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**深圳控股有限公司**  
**SHENZHEN INVESTMENT LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 00604)**

## **2022 INTERIM RESULTS ANNOUNCEMENT**

The board of directors (the “Board”) of Shenzhen Investment Limited (the “Company”) presents the interim condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2022 together with the comparative figures for the corresponding period of 2021. These interim financial information have not been audited, but have been reviewed by the Company’s audit committee and the auditor, PricewaterhouseCoopers.

### **FINANCIAL HIGHLIGHTS**

- The Group realized a turnover of HK\$15.53 billion, representing a decrease of 20% over the same period of last year;
- The overall gross profit margin was 45%, representing an increase of 7 percentage points over the same period of last year;
- The Group realized a gross profit of HK\$6.95 billion, representing a decrease of 5% over the same period of last year;
- Profit attributable to equity shareholders was HK\$2.36 billion, representing an increase of 69% over the same period of last year; if excluding the net effect of the changes in fair value of investment properties and financial assets of the Group, profit attributable to equity shareholders was HK\$2.65 billion, representing an increase of 24% over the same period of last year;
- Basic earnings per share were HK26.53 cents, representing an increase of 70% over the same period of last year;
- The average comprehensive interest rate in respect of bank and other borrowings was 3.2%;
- The Board declared the payment of an interim dividend of HK3.00 cents per share.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2022</b>	<b>2021</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>	5	<b>15,534,377</b>	19,403,841
Cost of sales		<u>(8,583,140)</u>	<u>(12,103,358)</u>
<b>Gross profit</b>		<b>6,951,237</b>	7,300,483
Other income and other gains	5	<b>244,922</b>	115,486
Decrease in fair value of financial assets at fair value through profit or loss		<b>(284,321)</b>	(833,036)
Losses result from changes in fair value of and transfer to investment properties		<b>(23,640)</b>	(145,277)
Selling and distribution expenses		<b>(162,658)</b>	(171,156)
Administrative expenses		<b>(659,657)</b>	(584,122)
Other expenses		<b>(25,159)</b>	83,423
Net (impairment losses)/reversal of impairment losses on financial assets		<u>(44,998)</u>	<u>11,457</u>
<b>Operating profit</b>		<b>5,995,726</b>	5,777,258
Finance income	6	<b>131,732</b>	107,484
Finance costs	6	<u>(469,412)</u>	<u>(398,034)</u>
Finance costs – net	6	<b>(337,680)</b>	(290,550)
Share of results of joint ventures and associates		<u>140,933</u>	<u>168,866</u>
<b>Profit before income tax</b>		<b>5,798,979</b>	5,655,574
Income tax expenses	7	<u>(3,335,836)</u>	<u>(3,800,727)</u>
<b>Profit for the period</b>		<u><b>2,463,143</b></u>	<u>1,854,847</u>
<b>Profit is attributable to:</b>			
– Owners of the Company		<b>2,360,778</b>	1,393,043
– Non-controlling interests		<u>102,365</u>	<u>461,804</u>
		<u><b>2,463,143</b></u>	<u>1,854,847</u>
<b>Earnings per share for profit attributable to the owners of the Company (<i>HK cents</i>)</b>	8		
– Basic		<u><b>26.53</b></u>	<u>15.65</u>
– Diluted		<u><b>26.53</b></u>	<u>15.65</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
<b>Profit for the period</b>	<b>2,463,143</b>	<b>1,854,847</b>
<b>Other comprehensive income</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
– Share of changes of other comprehensive income of a joint venture and an associate	(137,673)	202,967
– Exchange differences on translation of foreign operation	<u>(3,014,254)</u>	<u>584,617</u>
<b>Total comprehensive (expense)/income for the period</b>	<b><u>(688,784)</u></b>	<b><u>2,642,431</u></b>
<b>Total comprehensive income attributable to:</b>		
– Owners of the Company	(559,337)	2,103,878
– Non-controlling interests	<u>(129,447)</u>	<u>538,553</u>
	<b><u>(688,784)</u></b>	<b><u>2,642,431</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 30 June 2022 <i>HK\$'000</i>	Audited 31 December 2021 <i>HK\$'000</i>
	<i>Note</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		6,205,013	6,347,209
Investment properties		35,663,065	37,327,911
Investments in joint ventures		8,727,255	8,887,001
Investments in associates		6,026,886	6,201,291
Intangible assets		593,473	518,112
Financial assets at fair value through profit or loss	10	193,435	489,639
Financial assets at fair value through other comprehensive income		5,774	4,256
Trade and other receivables	11	442,563	466,525
Deferred income tax assets		3,551,362	2,953,554
		61,408,826	63,195,498
<b>Current assets</b>			
Properties under development		70,276,298	51,176,858
Completed properties held for sale		13,626,259	18,235,085
Inventories		310,687	262,948
Trade and other receivables	11	6,968,449	7,114,269
Financial assets at fair value through profit or loss	10	1,619	1,807
Biological assets		4,625	3,799
Restricted bank deposits		2,703,080	2,858,351
Cash and cash equivalents		19,030,433	19,917,256
		112,921,450	99,570,373
<b>Total assets</b>		<b>174,330,276</b>	<b>162,765,871</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		Unaudited 30 June 2022 <i>HK\$'000</i>	Audited 31 December 2021 <i>HK\$'000</i>
	<i>Note</i>		
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	14	22,071,756	22,071,756
Capital reserve		59,019	59,019
Other reserves		5,885,211	8,913,918
Retained earnings		19,886,237	18,130,233
		47,902,223	49,174,926
<b>Non-controlling interests</b>		5,071,416	5,194,954
<b>Total equity</b>		52,973,639	54,369,880
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank and other borrowings	12	30,584,553	26,138,203
Lease liabilities		100,788	254,873
Deferred income		27,177	22,148
Due to the ultimate holding company		1,169,300	3,057,750
Deferred income tax liabilities		8,637,713	9,421,630
		40,519,531	38,894,604
<b>Current liabilities</b>			
Bank and other borrowings	12	13,412,563	11,959,031
Contract liabilities		9,005,120	13,892,262
Trade and other payables	13	24,196,958	17,100,876
Lease liabilities		104,987	140,842
Due to the immediate holding company		2,490,593	2,477,415
Due to the ultimate holding company		17,973,590	11,121,061
Tax payable		13,653,295	12,809,900
		80,837,106	69,501,387
<b>Total liabilities</b>		121,356,637	108,395,991
<b>Total equity and liabilities</b>		174,330,276	162,765,871

## **1 GENERAL INFORMATION**

Shenzhen Investment Limited (the “Company”) is a limited liability company incorporated in Hong Kong. The address of the Company’s registered office is located at 8th Floor, New East Ocean Centre, 9 Science Museum Road, Kowloon, Hong Kong. The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are described in note 4.

In the opinion of the directors, the immediate holding company of the Company is Shum Yip Holdings Company Limited (“Shum Yip Holdings”, 深業(集團)有限公司), which is a private company incorporated in Hong Kong. The ultimate holding company of the Company is 深業集團有限公司 (“Shum Yip Group”), which is a state-owned company established in Shenzhen, the People’s Republic of China (the “PRC”).

The Company’s shares are listed on The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information is presented in Hong Kong dollar (“HK\$”) and all values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

This interim financial information was approved for issue by the Board of Directors of the Company on 26 August 2022 and has not been audited.

## **2 BASIS OF PREPARATION**

This interim financial information for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, ‘Interim Financial Reporting’. This interim financial information should be read in conjunction with the annual consolidated financial statements of the Company for the year ended 31 December 2021 (“2021 Financial Statements”), which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) and disclosure requirements under the Hong Kong Companies Ordinance, and any public announcements made by the Company during the interim reporting period.

The financial information relating to the financial year ended 31 December 2021 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the 2021 financial statements to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

### 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

**(a) New and amended standard adopted by the Group**

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

**(b) New, revised and amendments to existing standards have been issued but not yet effective and have not been early adopted by the Group**

		<b>Effective for annual periods beginning on or after</b>
HKFRS 17	Insurance contracts	1 January 2023
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023
Amendments to HKAS 8	Definition of accounting estimates	1 January 2023
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the Group, no significant impact on the financial performance and position of the Group is expected when they become effective.

#### 4 SEGMENT INFORMATION

The executive directors (chief operating decision-maker) assess the performance of the operating segments based on a measurement of operating profit. Information of segment assets and liabilities are not included in the reports reviewed by the executive directors. Other information provided to the executive directors is measured in a manner consistent with that in the 2021 financial statements. There has been no change in the basis of the segmentation or in the basis of the measurement of the segment profit or loss for the six months ended 30 June 2022 compared to 2021.

