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 2023

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 2023 (the "**Period**"), together with the comparative figures for the corresponding period in 2022, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2023

		Six months ended 30 June	
		2023	2022
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue			
Goods and services	*3*	**1,422,098**	6,548,549
Leases		**375,736**	260,064
Total revenue		**1,797,834**	6,808,613
Cost of sales		**(1,025,771)**	(5,596,970)
Gross profit		**772,063**	1,211,643
Other income		**87,018**	73,215
Other expenses, gains and losses, net		**(106,081)**	(90,703)
Fair value (loss) gain on investment properties, net		**(2,263)**	1,208
Distribution and selling expenses		**(94,605)**	(98,433)
General and administrative expenses		**(215,984)**	(176,130)
Finance costs	*5*	**(363,847)**	(330,192)
Share of results of associates		**(3,201)**	(118,041)
Share of results of joint ventures		**(15,759)**	(2,929)
Profit before tax		**57,341**	469,638
Income tax	*6*	**(380,521)**	(388,734)
(Loss) profit for the period	*7*	**(323,180)**	80,904
Other comprehensive expense for the period			
Items that will not be reclassified to profit or loss:			
Exchange differences on translation from functional currency to presentation currency		**(878,007)**	(1,158,576)
Fair value loss on equity instruments at fair value through other comprehensive income, net of tax		**(6,390)**	(14,768)
Item that may be reclassified subsequently to profit or loss:			
Reclassification adjustment for realisation of revaluation reserve upon disposal of the related properties		**—**	(22,176)
Other comprehensive expense for the period		**(884,397)**	(1,195,520)
Total comprehensive expense for the period		**(1,207,577)**	(1,114,616)

	NOTE	Six months ended 30 June **2023** ***HK$'000*** **(unaudited)**	 2022 *HK$'000* (unaudited)
(Loss) profit for the period attributable to:			
Owners of the Company		**(302,936)**	126,448
Non-controlling interests		**(20,244)**	(45,544)
		(323,180)	80,904
Total comprehensive expense for the period attributable to:			
Owners of the Company		**(943,168)**	(700,440)
Non-controlling interests		**(264,409)**	(414,176)
		(1,207,577)	(1,114,616)
(Loss) earnings per share	*8*		
Basic *(HK cents)*		**(6.32)**	2.63

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	NOTES	30 June 2023 HK$'000 (unaudited)	31 December 2022 HK$'000 (audited)
Non-current assets			
Investment properties	9	**20,679,034**	21,232,971
Property, plant and equipment		**2,087,623**	2,136,577
Right-of-use assets		**440,719**	473,729
Goodwill		**23,604**	23,604
Intangible assets		**55,287**	57,834
Interests in associates		**1,715,193**	1,796,882
Interests in joint ventures		**2,535,909**	2,668,967
Amount due from a related company		**266,122**	277,707
Equity instruments at fair value through other comprehensive income		**49,093**	59,872
Pledged bank deposits		**14,446**	33,074
Deferred tax assets		**106,143**	86,047
		27,973,173	28,847,264
Current assets			
Inventories		**1,391**	1,803
Properties under development for sale and properties held-for-sale		**22,627,081**	22,569,287
Trade and other receivables	10	**1,175,530**	1,185,644
Amounts due from related companies		**1,507**	2,492
Prepaid income tax and land appreciation tax		**529,070**	333,234
Financial assets at fair value through profit or loss		**4,095**	5,580
Restricted and pledged bank deposits		**25,673**	23,881
Bank balances and cash		**6,131,301**	4,477,602
		30,495,648	28,599,523

