> (restated)	1.1.2010 <i>HK\$’000</i>
Land in PRC			
Medium-term lease	6,168,963	5,221,079	2,949,328
11. INVENTORIES			
	31.12.2011 <i>HK\$’000</i>	31.12.2010 <i>HK\$’000</i> (restated)	1.1.2010 <i>HK\$’000</i>
Property development			
Properties under development	35,244,688	29,413,252	13,677,143
Properties held for sale	4,264,990	3,746,011	780,952
	39,509,678	33,159,263	14,458,095
Hotel operations			
Food and beverage and others	8,092	4,936	3,960
	39,517,770	33,164,199	14,462,055

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

At 31 December 2011, properties under development of approximately HK\$3,162,344,000 (31.12.2010: HK\$3,423,909,000) and properties held for sale of approximately HK\$433,601,000 (31.12.2010: HK\$212,000,000) were carried at net realisable value.

As at 31 December 2011, property under development of HK\$16,520,602,000 (31.12.2010: HK\$10,430,836,000 (restated)) are not expected to be realised within one year.

12. TRADE AND OTHER RECEIVABLES

	31.12.2011 <i>HK\$'000</i>	31.12.2010 <i>HK\$'000</i> (restated)	1.1.2010 <i>HK\$'000</i>
Trade receivables	35,718	15,179	39,495
Less: allowance for doubtful debts	(822)	(787)	–
	34,896	14,392	39,495
Loan receivables	–	–	412,626
Other receivables	162,112	187,159	60,811
Advance payments to contractors	55,619	78,937	42,377
Sales commission deposits	105,208	156,302	155,354
Prepaid other taxes	438,655	480,101	441,461
Advance to the vendor of an investment project in the PRC (<i>note (a)</i>)	–	436,424	–
Guarantee deposits for land auction in the PRC (<i>note (b)</i>)	–	796,257	–
Other deposits and prepayments	34,431	61,292	44,428
	830,921	2,210,864	1,196,552

Notes:

- (a) The amount was advanced to the vendor of an investment project in the PRC, which was secured by the equity interests of the vendor held in the investment project, and interest-bearing at a fixed rate of 8.0% per annum as at 31 December 2010. The amount was fully settled in 2011.
- (b) The amounts represented guarantee deposits paid for land auction in the PRC. The amount was fully refunded in 2011.

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. The following is an aged analysis of trade receivables, mainly included outstanding corporate hotel customers' receivables and management fees billed to tenants, net of allowance for doubtful debts, presented based on the date of billing at the end of the reporting period.

	31.12.2011 <i>HK\$'000</i>	31.12.2010 <i>HK\$'000</i> (restated)	1.1.2010 <i>HK\$'000</i>
Within 0–90 days	26,577	7,536	16,442
Within 91–180 days	475	–	6,284
Over 180 days	7,844	6,856	16,769
	34,896	14,392	39,495

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

Ageing of trade receivables which are past due but not impaired

	31.12.2011 <i>HK\$'000</i>	31.12.2010 <i>HK\$'000</i> (restated)	1.1.2010 <i>HK\$'000</i>
Within 91–180 days	475	–	6,284
Over 180 days	<u>7,844</u>	<u>6,856</u>	<u>16,769</u>
	<u>8,319</u>	<u>6,856</u>	<u>23,053</u>

Trade receivables that were past due but not provided for impairment loss relate to a number of independent customers. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Movement in the allowance of doubtful debts

	31.12.2011 <i>HK\$'000</i>	31.12.2010 <i>HK\$'000</i> (restated)	1.1.2010 <i>HK\$'000</i>
At 1 January	787	–	–
Acquisition of subsidiaries	–	693	–
Exchange realignment	<u>35</u>	<u>94</u>	<u>–</u>
At 31 December	<u>822</u>	<u>787</u>	<u>–</u>

Included in allowance of doubtful debts are individually impairment trade receivables with an aggregate balance of HK\$822,000 (31.12.2010: HK\$787,000 (restated)) which have been outstanding for more than 365 days.

13. TRADE AND OTHER PAYABLES

	31.12.2011 <i>HK\$'000</i>	31.12.2010 <i>HK\$'000</i> (restated)	1.1.2010 <i>HK\$'000</i>
Trade payables	701,915	740,312	–
Accrued expenditure on properties under development	2,551,053	1,390,361	1,055,963
Amounts due to former shareholders of the Company's former subsidiaries (<i>note (a)</i>)	146,408	141,032	137,039
Receipts from customers for payment of expenses on their behalf	111,936	99,799	98,168
Interest payable	186,337	153,723	199,085
Accrued charges and other payables	684,893	639,755	393,225
Other taxes payables (<i>note (b)</i>)	<u>16,100</u>	<u>23,154</u>	<u>35,414</u>
	<u>4,398,642</u>	<u>3,188,136</u>	<u>1,918,894</u>

Notes:

- (a) The amounts are non-trade in nature, interest free and repayable on demand.
- (b) Other taxes payables comprise urban real estate tax payable, city maintenance and construction tax payable and business tax payable.