Revenue between segments are carried out on terms agreed upon by the respective parties. The revenue from external parties reported to the executive directors is measured in a manner consistent with that in the condensed consolidated statement of profit or loss.

The segment information provided to executive directors for the reportable segments for the six months ended 30 June 2022 and 2021 are as follows:

##### *Six months ended 30 June 2022*

	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Property management <i>HK\$'000</i>	Manufacturing <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue form contracts with customers						
Recognised at a point of time	12,939,870	-	-	249,769	214,141	13,403,780
Recognised over time	-	-	1,362,412	-	337,424	1,699,836
Revenue from other sources						
Rental income	-	571,551	-	-	-	571,551
Total segment revenue	12,939,870	571,551	1,362,412	249,769	551,565	15,675,167
Inter-segment revenue	-	(15,820)	(79,380)	-	(45,590)	(140,790)
<b>Revenue form external customers</b>	<b>12,939,870</b>	<b>555,731</b>	<b>1,283,032</b>	<b>249,769</b>	<b>505,975</b>	<b>15,534,377</b>
Segment results before decrease in fair value of investment properties	5,933,883	219,634	53,912	14,001	(116,798)	6,104,632
Losses result from changes in fair value of and transfer to investment properties	-	(23,640)	-	-	-	(23,640)
<b>Segment results after decrease in fair value of investment properties</b>	<b>5,933,883</b>	<b>195,994</b>	<b>53,912</b>	<b>14,001</b>	<b>(116,798)</b>	<b>6,080,992</b>
Share of results of joint ventures and associates	133,438	-	7,495	-	-	140,933
Other income and other gains						244,922
Fair value loss of financial assets measured at fair value through profit or loss						(284,321)
Corporate and other unallocated expenses						(45,867)
Finance costs, net						(337,680)
<b>Profit before taxation</b>						<b>5,798,979</b>

**Six months ended 30 June 2021**

	Property development HK\$'000	Property investment HK\$'000	Property management HK\$'000	Manufacturing HK\$'000	Others HK\$'000	Total HK\$'000
Revenue form contracts with customers						
Recognised at a point of time	16,904,437	–	–	192,436	167,388	17,264,261
Recognised over time	–	–	1,227,118	–	257,206	1,484,324
Revenue from other sources						
Rental income	–	713,423	–	–	–	713,423
Total segment revenue	16,904,437	713,423	1,227,118	192,436	424,594	19,462,008
Inter-segment revenue	–	(28,104)	(15,516)	–	(14,547)	(58,167)
<b>Revenue form external customers</b>	<b>16,904,437</b>	<b>685,319</b>	<b>1,211,602</b>	<b>192,436</b>	<b>410,047</b>	<b>19,403,841</b>
Segment results before decrease in fair value of investment properties						
Segment results before decrease in fair value of investment properties	6,309,488	298,821	99,231	42,090	(32,247)	6,717,383
Losses result from changes in fair value of and transfer to investment properties						
Losses result from changes in fair value of and transfer to investment properties	–	(145,277)	–	–	–	(145,277)
<b>Segment results after decrease in fair value of investment properties</b>	<b>6,309,488</b>	<b>153,544</b>	<b>99,231</b>	<b>42,090</b>	<b>(32,247)</b>	<b>6,572,106</b>
Share of results of joint ventures and associates	168,813	–	53	–	–	168,866
Other income and other gains						115,486
Fair value loss of financial assets measured at fair value through profit or loss						(833,036)
Corporate and other unallocated expenses						(77,298)
Finance costs, net						(290,550)
<b>Profit before taxation</b>						<b>5,655,574</b>

As the Group generates substantially all of its revenues from customers domiciled in the Mainland China and majority of its non-current assets are located in Mainland China, no geographical information is presented.

## 5 REVENUE, OTHER INCOME AND OTHER GAINS

Revenue, represents sale of completed properties, commercial and industrial goods, rental income, property management fee income and others.

Revenue from contracts with customers by major products and service lines is as follows:

	Six months ended 30 June	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Revenue from contracts with customers</b>		
Sales of properties	12,939,870	16,904,437
Property management fee income	1,283,032	1,211,602
Sales of commercial and industrial goods	249,769	192,436
Others	505,975	410,047
	<u>14,978,646</u>	<u>18,718,522</u>
<b>Revenue from other sources</b>		
Rental income	555,731	685,319
	<u>15,534,377</u>	<u>19,403,841</u>
<b>Other income and other gains</b>		
Interest income	51,944	54,734
Dividend income	235	1,654
Government grant	12,132	10,464
Relocation compensation	171,636	–
Others	8,975	48,634
	<u>244,922</u>	<u>115,486</u>

No single customer contributed 10% or more of the Group's total revenue during the six months ended 30 June 2022 and 2021.

## 6 FINANCE COSTS – NET

	Six months ended 30 June	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Finance income:		
– Interest income from bank deposits	(131,732)	(107,484)
Finance costs:		
– Interest expenses of bank loans	447,175	438,065
– Interest expenses of other borrowings	186,694	95,655
– Lease liabilities	9,326	10,416
– Loans from the ultimate holding company	303,365	82,744
– Loans from the immediate holding company	18,631	12,988
– Loans from fellow subsidiaries	37,130	51,633
– Loans from a joint venture	2,938	2,359
– Loans from an other related company	3,957	3,931
– Loans from non-controlling shareholders	152,212	–
	<u>1,161,428</u>	<u>697,791</u>
Interest accrued on contract liabilities	–	131,410
	<u>1,161,428</u>	<u>829,201</u>
Less: amounts capitalised on qualifying assets	(692,016)	(431,167)
	<u>469,412</u>	<u>398,034</u>
Finance costs – net	<u><u>337,680</u></u>	<u><u>290,550</u></u>

## 7 INCOME TAX EXPENSES

	Six months ended 30 June	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current income tax		
– Mainland China CIT	1,719,308	1,602,793
– LAT in Mainland China	2,722,245	2,872,384
	<u>4,441,553</u>	<u>4,475,177</u>
Deferred income tax		
– Mainland China CIT	(494,281)	(315,972)
– Withholding tax on dividend	133,900	240,291
– LAT in Mainland China	(745,336)	(598,769)
	<u>(1,105,717)</u>	<u>(674,450)</u>
Total	<u><u>3,335,836</u></u>	<u><u>3,800,727</u></u>

The provision for Hong Kong Profits Tax for the six months ended 30 June 2022 is calculated at 16.5% (six months ended 30 June 2021: 16.5%) of the estimated assessable profits for the interim period. No provision for Hong Kong Profits Tax was made as the Group has no assessable profits arising in or derived from Hong Kong for the interim period (six months ended 30 June 2021: nil).

No provision for taxation has been recognised for companies incorporated in the British Virgin Islands (“BVI”), as they are not subject to any tax during the period (six months ended 30 June 2021: nil).

Under the relevant income tax law, the Mainland China subsidiaries are subject to corporate income tax (“CIT”) at a statutory rate of 25% on their respective taxable income during the period.

Land appreciation tax (“LAT”) is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sale of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures.

### **Dividend withholding income tax**

Pursuant to the Detailed Implementation Regulations for Implementation of the Corporate Income Tax Law, dividends distributed from the profits generated by the PRC companies after 1 January 2008 to their foreign investors shall be subject to a withholding income tax of 10%. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are qualified as tax residents of Hong Kong according to the tax treat arrangements between the PRC and Hong Kong.

During the six months ended 30 June 2022 and 2021, deferred income tax liabilities had been recognised for the withholding tax that would be payable on the unremitted earnings of certain subsidiaries in the PRC, as these earnings are expected to be distributed by the PRC subsidiaries and would be remitted to their overseas holding companies in the foreseeable future.

## **8 EARNINGS PER SHARE**

Basic earnings per share are calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the period.

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
Profit attributable to the owners of the Company (HK\$'000)	<b>2,360,778</b>	1,393,043
Weighted average number of ordinary shares in issue during the period	<b><u>8,899,424,054</u></b>	<u>8,899,893,115</u>

For the six months ended 30 June 2022 and 2021, the effect of conversion of share option scheme were anti-dilutive and the diluted earnings per share for the period is therefore equal to the basic earnings per share.