	NOTES	30 June 2023 HK$'000 (unaudited)	31 December 2022 HK$'000 (audited)
Current liabilities			
Trade and other payables	*11*	**5,784,517**	6,779,706
Amounts due to related companies		**77,781**	766,146
Pre-sale proceeds received on sales of properties		**9,862,876**	7,086,457
Bank and other borrowings	*12*	**4,778,443**	9,915,688
Lease liabilities		**31,716**	48,721
Income tax and land appreciation tax payables		**1,315,281**	1,377,284
Dividend payable		**22,260**	20,670
		21,872,874	25,994,672
Net current assets		**8,622,774**	2,604,851
Total assets less current liabilities		**36,595,947**	31,452,115
Non-current liabilities			
Amounts due to a related company		**706,668**	—
Deferred revenue	*11*	**36,866**	38,879
Bank and other borrowings	*12*	**13,780,464**	7,743,066
Lease liabilities		**27,582**	39,706
Deferred tax liabilities		**2,710,409**	2,799,190
		17,261,989	10,620,841
		19,333,958	20,831,274
Capital and reserves			
Share capital		**191,659**	191,747
Reserves		**13,280,376**	14,368,524
Equity contributable to owners of the Company		**13,472,035**	14,560,271
Non-controlling interests		**5,861,923**	6,271,003
		19,333,958	20,831,274

NOTES TO THE FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2023

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("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.

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 2023 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2022.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following new and 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 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

2.1 Impacts on application of Amendments to HKAS 8 "Definition of Accounting Estimates"

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The directors of the Company consider that the application of the new and amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.2 Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies"

In addition, the Group will apply Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies" which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the Group's consolidated financial statements for the year ending 31 December 2023.

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 "Making Materiality Judgements" (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments in the current period had no material impact on the condensed consolidated financial statements but is expected to affect the disclosures of the Group's accounting policies in the Group's annual consolidated financial statements for the year ending 31 December 2023.

3. REVENUE FROM GOODS AND SERVICES

Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Types of goods or services		
Sales of properties	**1,271,776**	6,464,820
Hotel operations	**146,288**	83,283
Property management	**4,034**	446
Total	**1,422,098**	6,548,549

4. SEGMENT INFORMATION

Information reported to the directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and performance assessment focuses on revenue analysis. No other discrete financial information is provided other than the Group's result and financial position as a whole. Accordingly, only entity-wide disclosures, major customers and geographic information are presented.

The Group's operations are located in the PRC. All revenue and non-current assets, except for certain property and equipment, of the Group are generated from and located in the PRC. No revenue from a single customer contributed 10% or more of the Group's revenue for the six months ended 30 June 2023 and 2022.

5. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interests on bank and other borrowings	**426,769**	448,963
Interests on lease liabilities	**2,482**	3,580
Total finance costs	**429,251**	452,543
Less: Amount capitalised into properties under development for sale	**(65,404)**	(122,351)
	363,847	330,192

6. INCOME TAX

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax:		
PRC Enterprise Income Tax	**123,949**	184,540
PRC Land Appreciation Tax	**256,199**	230,582
PRC withholding tax on dividend income	**2,988**	—
	383,136	415,122
Deferred tax	**(2,615)**	(26,388)
Income tax for the period	**380,521**	388,734

7. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(Loss) profit for the period has been arrived at after charging (crediting) the following items:		
Depreciation of property, plant and equipment	**69,764**	78,349
Depreciation of right-of-use assets	**13,181**	10,339
Interest income on bank deposits (included in other income)	**(15,531)**	(47,665)
Net foreign exchange loss (included in other expenses, gains and losses, net)	**85,424**	96,649

8. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(Loss) earnings:		
(Loss) earnings for the purpose of calculating basic (loss) earnings per share		
(Loss) profit for the period attributable to owners of the Company	**(302,936)**	126,448

	Six months ended 30 June	
	2023	2022
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share	**4,792,186**	4,806,323

9. MOVEMENTS IN INVESTMENT PROPERTIES

The fair values of the Group's investment properties as at 30 June 2023 have been arrived at on the basis of a valuation carried out by Cushman & Wakefield Limited, 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 decrease in fair values of the Group's investment properties of HK$2,263,000 (six months ended 30 June 2022: net increase in fair values of HK$1,208,000) is recognised directly in profit or loss for the six months ended 30 June 2023.

During the six months ended 30 June 2023, the Group has expenditures on certain investment properties under development of HK$190,531,000 (six months ended 30 June 2022: HK$193,223,000).

During the six months ended 30 June 2023, the management of the Group changed the intention from selling the commercial units of several residential property projects to lease them out for rentals. Accordingly, properties held-for-sale with carrying amount of HK$211,911,000 (six months ended 30 June 2022: HK$110,506,000) was transferred to investment properties upon inception of lease agreements with the tenants. In the opinion of the management of the Group, the fair value gain or loss in respect of these properties at the date of transfer was considered to be insignificant.