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

	31.12.2011 <i>HK\$'000</i>	31.12.2010 <i>HK\$'000</i> (restated)	1.1.2010 <i>HK\$'000</i>
Within 30 days	173,056	448,094	–
Within 31–180 days	103,807	63,498	–
Within 181–365 days	193,664	36,676	–
Over 365 days	231,388	192,044	–
	701,915	740,312	–

MANAGEMENT DISCUSSION AND ANALYSIS

Looking back at 2011, the Group completed the integration of Shanghai Urban Development Group Limited into its operation. The transaction is a major step forward for the Group in serving as the property development platform of Shanghai Industrial Holdings Limited. It also hastened the expansion of the Group's land bank in first- and second-tier cities to a total gross floor area of 17.24 million sq. m., contributing to the long-term competitiveness of the Group. Furthermore, the mid – to high-end properties of SUD have significantly enhanced the asset portfolio of Shanghai Industrial Urban Development Group allowing it to beef up gross profit.

Business Review

In the year ended 31 December 2011, the Group recorded revenue of HK\$4.433 billion (31 December 2010: HK\$4.881 billion), a 9.2% decrease year-on-year. Revenue for the year comprised mainly the sales revenues of four projects, namely Urban Cradle in Shanghai, Neo Water City in Xi'an, Laochengxiang in Tianjin and Park Avenue in Chengdu, which accounted for approximately 28.53%, 19.93%, 8.51% and 8.24% respectively of the Group's total revenue.

Loss attributable to shareholders of the Company amounted to HK\$478 million, an improvement against HK\$741 million in the previous year thanks to boosted gross profit and fair value gains on investment properties (including the gain on transfer of inventories to investment properties). Basic loss per share for 2011 was HK9.93 cents and the diluted loss per share was HK9.93 cents (31 December 2010: Basic loss per share was HK21.49 cents; diluted loss per share was HK21.49 cents).

On 23 November 2011, the Group completed the acquisition of SUD through issuance of shares. After the transaction, the holding in the Group by its parent company Shanghai Industrial Holdings Limited has increased from 45% to 70%. The Group's total assets also increased in value from HK\$49.855 billion at the beginning of the year to HK\$54.052 billion at year-end, and its net assets rose from HK\$19.191 billion to HK\$19.877 billion at year-end.

Outlook

The market is cautiously optimistic about the development of China's real estate industry in 2012. Players are expected to continue to face many challenges in the short run including government regulatory measures, fierce competition and consistently high costs, etc. However, the Group is confident of the mid- and long-term prospects of the industry in China. With urbanization continuing in full steam and the quality of living of the Chinese people improving, the industry still boasts tremendous room for growth.

After the merger with SUD, the Group's gross sales profit has seen constant improvement. The superb quality assets and professional human resources of SUD will contribute significantly to the development of the Group in the future.

Looking ahead, the Group will actively seize business opportunities and focus on fortifying its foothold at the Yangtze River Delta while keeping its eye on major coastal cities across the nation. The Group will continue to optimize its asset structure and improve product quality and profitability. It is determined to make the league of leading property developers in China.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2011 (for the year ended 31 December 2010: Nil).

ANNUAL GENERAL MEETING

It is proposed that the 2012 Annual General Meeting of the Company will be held on Friday, 18 May 2012 (the "2012 AGM"). Notice of the 2012 AGM will be published and despatched to the Shareholders in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

Entitlement to attend and vote at the 2012 AGM

The 2012 AGM is scheduled to be held on Friday, 18 May 2012. For determining the entitlement to attend and vote at the 2012 AGM, the register of members of the Company will be closed from Wednesday, 16 May 2012 to Friday, 18 May 2012, 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 2012 AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 15 May 2012.

PROPOSED AMENDMENTS TO BYE-LAWS OF THE COMPANY AND ADOPTION OF NEW BYE-LAWS

In order to bring the constitution of the Company in line with the recent amendments to the Listing Rules, the recent changes to the Companies Act 1981 of Bermuda and certain housekeeping amendments, the Board proposes to seek approval from the Shareholders at the 2012 AGM for the amendments to the Bye-Laws of the Company and the adoption of a new set of Bye-laws.