## 9 DIVIDENDS

	<b>Six months ended 30 June</b>	
	<b>2022</b>	2021
Dividends recognised as distribution during the period:		
Final dividend declared for 2021 – HK8 cents per share (six months ended 30 June 2021: declared for 2020 – HK11 cents per share) (a)		
Cash	<u>711,903</u>	<u>978,988</u>
Dividend declared in respect of current period:		
Interim dividend for 2022 – HK3 cents per share (interim dividend for 2021: HK7 cents per share) (b)	<u>266,964</u>	<u>622,993</u>

(a) The Company declared a final dividend of HK8.00 cents per share in respect of year ended 31 December 2021 amounted to approximately HK\$711,903,000. The final dividend has been paid in cash on 6 July 2022.

The Company declared a final dividend of HK11.00 cents per share in respect of year ended 31 December 2020 amounted to approximately HK\$978,988,000. The final dividend has been paid in cash on 8 July 2021.

(b) On 26 August 2022, the board declared an interim dividend of HK3.00 cents per share. This interim dividend, amounting to HK\$266,964,000 has not been recognised as liabilities in this interim financial information (six months ended 30 June 2021: HK\$622,993,000).

## 10 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>30 June</b>	31 December
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
<b>Non-current:</b>		
<b>Financial assets measured at fair value through profit or loss</b>		
– Listed equity investments in Mainland China	27,394	28,530
– Unlisted equity investments in Mainland China (a)	<u>166,041</u>	<u>461,109</u>
	<u>193,435</u>	<u>489,639</u>
<b>Current:</b>		
<b>Financial assets measured at fair value through profit or loss</b>		
– Listed equity investments in Hong Kong	<u>1,619</u>	<u>1,807</u>

- (a) The balance mainly represented the Group's equity investment arising from Hengda Real Estate Group Company Limited and its controlling parties ("Hengda Investment") of HK\$166,041,000 (31 December 2021: HK\$461,109,000). During the six months ended 30 June 2022, there was a decrease in fair value in respect of Hengda Investment of HK\$283,433,000 (six months ended 30 June 2021: HK\$832,819,000), which was recognised in the condensed consolidated statement of profit or loss.

In November 2020, the Group, Kailong Real Estate Company Limited ("Kailong Real Estate"), Hengda Real Estate Group Company Limited and Mr. Hui Ka Yan entered into a supplemental investment arrangement pursuant to Kailong Real Estate (or its designated third party) may propose to the Group to buy back the equity interest in Hengda Investment held by the Group at RMB5.5 billion ("Share Buy-back") before 31 December 2023, which is subject to the Company's review and approval in accordance with relevant regulatory requirements including those applicable to state-owned assets and listed companies. And, in the case the application is being approved, the Group and Kailong Real Estate will proceed to process the Share Buy-back in accordance with the prescribed procedures. As of the date of this report, Kailong Real Estate did not propose such Share Buy-back.

## 11 TRADE AND OTHER RECEIVABLES

	<b>30 June 2022 HK\$'000</b>	31 December 2021 HK\$'000
Included in non-current assets		
– Other receivables – net	<u>442,563</u>	<u>466,525</u>
Included in current assets		
– Trade receivables – net (a)	<b>812,705</b>	957,120
– Other receivables – net (b)	<b>5,897,801</b>	5,857,733
– Prepayments (c)	<u>257,943</u>	<u>299,416</u>
	<u><b>6,968,449</b></u>	<u>7,114,269</u>
	<u><b>7,411,012</b></u>	<u>7,580,794</u>

### (a) Trade receivables

	<b>30 June 2022 HK\$'000</b>	31 December 2021 HK\$'000
Trade receivables	<b>970,877</b>	1,123,799
Less: provision for loss allowance	<u>(158,172)</u>	<u>(166,679)</u>
Trade receivables – net	<u><b>812,705</b></u>	<u>957,120</u>

The Group normally does not grant any credit terms to its customers for the sale of properties. The Group seeks to maintain strict control over its outstanding receivables. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

As at 30 June 2022, the Group's trade receivables with a net carrying value of approximately HK\$21,435,000 (31 December 2021: HK\$2,747,000) was pledged to secure other borrowings granted to the Group (note 12(b)).

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	<b>30 June 2022 HK\$'000</b>	31 December 2021 HK\$'000
Within 1 year	739,568	614,895
1 to 2 years	74,798	353,807
2 to 3 years	87,139	117,936
Over 3 years	69,372	37,161
	<u>970,877</u>	<u>1,123,799</u>

**(b) Other receivables**

	<b>30 June 2022 HK\$'000</b>	31 December 2021 HK\$'000
Due from the ultimate holding company	20,681	28,132
Due from the immediate holding company	1,238	1,295
Due from non-controlling shareholders	983,192	1,253,673
Loans to joint ventures	1,622,195	954,248
Loans to associates	10,524	11,008
Others (i)	3,568,890	3,866,163
	<u>6,206,720</u>	<u>6,114,519</u>
Less: allowance for impairment	<u>(308,919)</u>	<u>(256,786)</u>
Other receivables – net	<u><u>5,897,801</u></u>	<u><u>5,857,733</u></u>

(i) Others mainly included deposits and current accounts due from fellow subsidiaries of the Group and the third parties.

(c) Prepayments mainly included prepayments for purchases of construction materials and services.

## 12 BANK AND OTHER BORROWINGS

	<b>30 June 2022 HK\$'000</b>	31 December 2021 HK\$'000
<b>Non-current</b>		
Bank loans – unsecured (c, d, e)	<b>20,447,977</b>	19,378,413
Other borrowings – secured CMBS (a, b)	<b>10,136,576</b>	6,759,790
	<b>30,584,553</b>	26,138,203
<b>Current</b>		
Bank loans – secured (b)	<b>38,569</b>	90,509
Bank loans – unsecured (c, d, e)	<b>13,301,380</b>	11,811,770
Other borrowings – secured CMBS (a, b)	<b>72,614</b>	56,752
	<b>13,412,563</b>	11,959,031
	<b>43,997,116</b>	38,097,234

All of the non-current interest-bearing borrowings are carried at amortised cost.

(a) At 30 June 2022, other borrowings included Commercial Mortgage-backed Securities (“CMBS”) as below:

At 16 June 2020, RMB1,900,000,000 (equivalent to HK\$2,283,420,000) was issued in China Interbank Bond Market, which was secured by certain property, plant and equipment, investment properties and its receivables of future rental incomes. The interest rate of the CMBS classified as Priority Level with a principal amount of RMB1,800,000,000 was fixed at 3.31% per annum. The term of the CMBS was 20 years. At the end of the third year, the sixth year and the ninth year, the Group shall be entitled to adjust the interest rates of the CMBS or repurchase the outstanding balance, and the holders of the CMBS shall be entitled to require the Group to redeem the outstanding balance.

At 1 March 2021, RMB1,800,000,000 (equivalent to HK\$2,163,240,000) was issued in China Interbank Bond Market, which was secured by certain property, plant and equipment, investment properties and its receivables of future rental incomes. The interest rate of the CMBS classified as Priority Level with a principal amount of RMB1,790,000,000 was fixed at 3.88% per annum. The term of the CMBS was 18 years. At the end of the third year, the sixth year and the ninth year, the Group shall be entitled to adjust the interest rates of the CMBS or repurchase the outstanding balance, and the holders of the CMBS shall be entitled to require the Group to redeem the outstanding balance.

At 7 May 2021, RMB2,000,000,000 (equivalent to HK\$2,403,600,000) was issued in China Interbank Bond Market, which was secured by certain property, plant and equipment, investment properties and its receivables of future rental incomes. The interest rate of the CMBS classified as Priority Level with a principal amount of RMB1,999,000,000 was fixed at 3.80% per annum. The term of the CMBS was 18 years.

At 24 February 2022, RMB3,200,000,000 (equivalent to HK\$3,741,760,000) was issued in China Interbank Bond Market, which was secured by investment properties and its receivables of future rental incomes. The interest rate of the CMBS classified as Priority Level with a principal amount of RMB3,190,000,000 was fixed at 3.40% per annum. The term of the CMBS was 18 years.

- (b) At 30 June 2022, loans amounting to approximately HK\$10,247,759,000 (31 December 2021: HK\$6,907,051,000) were secured by certain of the Group's assets with carrying amounts as below:

	<b>Carrying Amount</b>	
	<b>30 June 2022 <i>HK\$'000</i></b>	31 December 2021 <i>HK\$'000</i>
Plant, property and equipment (included land and buildings)	24,489	20,445
Properties under development	3,019,063	–
Completed properties held for sale	–	426,151
Trade receivables ( <i>note 11</i> )	21,435	2,747
Investment properties	12,094,122	8,334,326
	<u>15,159,109</u>	<u>8,783,669</u>

- (c) At 30 June 2021, bank borrowings of approximately HK\$25,086,672,000 (31 December 2021: HK\$23,391,490,000) was bearing floating rates.
- (d) Except for the bank borrowings equivalent to approximately HK\$19,929,195,000 (31 December 2021: HK\$19,130,671,000), which are denominated in Hong Kong dollars, all other borrowings as at 30 June 2022 are denominated in RMB.
- (e) For the six months ended 30 June 2022, the average effective interest rate of the bank and other borrowings was 3.17%, (six months ended 30 June 2021: 3.20%).