The Group did not dispose of any investment properties during the six months ended 30 June 2023 and 2022.

10. TRADE AND OTHER RECEIVABLES

	30 June 2023 HK$'000 (unaudited)	31 December 2022 HK$'000 (audited)
Trade and other receivables		
Trade receivables		
— Contracts with customers		
Sales of properties	**256,750**	268,617
Hotel operations and others	**6,008**	14,262
— Lease receivables	**26,845**	12,036
	289,603	294,915
Less: Loss allowance	**(228)**	(274)
	289,375	294,641
Other receivables	**263,435**	291,470
Secured deposits held by Shanghai government department	**241,109**	214,779
Receivable from a former subsidiary	**131,123**	137,184
Advance payments to contractors	**24,355**	14,780
Prepaid other taxes	**200,428**	220,635
Deposits and prepayments	**25,705**	12,155
	1,175,530	1,185,644

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 2023 HK$'000 (unaudited)	31 December 2022 HK$'000 (audited)
Within 90 days	**25,164**	16,125
Within 91–180 days	**424**	273,393
Over 180 days	**263,787**	5,123
	289,375	294,641

11. TRADE AND OTHER PAYABLES AND DEFERRED REVENUE

	30 June 2023	31 December 2022
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade and other payables recognised as current liabilities		
Trade payables	**891,795**	1,810,201
Accrued expenditure on properties under development for sale	**2,919,805**	2,527,840
Amounts due to former shareholders of the Company's former subsidiaries	**153,676**	159,768
Rental deposits and receipt in advance from tenants	**224,061**	225,781
Interest payable	**145,471**	91,044
Payables to the Shanghai government department	**151,096**	158,079
Accrued charges and other payables	**386,452**	364,982
Consideration payables	**—**	576,337
Other taxes payables	**912,161**	865,674
	5,784,517	6,779,706
Deferred revenue recognised as non-current liabilities		
Deferred revenue	**36,866**	38,879

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 2023	31 December 2022
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within 30 days	**71,791**	1,291,833
Within 31–180 days	**10,600**	115,792
Within 181–365 days	**461,729**	74,626
Over 365 days	**347,675**	327,950
	891,795	1,810,201

12. BANK AND OTHER BORROWINGS

During the six months ended 30 June 2023, the Group obtained new bank and other borrowings of HK$4,210,359,000 (six months ended 30 June 2022: HK$4,504,385,000, of which HK$450,000,000 is denominated in foreign currency of the related entity). As at 30 June 2023, the bank and other borrowings carry variable interest ranging from 2.90% to 4.75% (31 December 2022: 3.10% to 5.51%) per annum and are payable from three months to over five years (31 December 2022: three months to over five years). The borrowings are obtained for the purpose of property development projects and general working capitals of the Group.

During the six months ended 30 June 2023, the Group also repaid the bank and other borrowings of HK$2,548,115,000 (six months ended 30 June 2022: HK$3,239,491,000).

MANAGEMENT DISCUSSION AND ANALYSIS

PROPERTY MARKET REVIEW

In the first half of 2023, the stable economic recovery of China faced pressure from subdued global growth and a complex and severe global scenario. For the real estate industry, the Chinese government emphasised the need of fully utilising the policy toolbox by adopting a “city-based policy” and implementing various measures for “pillar stabilisation”, “demand stimulation” and “risk prevention”. During the first quarter, the market became active thanks to the unleash of pent-up demand in the wake of pandemic and the effective advance policies. However, the rebound discontinued in the second quarter as the release of previously accumulated demand came to an end and homebuyer demand gradually weakened. According to the data from the National Bureau of Statistics, in the first half of the year, property development and investment decreased year-by-year by 7.9% while sales of commodity housing increased year-on-year by 1.1% in China. Among the sales of commodity housing, the sales of residential housing increased 3.7% year-on-year. As the central government reiterated the position of the real estate sector as a pillar of economy in the Strategic Plan for Expanding Domestic Demand (2022–2035), most cities have basically withdrawn their property control policies. In the next half year, we expect to see an enhancement of supportive policies and continuance of financial support measures for property developers. The market will become more and more resilient, thus stabilising market expectation.