The proposed amendments to the Bye-laws of the Company and the adoption of a new set of Bye-laws of the Company which consolidates all of the proposed amendments and all previous amendments to the Bye-laws of the Company are subject to the approval of the Shareholders by way of passing of requisite special resolutions at 2012 AGM. A circular, containing amongst other things, the notice of the 2012 AGM which contains full text of the proposed amendments will be published and despatched to the Shareholders as soon as practicable.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices with a view to enhancing the management efficiency of the Company as well as preserving the interests of the Shareholders as a whole. In the opinion of the Board, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules throughout the period from 1 January 2011 to the date of this announcement.

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 2011, 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 currently consists of four independent non-executive directors, namely Mr. Doo Wai-Hoi, William, Dr. Wong Ying Ho, Kennedy, Mr. Fan Ren Da, Anthony and Mr. Li Ka Fai, David (Chairman of the Committee), has reviewed the audited financial statements of the Company for the year ended 31 December 2011 and discussed with the management and the auditors of the Company on the accounting principles and practices adopted by the Group and internal control and financial reporting matters.

SHARE CAPITAL

As set out in the announcement of the Company dated 23 November 2011, completion of the transactions as detailed in the circular of the Company dated 31 October 2011 took place and 2,182,191,000 ordinary shares were allotted and issued, the Company's issued and fully paid share capital as at 31 December 2011 amounted to approximately HK\$192,460,927.56 divided into 4,811,523,189 ordinary shares of HK\$0.04 each.

During the year ended 31 December 2011, no convertible loan notes or warrants were converted into ordinary shares of the Company.

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 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 Company's directors.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2011, the Company repaid all the remaining convertible notes of total principal amount of HK\$2,000,000 for a total payment of HK\$2,714,000 which included principal and accrued interest. Save for the above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2011.

AUDITORS

Following the resignation of Messrs. CCIF CPA Limited due to its merger of business with PCP CPA Limited, Crowe Horwath (HK) CPA Limited was appointed as the auditor of the Company to fill the casual vacancy on 18 January 2010. Messrs. Crowe Horwath (HK) CPA Limited resigned as the auditor of the Company on 18 November 2010 while Messrs. Deloitte Touche Tohmatsu was appointed by the Board to fill the casual vacancy on 19 November 2010.

The financial statements for the year ended 31 December 2011 have been audited by Deloitte Touche Tohmatsu who will retire and being eligible, offer itself for re-appointment. A resolution for the reappointment of Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the 2012 AGM.

Save as disclosed above, there were no change in the Company's auditors in the preceding three years.

CHANGES IN DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information of the directors are as follows:

- (a) Mr. Jia Bowei be appointed as an Executive Director of Enterprise Development Holdings Limited (Stock Code: 1808) on 23 November 2011, this company listed on the Stock Exchange. He resigned as an Executive Director of the Company with effect from 1 March 2012.
- (b) Mr. Fan Ren Da, Anthony be appointed as an Independent Non-Executive Director, Chairman of the Audit Committee and Members of both of the Nomination Committee and Remuneration Committee of Technovator International Limited (Stock Code: 1206) on 8 September 2011 and be appointed as an Independent Non-Executive Director and Chairman of the Audit Committee of Guodian Technology & Environment Group Corporation Limited (Stock Code: 1296) on 21 September 2011, all companies listed on the Stock Exchange. In June 2011, he resigned as an independent non-executive director of Chinney Alliance Group Limited (Stock Code: 385) listed on the Main Board of the Stock Exchange.

APPOINTMENT OF AUTHORIZED REPRESENTATIVE

Mr. Ni Jianda, Executive Director and President of the Company, has been appointed as an authorized representative of the Company with effect from 28 March 2012 as required under Rule 3.05 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company (the "Model Code"). Having made specific enquiry of all directors, all directors have confirmed that they had complied with the required standard as set out in the Model Code for the year ended 31 December 2011.

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 2011 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and published on the above websites in due course.

APPRECIATION

I would like to express my sincere gratitude to the Board, our management and to 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 of our Group.

By order of the Board
Shanghai Industrial Urban Development Group Limited
Cai Yu Tian
Chairman

Hong Kong, 28 March 2012

As at the date hereof, the Board comprises Mr. Cai Yu Tian, Mr. Ni Jianda, Mr. Qian Shizheng, Mr. Zhou Jun, Mr. Yang Biao and Mr. Chen Anmin as executive directors and Mr. Doo Wai Hoi, William, J.P., Dr. Wong Ying Ho, Kennedy, BBS, J.P., Mr. Fan Ren Da, Anthony and Mr. Li Ka Fai, David as independent non-executive directors.