### 13 TRADE AND OTHER PAYABLES

	<b>30 June 2022 <i>HK\$'000</i></b>	31 December 2021 <i>HK\$'000</i>
Trade payables ( <i>a</i> )	4,642,267	4,408,200
Other payables and accruals ( <i>b</i> )	19,196,476	12,357,967
Other taxes payable ( <i>c</i> )	358,215	334,709
	<u>24,196,958</u>	<u>17,100,876</u>

(a) **Trade payables**

The ageing analysis of the trade payables based on invoice date was as follows:

	<b>30 June 2022 HK\$'000</b>	31 December 2021 HK\$'000
Within 1 year	<b>2,994,740</b>	3,777,339
1 to 2 years	<b>1,122,697</b>	416,455
2 to 3 years	<b>385,735</b>	109,712
Over 3 years	<b>139,095</b>	104,694
	<b>4,642,267</b>	4,408,200

(b) **Other payables and accruals**

Other payables and accruals mainly included deposits from property buyers and current accounts due to joint ventures, associates, fellow subsidiaries and non-controlling interest of the Group.

(c) **Other taxes payable**

Other taxes payable mainly included output value-added taxes related to receipt in advance from customers, value-added taxes payable and other taxes.

**14 SHARE CAPITAL**

	<b>30 June 2022 HK\$'000</b>	31 December 2021 HK\$'000
Issued and fully paid:		
8,898,793,115 (31 December 2021: 8,899,893,115) ordinary shares	<b>22,071,756</b>	22,071,756

During the six months ended 30 June 2022, the Company repurchased a total of 1,100,000 of its shares on The Stock Exchange of Hong Kong Limited at an aggregate consideration of HK\$1,854,000 (inclusive of transaction costs) which was paid fully out of the Company's retained profits in accordance with Section 257 of the Hong Kong Companies Ordinance. All repurchased shares were cancelled during the period. The total amount paid for the repurchase of the shares has been charged to retained profits of the Company.

## 15 COMMITMENTS

Capital commitments outstanding at 30 June 2022 not provided for in the interim financial report:

	<b>30 June 2022 HK\$'000</b>	31 December 2021 HK\$'000
Commitments in respect of the acquisition of land and buildings, and development costs attributable to properties under development:		
Contracted, but not provided for	<b><u>6,929,541</u></b>	<b><u>13,095,757</u></b>

As disclosed in the Company's announcement dated 14 July 2017, the Group agreed a maximum capital contribution to a related party, Shum King Company Limited, of HK\$3,000,000,000 for its development of a piece of land in Hong Kong. As at 30 June 2022, the Group had an outstanding capital commitment to Shum King Company Limited of HK\$1,797,500,000 (31 December 2021: HK\$1,847,500,000).

## 16 FINANCIAL GUARANTEES

	<b>30 June 2022 HK\$'000</b>	31 December 2021 HK\$'000
Financial guarantees to purchasers of the Group's properties (a)	<b>4,464,858</b>	5,805,194
Financial guarantees to related parties of the Group (b)	<b><u>1,847,471</u></b>	<b><u>1,272,646</u></b>

- (a) Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The Group's guarantee period commences from the date of grant of the relevant mortgage loan and ends after the buyer of the Group's properties obtained the individual property ownership certificate.

The directors consider that in case of default in payments, the net realizable value of the related properties can cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty and therefore no provision has been made in connection with the guarantees.

- (b) As at 30 June 2022, the Group has given guarantees amounted to HK\$1,847,471,000 in respect of bank loans and other borrowings to Guangzhou Pik Sum Real Estate Development Company Limited, Taizhou Shum Yip Investment Development Limited and Shum King Company Limited, all of which are joint ventures of the Group.

## CHAIRMAN'S STATEMENT

The first half of 2022 witnessed a difficult and complicated international environment as demonstrated by geopolitical turbulence, interrupted global supply chains, sharply risen inflation, ongoing U.S. interest rate hikes as well as food, energy and debt crises several countries got into. Domestically, the sporadic COVID-19 outbreaks have posed downward pressure on the “troika”, namely investment, consumption and export. Under the impact of such macro environment, the real estate market in China faced great challenges. Specifically, some real estate enterprises were confronted with liquidity crisis, the trading volume in the land market shrunk significantly, the investment in real estate development recorded negative growth for the first time, the sale volume of commodity housing decreased dramatically and the stock-clearing cycle extended. Nevertheless, amid the challenging industry environment, the Group was able to overcome the pandemic and market impact and forge ahead under pressure by adhering to the development concept of “improving management for prudent growth”. With the concerted efforts of all employees, the Group has proactively propelled the development of various businesses and achieved encouraging results.

### Results for the First Half of 2022

During the period, the Group achieved a turnover of HK\$15.53 billion, representing a decrease of 20% over the same period of last year. Gross profit margin was 45%, representing an increase of 7 percentage points over the same period of last year. Gross profit was HK\$6.95 billion, representing a decrease of 5% over the same period of last year. Profit attributable to equity shareholders of the Company was HK\$2.36 billion, representing an increase of 69% over the same period of last year. If excluding the net effect of change in fair value of investment properties attributable to the Group and change in fair value of financial assets, profit attributable to equity shareholders of the Company was HK\$2.65 billion, representing an increase of 24% over the same period of last year. Basic earnings per share were HK26.53 cents, representing an increase of 70% over the same period of last year. The Board has resolved to pay an interim dividend of HK3.00 cents per share for 2022 in cash.

### Reinforcing Principal Business to Lay a Solid Foundation for Sound Performance

In the first half of the year, against the backdrop of recurrent outbreak of COVID-19 and market downturn, the Group intensified the development of its principal business, i.e. the real estate business, which gave full play to its function as a ballast of our operating results.

**Completed the construction of key projects on schedule with significant increase in gross profit margin.** The Group's key projects have moved forward stably. Construction of projects such as Shum Yip Zhongcheng, Tairan Licheng, Zhifeng Building and Changsha Heron Mansion were completed as scheduled, delivering sales revenue from real estate development of HK\$12.94 billion, representing a decrease of 23% over the same period of last year. The real estate development delivered gross profit margin of approximately 50%, maintaining at a high level of profitability and contributing considerable returns to shareholders.

**Contracted sales met expectations.** By strengthening standardized research of marketing, seizing the favorable opportunities arising from the rolling-out of positive policies and implementing policies tailor made for different cities, the Group realized contracted sales of approximately RMB4.96 billion, achieving the sales target for the first half of the year as scheduled. Among them, projects in the Greater Bay Area accounted for 70% of overall sales, Bay Front, Zhongshan realized a block sale of approximately RMB1.09 billion, representing a quick destocking of commercial property and Songhu Yuncheng, Dongguan was successfully sold out, reaching a sale of approximately RMB1.22 billion. Such sales have contributed a cash collection of approximately RMB7.07 billion, which has replenished the cash flow.

**Engineering construction progressed well.** The Group intensified design management and process control while strengthening goal orientation, in order to improve the effectiveness of project development. Despite the impact of recurrent outbreak of COVID-19, the Group comprehensively sorted out the project milestones and made early planning for key projects. It also made active efforts to coordinate work and production resumption and speeded up construction while maintaining safety and quality, including the construction of Shum Yip Yunzhu and Shanshui Dongcheng to make sure they are ready for sale as scheduled. The Group continued to improve project management and a total of 33 projects under construction of the Group have progressed in an orderly manner, none of which was suspended nor foreclosed.

### **Optimizing Investment to Support Sustainable Development**

Since the massive acquisition of 16 quality projects in 2021, the Group has continued to enhance its capability in investment management. During the period, it successfully won the bid for the land parcel in Minzhi, Longhua, Shenzhen and the land parcel in Jiading, Shanghai, which has increased by an aggregated capacity building area of 220,000 square meters, and is expected to add a value of more than RMB10 billion. In August, the Group acquired a land plot located in Dayun, Longgang, Shenzhen, with a capacity building area of approximately 150,000 square meters, during the second centralized land supply in Shenzhen, further expanding its quality land reserves in first-tier cities. Further, great progress has been made in land interest coordination, including the completion of project mapping and evaluation in Henggang South region and the entering into of preliminary services agreement and obtaining the qualification of service provider in respect of Shangcun Liantang region, Guangming District (光明上村蓮塘片區), covering a total area of 336 hectares. Against the background of increasingly tight supply of land resources in Shenzhen, it has been a newly explored way of project expansion to acquire high-quality project reserves through land consolidation and interest coordination, which is also strategically important to sustainable development in the future.