BUSINESS REVIEW

Overview

In the first half of 2023, the Group adapted to the market environment by slowing down our pace of sales. By virtue of our excellent capability of getting things done and strong resilience, the Group overcame the uncertainties brought by the macro environment and market challenges, and strove ahead with perseverance by staying true to our original aspiration. The continuing strong sales of flagship projects, including Originally in Xi’an, Summitopia in Tianjin, and Ocean One and Cloud Vision in Shanghai, brought in stable revenue and profit for SIUD. During the period, the Group continued to develop our investment property business, further 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. The Group aimed at satisfying the rigid housing demand of usual residents in different cities, while further consolidating our leadership in the property market in Shanghai.

Contract Sales

During the six months ended 30 June 2023, the contract sales from commodity housing and affordable housing of the Group increased 9.7% year-on-year to RMB5,009,840,000 (six months ended 30 June 2022: RMB4,568,240,000). Total contract sales in terms of G.F.A. were 169,000 sq.m., down 48.9% year-on-year, while the total average selling price rose 114.5% to approximately RMB29,600 per sq.m. This was mainly attributable to higher proportion of commodity housing sold during the period.

During the period, the contract sales of commodity housing increased by 200.7% year-on-year to RMB4,880,370,000 (six months ended 30 June 2022: RMB1,623,150,000). The contract sales in terms of G.F.A. were 157,000 sq.m., up 68.8% year-on-year. The average selling price of commodity housing rose to approximately RMB31,000 per sq.m. mainly due to the higher proportion of sales in first-tier cities. During the period, Originally in Xi'an, Summitopia in Tianjin, and Ocean One and Cloud Vision in Shanghai were the Group's principal projects for sale, which accounted for approximately 24.4%, 21.3%, 20.4% and 14.9% respectively of the total contract sales of commodity housing during the period.

The contract sales of affordable housing decreased 95.6% year-on-year to RMB129,470,000, whereas the contract sales in terms of G.F.A. were 12,000 sq.m., mainly attributable to Shangtou Baoxu in Shanghai.

Property Development

During the six months ended 30 June 2023, the Group had 12 projects with a total G.F.A. of 2,630,000 sq.m. under construction, which primarily included Originally in Xi'an, TODTOWN and Ocean times in Shanghai, and Summitopia in Tianjin. The floor space started of the Group was 350,000 sq.m., which mainly came from Ocean times in Shanghai. The Group delivered a total G.F.A. of 20,000 sq.m., which mainly comprised Jade Villa in Shanghai, West Diaoyutai Emperor Seal in Beijing, Shanghai Jing City and Originally in Xi'an.

With the full relaxation of anti-epidemic measures and implementation of various supportive policies by the government during the year, the relevant market stabilisation measures also quickened. The Group succeeded in launching several residential projects for sale in a timely manner, leading to stable transaction volume and prices. Our projects, namely Originally in Xi'an, Summitopia in Tianjin, and Ocean One and Cloud Vision in Shanghai, were highly sought after by the market and posted good presales performance. In particular, Originally in Xi'an recorded remarkable sales and became the largest sales contributor for the Group.

Investment Properties

As at 30 June 2023, the Group had a number of completed commercial projects in seven major developed cities, including Shanghai, Beijing, Tianjin, Chongqing, Shenyang, Xi'an and Shenzhen. The investment projects held by the Group had a total G.F.A. of approximately 1,118,000 sq.m. During the period, the overall rental income of the Group increased 44.5% year-on-year to HK$375,736,000 (first half of 2022: HK$260,064,000), which was mainly attributable to rental income having recovered to pre-pandemic level as a result of the complete easing of pandemic control measures.

By upholding the policy of placing dual focus on leasing and sale, the Group achieved steady progress in the residential leasing operation. Our long-term rental apartment project, namely Utime Xinzhuang in Shanghai, has been completed during the period, and Cheng Kai Chuanxinqu in Shanghai, with a G.F.A. of 118,458 sq.m., will be completed in 2024. These projects will also contribute stable rental income for the Group in future.

LAND BANK AND NEW PROJECT ACQUISITION

In the first half of 2023, the transaction scale of the land market recorded a year-on-year decrease in general. Most property developers remained prudent in land acquisition and the market sentiment was still lukewarm. The Group was cautiously open-minded on land acquisition and sought to identify land reserve in a timely manner once the land transactions revived while maintaining sufficient land bank for development. The Group persisted in the strategy of focusing on the metropolitan areas in Shanghai as well as other first- and second-tier core cities and kept an eye on opportunities of enriching our premium land bank.

As at 30 June 2023, the Group's land bank was developed into 28 property projects located in ten major cities in China, including Shanghai, Beijing, Tianjin, Xi'an, Chongqing, 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 3,584,000 sq.m. to support its development for the next three to five years.

FINANCIAL REVIEW

Revenue

During the six months ended 30 June 2023, the Group's revenue decreased by 73.6% year-on-year to HK$1,797,834,000 (six months ended 30 June 2022: HK$6,808,613,000), chiefly due to fewer properties completed and delivered to customers during the period. During the period, property sales remained as the Group's main source of revenue and amounted to HK$1,271,776,000 (six months ended 30 June 2022: HK$6,464,820,000), accounting for 70.7% (six months ended 30 June 2022: 95.0%) of the Group's total revenue. The revenue contribution from Jade Villa in Shanghai, West Diaoyutai Emperor Seal in Beijing, Shanghai Jing City and Originally in Xi'an accounted for 66.2%, 20.4%, 4.3% and 3.0% of property sales, respectively.

Revenue from leasing, property management and hotel operations continued to provide stable revenue sources for the Group, contributing HK$375,736,000, HK$4,034,000 and HK$146,288,000 (six months ended 30 June 2022: HK$260,064,000, HK$446,000 and HK$83,283,000) respectively and accounting for 20.9%, 0.2% and 8.2% (six months ended 30 June 2022: 3.8%, 0.0% and 1.2%) of the total revenue, respectively.

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2023, the Group's gross profit amounted to HK$772,063,000, representing a decrease of 36.3% as compared to that of the same period in 2022. The gross profit margin was 42.9%, up by 25.1 percentage points as compared to that of the same period in 2022. This was mainly attributable to the higher proportion and higher gross profit margin of commodity housing projects delivered during the period.

Investment Property Revaluation

For the six months ended 30 June 2023, the Group recorded a net loss on revaluation of investment properties of HK$2,263,000, which was mainly attributable to the net impact of decrease in fair value of Laochengxiang in Tianjin and increase in fair value of Shanghai Mart in Shanghai.

Distribution and Selling Expenses

For the six months ended 30 June 2023, the Group's distribution and selling expenses decreased by 3.9% year-on-year to HK$94,605,000 (six months ended 30 June 2022: HK$98,433,000), which was mainly attributable to year-on-year decrease in properties delivered by the Group to customers during the period.

General and Administrative Expenses

For the six months ended 30 June 2023, the Group's general and administrative expenses increased by 22.6% year-on-year to HK$215,984,000 (six months ended 30 June 2022: HK$176,130,000). This was mainly attributable to operation returned to normal after COVID-19 restriction in 2023 as compared to that of the same period in 2022 and commencement of operation of newly completed projects.

Other Expenses, Gains and Losses, Net

For the six months ended 30 June 2023, the Group recorded a net loss of HK$106,081,000 in other expenses, gains and losses (six months ended 30 June 2022: net loss of HK$90,703,000) 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.

Loss/Profit

During the six months ended 30 June 2023, the Group recorded a loss of HK$323,180,000 (six months ended 30 June 2022: profit of HK$80,904,000) mainly attributable to foreign exchange losses on foreign currency denominated bank and other borrowings arising from the depreciation of RMB against HKD during the period and fewer properties completed and delivered by the Group to customers during the period under the influence of normal construction life cycle for properties in real estate industry. During the first half of the year, loss attributable to owners of the Company amounted to approximately HK$302,936,000 (six months ended 30 June 2022: profit attributable to owners of the Company HK$126,448,000), and the basic losses per share amounted to 6.32 HK cents (six months ended 30 June 2022: basic earnings per share of 2.63 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 2023, bank balances and cash of the Group were HK$6,131,301,000 (31 December 2022: HK$4,477,602,000). 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 64.1% as at the period end. The current ratio was 1.39 times.