### **Attaching Importance to Operation and Improving Comprehensive Strength**

The Group completed the integration of its property management service, intelligent park operation, commercial operation, hotel management and property management city business as well as optimization of the management in 2021, and its property group has been fully upgraded to an urban comprehensive operation service company with strong comprehensive competitive edge. In the first half of the year, the Group accumulatively expanded 64 new projects with an area of over 4.42 million square meters and a contract value exceeding RMB0.52 billion. With nearly 40 years' prudent efforts and by virtue of its strong strength in wide range of services and diversified business mix, the Group ranked 20th among the Top 100 Property Service Enterprises China 2022 awarded by China Index Academy.

After six years of cultivation, the Group's commercial properties management system has been continuously optimized, and the quality and efficiency of commercial operations have been continuously improved. The overall occupancy rate of its shopping malls in operation is 85% and the rent collection rate is over 90%. The Company has in-depth cooperation with leading brands to actively complete brand upgrades. In UpperHills, there are 207 brands, including 30 "first-store" resources. UpperHills stood out and won the "TOP5 Shenzhen Excellent Complex 2021-2022" for its design innovation, business innovation, operation innovation and influence, being a benchmark for the urban complexes in Shenzhen.

### **Promoting Development and Embracing Capital Market**

Currently, the urban comprehensive operation segment develops on a large scale. The Group is considering the spin-off and listing of its property group, as the listing vehicle of comprehensive urban operation services, on the Main Board of the Stock Exchange of Hong Kong, in order to promote business development as well as releasing the value of operation segment. Besides, in the first half of the year, Shenzhen Jinghua Displays Electronics Co., Ltd., a high-end manufacturing enterprise of the Group, made every effort to expand market with sales increasing by 26% from the same period of last year while seeking rapid development through the capital market.

### **Increasing Innovation and Exporting the Industry and City Mode**

The launch of industrial big data platforms has provided strong support for investment promotion and operation of the park. Through the integration of industrial research with practices, the Group has built a competitive industrial brand, and exported industrial models to high-energy cities outside the Greater Bay Area. It took the lead in carrying out the "auto's going upstairs (汽車上樓)" mode in Chengdu, completed the establishment of an industrial park in the Yangtze River Delta, and commenced investment promotion and selling of Shenma Technology Industrial Park and Jiangyin Technology Innovation Park, each of which concluded a deal immediately upon launch in the market.

### **Controlling Risks to Achieve Efficient and Stable Finance**

During the period, to further expand financing channels, the Group obtained a three-year syndicated loan of HK\$5 billion, partly used to replace the original syndicated loan of HK\$3.5 billion, and issued CMBS products of RMB3.2 billion with a preferential coupon rate of 3.4%, being the largest issuance size and the lowest issuance rate among the CMBS products issued by the municipality-owned enterprises. The Group has maintained the overall finance costs at a low level in the industry, with the average comprehensive interest rate of bank and other borrowings at 3.2%.

With its excellent financial management and capital planning capabilities, the Group managed to obtain resources in a counter-cyclical manner when the industry was short of capital. In the first half of the year, the Group has paid land price of approximately RMB16.4 billion in aggregate, and the land prices of the projects acquired since last year have been fully paid. The payment of large amounts of land prices and the increase in project development loans in the short term have caused a relatively significant increase in the Group's net liabilities. As of the end of the period, the Group's net gearing ratio was 42.0% (including bank loans and other borrowings only) and 105.4% (including all interest-bearing liabilities) respectively, and the cash-to-short-term debt ratio was 1.42 times. Cash and cash equivalents held by the Group amounted to approximately HK\$19.0 billion. Therefore, the overall financial and business condition of the Group remained healthy.

### **Enhancing Overall Strength to Improve Management Quality and Efficiency**

In 2022, the Group regarded the “management improvement” as a key focus, systematically sorted out the process and system, and promoted the improvement in multiple dimensions including resource acquisition, project development, marketing management, operation management and asset management, so as to further improve the specialization and standardization level of its businesses, and consolidate its capabilities of cost control and value creation. The Group has carried out the optimization of organizational management and control simultaneously, introduced talents in short supply with multiple measures, improved the high-quality professional team, and enhanced the overall functions; carried out in-depth reform of performance appraisal, established a result application system with strong incentives and rigid constraints to play an effective role as a “baton”.

## **OUTLOOK**

### **Market Outlook**

Given the complex and severe international environment and the arduous domestic reform, development and stabilization tasks, China's economy is expected to recover slowly amid challenges in the second half of the year. The government will make further efforts to efficiently coordinate the pandemic prevention and control together with economic and social development, prioritize stabilizing employment and prices, and keep economic operations within a reasonable range. In the real estate industry, with an intensive wave of policy loosening in various cities and the effective pandemic prevention and control, the market picked up in June, immediately followed by a double dip in housing demand in July when the “unfinished building foreclosures” once again impacted market confidence. The “excessive pursuit of high turnover” and “excessive financialization” have resulted in great harm to real estate companies and the whole industry. The market recovered slowly with fluctuations in risk release process. At a meeting of the Political Bureau of the Central Committee, the government stuck to the principle that “house is a place to live instead of a tool for speculation” and stressed “stabilizing the real estate market”. Under such a policy keynote, the local governments will make full and appropriate use of policies to ensure housing delivery, stabilize people's livelihoods, mitigate real estate risks and promote the virtuous cycle and stable and healthy development of the real estate industry.

As the development of the real estate industry shifts from the pursuit of high turnover to focusing on high-quality operation, the Group further expands its advantages in risk prevention and financial control and makes its strategic determination and foresight for long-term stable development more prominent.

### **Promoting Shenzhen and Hong Kong Development**

Up to 2022, the Company has been listed in Hong Kong for 25 years. Looking back over the past 25 years, the Group has been determined to move forward to fulfill its mission with hard work and witnessed the stable expansion of operation scale and the improvement of comprehensive strength. This year also witnesses the 25th anniversary of Hong Kong's return to the motherland. As General Secretary Xi Jinping clearly pointed out in his important speech, the central government will fully support Hong Kong in seizing the historical opportunities arising from national development. The next five years will be a crucial period for Hong Kong to open up a new situation and achieve a new leap. Seizing the historical opportunity, the Company will give full play to its resource, geographical and policy advantages accumulated in Shenzhen and Hong Kong over years, and explore the construction of a Shenzhen-Hong Kong industry-city integration ecosystem to facilitate the development of Hong Kong and promote more closed and effective cooperation between Shenzhen and Hong Kong.

### **Overcoming Difficulties and Realizing Prudent Growth**

This year is a crucial year for the implementation of the “14th Five-Year Plan”, and an important stage for the Group to achieve management improvement and reach a new level. Amid industrial depression and economic downturn, the Group will maintain the keynote of “prudent growth” and work hard to promote operation in a proactively manner.

In respect of resource expansion, while ensuring capital security, the Group makes investments under the guidance of “living within our means and selecting the best among the best”. In the second half of the year, the Group will keep sight of its long-term vision and develop projects requiring less investment in the current period but having great potential to acquire large-scale high-quality resources upon successful incubation in order to lay a solid foundation for long-term sustainable development. It will intensify enterprise cooperation, give full play to the amplification effect of capital market and the synergy effect of state-owned enterprises, and achieve a win-win situation in collaboration with the benchmarking enterprises in the industry. The Group will also be active in open market auctions with clear targets, identify the best among the best and select high-quality projects with good sales performance, controllable market risks and considerable economic benefits. Moreover, the Group will continue to expand channels to diversify its business portfolio, step up efforts in industrial land application and expand low-cost and high-quality industrial space after taking consideration of the pilot policy of “industry's going upstairs” in Shenzhen.

In respect of real estate business, the industry is under greater downward pressure against the backdrop of insufficient market demand and confidence. The Group will strengthen market research, optimize marketing strategy, make precise product positioning, continue to improve marketing capabilities, promote contracted sales and accelerate funds collection to achieve the annual sales target. The Group will also strengthen project control during and after project investment, speed up project progress and ensure the completion and settlement of key projects in an orderly manner.