As at 30 June 2023, the total borrowings of the Group including bank borrowings, other borrowings and advanced bonds amounted to HK$18,558,907,000 (31 December 2022: HK$17,658,754,000), which included the shareholders' borrowings of Shanghai Industrial Holdings Limited of HK$2,083,000,000 (31 December 2022: HK$2,083,000,000). The Group will continue to optimise HKD denominated 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 bank deposits and borrowings denominated in foreign currencies of certain companies under the Group, 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 2023. 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 2023, the Group employed 766 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. The share option scheme of the Group was expired on 21 May 2023 and the Company had not granted any share options under the share option scheme since its adoption date up to 30 June 2023. During the six months ended 30 June 2023, 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 recovery of the property market failed to continue in the first half of 2023 influenced by factors including the global economy, the gradual relaxation of anti-pandemic policies and property control measures by the central government will help China's property market pick up in the second half. Therefore, the Group remains cautiously optimistic about the property market and is confident that China's property market will progressively proceed along the path of stable development. 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 pressing ahead with the establishment of a new development model for the real estate industry. We believe that the property easing policies will be strengthened in the second half of the year in order to achieve the goal of "guaranteeing project delivery, livelihood and stability". This, together with further improvement of the financial environment, will support the property market to take on a path of recovery.

Looking ahead to the second half, the Group will adopt different approaches of housing delivery to enhance the volume of project delivery in the second half. Apart from ensuring the smooth operation of the new development model for project delivery, the Group will also pursue for business innovation by leveraging on its strength as a state-owned company brand and aim for healthy and stable development by supporting local governments in refining the property policies. The Group will continue to increase its premium land bank in a steadily progressive manner and prudently explore various investment projects with a focus on Shanghai while expanding to the Yangtze River Delta and other first- and second-tier cities. The Group will place much emphasis on opening up our scope and opportunities for development so as to create high premium value returns for the shareholders.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: Nil).

SHARE CAPITAL

The Company's issued and fully paid share capital as at 30 June 2023 amounted to HK$191,659,327.56 divided into 4,791,483,189 ordinary shares of HK$0.04 each.

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

Repurchase of Shares

On 16 December 2022, 20 December 2022, 21 December 2022, 22 December 2022, the Company repurchased a total of 1,000,000 ordinary shares of the Company of HK$0.04 each on the Stock Exchange at an aggregate consideration paid (excluding transaction costs) of HK$595,000.

During the six months ended 30 June 2023, the Company repurchased a total of 1,194,000 ordinary shares of the Company of HK$0.04 each on the Stock Exchange at an aggregate consideration paid (excluding transaction costs) of HK$726,960.

Details of the repurchase of such ordinary shares were as follows:

Date of repurchase	Number of ordinary shares repurchased	Price per ordinary share Highest	Price per ordinary share Lowest	Aggregate consideration paid (excluding transaction costs)
		HK$	*HK$*	*HK$*
16 December 2022	200,000	0.58	0.58	116,000
20 December 2022	300,000	0.60	0.59	178,000
21 December 2022	300,000	0.61	0.61	183,000
22 December 2022	200,000	0.59	0.59	118,000
05 January 2023	150,000	0.62	0.62	93,000
11 January 2023	900,000	0.61	0.61	549,000
12 January 2023	144,000	0.59	0.59	84,960
Total	2,194,000			1,321,960

The ordinary shares repurchased on 16 December 2022, 20 December 2022, 21 December 2022, 22 December 2022, 05 January 2023, 11 January 2023 and 12 January 2023 were cancelled on 27 February 2023. 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 23 May 2022. 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 six months ended 30 June 2023.

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 2023, 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 2023.

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 2023.

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, *M.H.* (Committee Chairman), Mr. Doo Wai-Hoi, William, *B.B.S., J.P.* and Dr. 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 2023, 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 2023 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 2023 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.

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 2023 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 2023

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., Dr. Fan Ren Da, Anthony, Mr. Li Ka Fai, David, M.H. and Mr. Qiao Zhigang as independent non-executive Directors.