In respect of comprehensive urban operation, the Group will improve the brand awareness of “Shum Yip” as a service provider, accelerate business expansion, rely on the advantages of third-party expansion, increase its layout in areas such as public buildings, parks and urban services; leverage the advantages as a commercial operation brand to promote the innovation of planning activities, enhance the position and influence of the Group in the commercial operation industry, strengthen its development in local areas and establish a high-quality comprehensive urban operation system; and seek opportunities for mergers and acquisitions to achieve leapfrog growth and large-scale development. Meanwhile, it will accelerate the research on spin-off and listing and grasp the crucial time period to release value in the capital market.

With an active effort to promote the construction and development of industry-city innovation, the Group strengthens the development of strategic innovative businesses while giving effect to the stable development of business, aiming to upgrade and transform it into a technology-based industry group principally engaged in the development of urban complex and investment in technology industry. The Group will promote the high-quality development of the real estate segment, focus on the development of key projects, including Guangming Science City, Baguang Biological Valley, etc. and improve its comprehensive industry-city competitiveness covering industrial investment, district planning, comprehensive development and construction, and urban operation and management. Driven by digital transformation and industry-city innovation, the Group will work harder on the identification, investment and cultivation of technology industries such as high-end manufacturing, advanced agriculture technology and etc. to enable technology-based product upgrading and business transformation. Through the transformation and optimization in the “14th Five-year Plan” period, the Group is expected to establish a diversified business portfolio, build a group of listed companies and improve corporate value. Meanwhile, it will maintain stable dividends to return to shareholders and investors.

Taking the opportunities arising from Shenzhen-Hong Kong cooperation and the construction of the Guangdong-Hong Kong-Macao Greater Bay Area, the Group will improve its sustainable development and value creation capabilities, make continuous efforts in stable operation through the economic cycle, and realize enterprise optimization and transformation in order to make greater contributions to social, economic and urban development and deliver more satisfactory returns for shareholders.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overall Results

The real estate industry has undergone tremendous changes, and the overall downward trend has continued for nearly a year. Since 2022, the uncertainty of economic growth and the sporadic outbreak of the pandemic have dampened residents' income expectations, and liquidity risk in certain real estate enterprises has hit the real estate industry. Despite various policies issued to support housing demand in various regions, China's housing market still showed a sharp decline in sales and a longer inventory-clearing cycle in the first half of the year. The consumer confidence was weakened again by the recent "unfinished building foreclosures", and "securing the delivery of properties and stabilizing people's livelihood" has become an important task for local governments to stabilize the real estate market.

Despite the severe and complicated industry environment, the Group steadily pushed its business forward. During the period, the Group achieved a turnover of approximately HK\$15,534.4 million, representing a decrease of 20% over the same period of last year. The overall gross profit margin was 45%, representing an increase of 7 percentage points over the same period of last year. Gross profit was HK\$6,951.2 million, representing a decrease of 5% over the same period of last year. Profit attributable to equity shareholders of the Company was HK\$2,360.8 million, representing an increase of 69% over the same period of last year. If excluding the net effect of changes in fair value of investment properties attributable to the Group and fair value of financial assets, profit attributable to equity shareholders was HK\$2,650.0 million, representing an increase of 24% over the same period of last year. Basic earnings per share were HK26.53 cents, representing an increase of 70% over the same period of last year.

### Property Development Business

#### Sales Revenue Booked

During the period, the Group recorded property sales booked of 322,000 square meters (excluding interests attributable to the major associates of the Group), representing a decrease of 14% over the same period of last year, and achieved net revenue from property sales of approximately HK\$12,939.9 million (equivalent to RMB10,728.7 million (net of value-added tax)), representing a decrease of 23% over the same period of last year. Gross profit margin of property development was 50%, representing an increase of 10 percentage points over the same period of last year. During the period, the percentage of Shenzhen projects over the sales revenue booked was 73%. During the period, the average gross profit margin of projects of the Group in Shenzhen was approximately 60%, whereas the average gross profit margin of projects in other cities was approximately 22%.

## Property Sales Booked in the First Half of 2022

Property Name	Type	City	Booked Area (sq.m.)	Net Sales (RMB'000)
UpperHills	Apartment	Shenzhen	1,074	54,515
	Innovative industrial building			
Terra Licheng		Shenzhen	25,341	1,399,978
Zhifeng Building	Office	Shenzhen	32,641	1,017,164
Taifu Square	Apartment	Shenzhen	2,057	136,249
Shum Yip Zhongcheng	Residential/apartment	Shenzhen	41,048	5,209,240
Shunde Shum Yip City	Residential	Foshan	7,147	129,542
Garden Hills	Residential/commercial	Huizhou	1,030	8,427
Wanlin Lake	Residential/commercial	Huizhou	383	3,595
Gaobangshan	Residential/commercial	Huizhou	5,658	62,858
Shum Yip Huating	Residential	Chengdu	19,516	363,060
Yihu Rose Garden	Residential	Chengdu	1,562	8,094
Qinglong Mansion	Residential	Nanjing	9,841	283,459
Upper Life	Residential	Nanjing	8,432	205,091
Shum Yip Rui Cheng	Residential	Changsha	1,566	9,769
Heron Mansion	Residential	Changsha	79,946	1,029,062
Splendid City Phase III	Residential/commercial	Taizhou	29,808	253,583
Ma'anshan Shum Yip Huafu	Residential/commercial	Ma'anshan	54,395	507,465
Royal Spring Garden	Villa	Chaohu	256	5,376
Parking space	Parking space	–	–	42,158
<b>Total</b>			<b>321,701</b>	<b>10,728,685</b>

## Contracted Sales

During the period, the Group realized contracted sales area of approximately 208,000 square meters and contracted sales income of approximately RMB4.96 billion. The contracted sales were mainly attributable to Shum Yip Songhu Yuncheng Garden in Dongguan which realized contracted sales of approximately RMB1.22 billion, Bay Front in Zhongshan which realized contracted sales of approximately RMB1.09 billion and Longwan Mansion in Nanjing which realized contracted sales of approximately RMB920 million.

By geographical location, projects in the Greater Bay Area accounted for 70% of the realized contracted sales, 26% of which was contributed by projects in the provincial capital cities, and 4% in other cities. By the types of products, residential products accounted for 70% of the realized contracted sales, and non-residential products (including office, apartment and industrial park) accounted for 30%.

## Contracted Sales in the First Half of 2022

Property Name	City	Type	Sales Area (sq.m.)	Sales* (RMB '000)
Shum Yip Zhongcheng	Shenzhen	Complex	679	74,993
Shum Yip Yunzhu	Shenzhen	Residential	12,765	560,284
Shum Yip Taifu Square	Shenzhen	Commercial	1,685	101,321
Terra Licheng	Shenzhen	Industrial	1,037	51,951
UpperHills	Shenzhen	Complex	1,527	106,122
Tanglang City**	Shenzhen	Commercial	209	16,031
Shum Yip Scenery Bay	Guangzhou	Residential	3,128	99,455
Shum Yip Qishan Yayuan	Foshan	Residential	258	5,096
Shunde Shum Yip City	Foshan	Residential	2,174	31,216
Gaobangshan No. 1	Huizhou	Residential	7,687	92,848
Garden Hills	Huizhou	Residential	10,798	66,008
Wanlin Lake	Huizhou	Residential	1,718	3,483
Shum Yip Songhu Yuncheng Garden	Dongguan	Residential	30,679	1,224,193
Bay Front	Zhongshan	Complex	78,279	1,094,250
Saina Bay	Heyuan	Residential	267	2,170
Shum Yip Yihu Rose Garden	Chengdu	Residential	735	2,382
Shum Yip Four Seasons Mansion	Chengdu	Residential	11,245	224,266
Nanhu Rose Bay	Wuhan	Residential	30	365
Shum Yip Qinglong Mansion	Nanjing	Residential	1,462	45,226
Shum Yip Longwan Mansion	Nanjing	Residential	18,464	915,777
Shum Yip Heron Mansion	Changsha	Residential	5,214	76,573
Shum Yip Rui Cheng	Changsha	Residential	1,540	17,080
Changzhou Shum Yip Huafu	Changzhou	Residential	471	1,075
Shenyue Bay	Taizhou	Residential	7,808	63,320
Shenma East China Industrial Technology Industrial Park	Ma'anshan	Industrial	5,690	18,284
Ma'anshan Shum Yip Huafu	Ma'anshan	Residential	2,829	69,455
<b>Total</b>			<b>208,378</b>	<b>4,963,224</b>

\* The sales of parking lots were included.

\*\* The project was co-developed with Shenzhen Metro Group, as to 50% owned by the Group, and it is accounted using equity method.

## Project Development

During the period, the Group had a new construction area of approximately 850,000 square meters and a completed area of approximately 120,000 square meters.

### New Construction Projects in the First Half of 2022

Property Name	City	Type	Total GFA (sq.m.)	Saleable Area (sq.m.)
Shum Yip Yunhaiwan Garden	Shenzhen	Residential	297,695	180,600
Shum Yip Yirui Mansion	Shenzhen	Residential	130,000	77,147
Shum Yip Nanwan Mansion	Nanjing	Residential	83,545	62,031
Longquanyi Shum Yip Taifu Square	Chengdu	Complex	270,222	113,394
Hanlin Road Land Plot 18 Project	Shenyang	Complex	68,437	38,111
<b>Total</b>			<b>849,899</b>	<b>471,283</b>

### Completed Projects in the First Half of 2022

Property Name	City	Type	Total GFA (sq.m.)	Saleable Area (sq.m.)
Qishan Yayuan	Foshan	Residential	79,236	51,464
Qingshuihe International Auto Logistics Industrial Park Phase IV	Shenzhen	Industrial	43,419	24,400
<b>Total</b>			<b>122,655</b>	<b>75,864</b>

### Expansion of Land Resources

The Group has adopted the strategy of “selecting the best among the best” to secure targeted high-quality resources in the open market. In the first half of the year, the Group acquired 2 land plots in Shenzhen and Shanghai in total, aggregately with a site area of approximately 69,000 square meters and a capacity building area of approximately 220,000 square meters. In August, the Group acquired another land plot in the second round of the centralized land supply in Shenzhen, further expanding its land reserves in first-tier cities.

## Expansion of Land Resources in the First Half of 2022

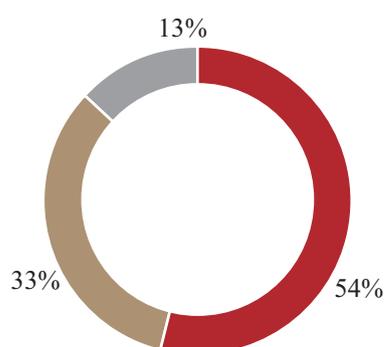
Property Name	City	Project Equity Ratio	Type	Land Price (RMB' 000)	Site Area (sq.m.)	Capacity Building Area (sq.m.)
Minzhi Street Project in Longhua District	Shenzhen	51%	Residential	3,780,000	26,114	135,790
International Automobile City Residential Project	Shanghai	100%	Residential	1,639,700	43,129	86,257
<b>Total</b>				<b>5,419,700</b>	<b>69,243</b>	<b>222,047</b>

## Land Reserves

By the end of June 2022, the Group had land reserves with a capacity building area of approximately 6.74 million square meters, of which, the projects not commenced had a capacity building area of approximately 1.08 million square meters, the projects under construction had a capacity building area of approximately 5.11 million square meters and the completed but unsettled projects had a capacity building area of approximately 0.55 million square meters. For information on self-owned operating reserves, please refer to the property investment business. The capacity building area of land reserves in the Greater Bay Area accounted for 65%. Besides, the value of completed properties in stock amounted to approximately HK\$13,626.3 million.

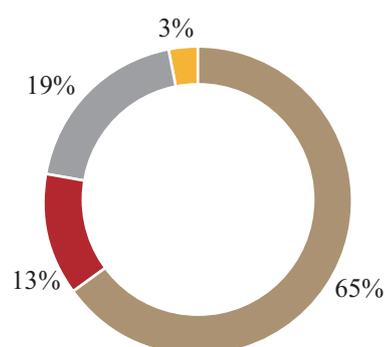
## Distribution of Land Reserves (As at 30 June 2022)

By type – Capacity Building Area (sq.m.)



■ Residential ■ Complex ■ Others

By region – Capacity Building Area (sq.m.)



■ The Greater Bay Area ■ Yangtze River Delta  
 ■ 2nd-tier provincial capital cities ■ Other cities

## **Property Investment Business**

As at 30 June 2022, the Group has self-owned operating properties of approximately 1.73 million square meters. During the period, the Group recorded an income from property investment of approximately HK\$555.7 million, representing a decrease of 19% over the same period of last year, which was mainly due to rent concessions to the relevant commercial tenants by the Group pursuant to the rent concession policy in Shenzhen. The gross profit margin of property investment business was approximately 68.6%, representing a decrease of 3.4 percentage points over the same period of last year. The Group recorded a revaluation decrease in the fair value of its investment property portfolio of HK\$23.6 million during the period.

## **Urban Integrated Operation Business**

The urban integrated operation business of the Group includes property management, park management, commercial operation, property management city and hotel management business. During the period, the total area under management of the urban integrated operation business of the Group was approximately 69.53 million square meters, 67% of which related to third-party expansion projects and 57% of which related to non-residential projects. The revenue was approximately HK\$1,283 million, representing an increase of 6% over the same period of last year. The Group is considering the spin-off and separate listing of the property management business on the Main Board of the Stock Exchange of Hong Kong to release the value of the relevant segment, which currently is still at the preliminary stage, and the Company will make further announcement(s) as and when appropriate subsequently.

Impacted by the recurring pandemic, the property arm of the Group, on the one hand, as the backbone of pluralistic social governance, has played an active role in fighting against the pandemic to perform its social responsibilities, secure the daily needs of people's livelihood and safeguard the community. On the other hand, the Group has made active efforts in project expansion, which was highly effective as evidenced by the acquisition of 64 new projects, with an aggregate area under management of over 4.42 million square meters and total contract value of RMB520 million, in the first half of the year. In terms of property management, the Group won the bid for a number of large-scale projects, such as China Mobile's Shenzhen-Zhaoqing section, Shenzhen Longhua Taxation Bureau and Changsha New Hunan Building, which has further enhanced its third-party expansion capabilities. In terms of property management city business, internally, with the formulation of the "Property Management City Enterprise Standard System", the Group continued to consolidate its service quality and saw steady improvements in the environmental sanitation index ranking of its projects under management, thus building a good reputation with strength; and externally, the Group actively communicated with the competent units to follow up key projects and develop an unique urban space governance mode. In terms of commercial operation, various commercial projects stepped up against the tide and introduced in a number of nationwide first stores and stores of various well-known brands, with 111 newly signed contracts and 69 newly opened merchants. The Group proactively enhanced its operation efficiency, and launched high-quality marketing campaigns in UpperHills by establishing an integrated acoustic-optic-electric presence, with customer traffic increased by 21% in the first half of the year over the same period of last year. It also built a new ecology of automobile consumption, with sales in the Porsche flagship store ranking first in the world.

## **Hotel Operation Business**

The Group owns five hotels in operation, namely Suzhou Marriott Hotel (with 293 guest rooms), Chaohu Shum Yip Bantang Hot Spring Hotel (with 20 spring villas), Holiday Inn Resort Chaohu Hot Spring (with 203 guest rooms), Muji Hotel (with 79 guest rooms) in UpperHills, Shenzhen, and Mandarin Oriental Shenzhen (with 190 guest rooms). In particular, the Mandarin Oriental Hotel in Shenzhen opened on 20 January 2022. Under the background of the economic downturn in the hotel market and the huge impact of the pandemic on the tourism industry, the hotel operation segment of the Group actively carried out its work to maintain stable operation through various targeted measures. During the period, the hotels recorded operating income (included under other operating segment) of approximately HK\$119.7 million, representing an increase of 68% over the same period of last year.

## **Manufacturing Business**

The Group's manufacturing business mainly represents the LCD manufacturing business held by the companies under the Group. During the period, the manufacturing business recorded operating income of approximately HK\$249.8 million, representing an increase of 30% over the same period of last year.

## **Performance of Major Joint Ventures and Associates**

During the period, Taizhou Shum Yip Investment Development Limited (a 51% owned company of the Group) made a loss of HK\$9.9 million to the Group. The principal activity of the company is to assist local government in primary land development. During the period, the local government did not arrange the launch of the relevant land.

Shenzhen Langtong Property Development Company Limited (a 50% owned company of the Group) made a loss of HK\$18.0 million. The company and Shenzhen Metro Group jointly developed Shenzhen's Tanglang City Project.

Shenzhen Tianan Cyber Park (Group) Co., Ltd. (a 37.5% owned company of the Group) made a net profit contribution of HK\$77.8 million to the Group, representing an increase of 1,129.5% over the same period of last year.

During the period, Road King Infrastructure Limited (1098.HK), an associate invested by the Group, made a net profit contribution of HK\$23.1 million to the Group, representing a decrease of 86.8% over the same period of last year.

## Financial Assets

The financial assets held by the Group are mainly the 2.6439% equity interests held in Hengda Real Estate Group Company Limited (“Hengda Real Estate”), which was included as financial assets through profit or loss in the financial statements and accounted for at fair value, with changes in fair value recognized in profit or loss for the period. As at 30 June 2022, the fair value of the said financial assets was HK\$166.0 million, and losses arising from changes in fair value amounted to approximately HK\$283.4 million during the period. Thereafter, the uncertainty of Hengda Real Estate’s equity interests will not have any significant adverse impact on the performance of the Group.

## Financing

As at 30 June 2022, the Group’s total bank and other borrowings amounted to HK\$43,997.1 million (31 December 2021: HK\$38,097.2 million), of which HK\$25,086.7 million were floating rate loans, and the remaining were fixed-rate loans. Long-term loans amounted to HK\$30,584.6 million, representing approximately 70% of total borrowings, and short-term loans were HK\$13,412.6 million, representing approximately 30% of total borrowings.

During the period, the Group proactively raised funds and promoted financing innovation. It obtained a three-year syndicated loan of HK\$5 billion, partly used to replace another syndicated loan of HK\$3.5 billion. Besides, the Group issued CMBS products of RMB3.2 billion with a preferential coupon rate of 3.4%, being the largest issuance size and the lowest issuance rate among the CMBS products issued by the municipality-owned enterprises. During the period, the average comprehensive interest rate of the Group’s bank and other borrowings was approximately 3.2% per annum, representing an increase of 0.2 percentage point over last year.

As at 30 June 2022, the Group’s cash balance (including restricted cash of HK\$2,703.1 million) was HK\$21,733.5 million (31 December 2021: HK\$22,775.6 million), of which approximately 77% and 12% were denominated in Renminbi and US dollars respectively, and the remaining in Hong Kong dollars.

As at 30 June 2022, the Group had net assets, excluding non-controlling interests, of HK\$47,902.2 million (31 December 2021: HK\$49,174.9 million). The Group’s gearing ratio-related indicators increased as a result of the payment of large amounts of land prices and the increase in project development loans in the short term, but remained healthy generally. The asset-liability ratio, excluding advance receipts, was 67.8%; the net gearing ratio was 42.0% (with liabilities including bank loans and other borrowings only) and 105.4% (with liabilities including all interest-bearing liabilities), respectively; and the cash to short-term debt ratio was 1.42 times (with liabilities including bank and other borrowings only).

## Key Financial Indicators

<i>HK\$ million</i>	<b>As at 30 June 2022</b>	As at 31 December 2021
Bank loans and other borrowings	<b>43,997.1</b>	38,097.2
– Long-term borrowings	<b>30,584.6</b>	26,138.2
– Short-term borrowings	<b>13,412.6</b>	11,959.0
Due to the immediate holding company	<b>2,490.6</b>	2,477.4
Due to the ultimate holding company	<b>19,142.9</b>	14,178.8
Cash (including restricted cash)	<b>21,733.5</b>	22,775.6

### Effect of Exchange Rate Fluctuation

The Group's assets are mainly denominated in Renminbi. 55% of the bank and other borrowings are denominated in Renminbi, 45% are HK\$ borrowings. HK\$ is adopted as the reporting currency in the Group's financial statements. The effect of the decrease in RMB exchange rate on the Group's finance was mainly reflected in the depreciation of the asset and earnings denominated in Renminbi against HK\$, the reporting currency. During the period, the fluctuation in the asset and earnings denominated in Renminbi against HK\$, the reporting currency amounted to HK\$3,014.3 million, which was included in other comprehensive income. The Group will closely monitor and proactively avert foreign exchange risk through various ways.

### Progress of the Litigation Involving Terra Companies

On 26 May 2021 and 31 May 2021, Wuhan Shum Yip Terra Property Development Company Limited ("Wuhan Terra Company") and Shum Yip Terra (Holdings) Company Limited ("Shum Yip Terra Company", together with Wuhan Terra Company, the "Terra Companies"), both being non-wholly-owned subsidiaries of the Company, respectively received a statement of claim (民事起訴狀) from the Intermediate People's Court of Wuhan City (武漢市中級人民法院) (the "Court") regarding the claims by Hubei Province Livestock and Poultry Breeding Center (湖北省畜禽育種中心) against the Terra Companies (the "Litigation") regarding the contractual disputes under the four agreements entered into by Terra Companies with the Claimant in respect of the development of Nanhu Rose Bay (南湖玫瑰灣) in Wuhan, with a total claims amount of approximately RMB900 million. In connection with the Litigation, the Court ordered for the bank accounts and other assets of the Terra Companies to be frozen to the extent of RMB640 million. As at the date of this announcement, certain bank accounts of the Terra Companies with an aggregate balance of approximately RMB640 million have been frozen by the Court. The first instance of the Litigation commenced in July 2022, and the case is under trial. Based on the current assessment, the Litigation has no material impact on the daily operation of the Group as a whole.

## **Pledge of Assets and Contingent Liabilities**

As at 30 June 2022, the Group had total loans of HK\$10,247.76 million (31 December 2021: HK\$6,907.05 million) that were pledged with assets (please refer to note 12 to the financial information for details).

As at 30 June 2022, the Group has given guarantees amounted to HK\$1,847.47 million in respect of bank and other borrowings to three joint ventures of the Group (please refer to note 16 to the financial information for details).

## **Employees and Remuneration Policy**

As at 30 June 2022, the Group employed 21,786 employees (30 June 2021:21,225) of whom 14 were stationed in Hong Kong (mainly managerial and finance related personnel), and the rest were in mainland. The total remuneration for the six months ended 30 June 2022 (excluding remuneration of the Directors) amounted to approximately HK\$1,497.7 million (six months ended 30 June 2021: HK\$1,328.1 million).

Employee benefits and bonuses are based on their individual performance, the Group's profit condition, benefit level of the industry and the current market condition. The remuneration packages are reviewed on an annual basis to ensure internal equity and its competitiveness in the market. In driving performance, we also grant share options, under the share option scheme of the Group, to employees based on individual performance and the results of the Group.

## **INTERIM DIVIDEND**

The Board has declared an interim dividend of HK3.00 cents per share for the six months ended 30 June 2022 (2021: HK7.00 cents) to be paid in cash on or about Friday, 14 October 2022 to shareholders whose names appear on the register of members of the Company on Wednesday, 14 September 2022.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Tuesday, 13 September 2022 to Wednesday, 14 September 2022 (both dates inclusive), during which period no transfers of shares will be registered. To qualify for the interim dividend, all duly completed transfer forms, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrar, Tricor Standard Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Friday, 9 September 2022.

## CORPORATE GOVERNANCE

The Company has applied the principles and complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the six months ended 30 June 2022.

## AUDIT COMMITTEE

As at the date of this announcement, the Audit Committee comprises three independent non-executive directors namely Mr. LI Wai Keung, Mr. WU Wai Chung, Michael and Dr. WONG Yau Kar, David. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters including the review of the unaudited interim results for the six months ended 30 June 2022.

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

During the six months ended 30 June 2022, the Company repurchased a total of 1,100,000 ordinary shares of the Company ("Shares") on The Stock Exchange of Hong Kong Limited, with an aggregate consideration paid (before expenses) amounting to HK\$1,849,300. All the Shares repurchased were subsequently cancelled. As at 30 June 2022, the total number of Shares in issue was 8,898,793,115.

Particulars of the share repurchases are as follows:

Date	Number of Shares repurchased	Purchase price per Share		Aggregate consideration (before expenses)
		Highest (HK\$)	Lowest (HK\$)	(HK\$)
April 2022	1,100,000	1.71	1.66	1,849,300

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the period.

## **APPRECIATION**

We take this opportunity to express our gratitude to our investors and shareholders for their trust and support and to thank our colleagues on the Board and the staff members of the Group for their hard work, loyal service and contributions during the six months ended 30 June 2022.

By Order of the Board  
**SHENZHEN INVESTMENT LIMITED**  
**LU Hua**  
*Chairman*

Hong Kong, 26 August 2022

*As at the date of this announcement, the Board comprises 7 directors, of which Dr. LU Hua, Ms. CAI Xun and Ms. SHI Xiaomei are the executive directors of the Company, Mr. DONG Fang is the non-executive director of the Company and Mr. WU Wai Chung, Michael, Mr. LI Wai Keung and Dr. WONG Yau Kar, David are the independent non-executive directors of the Company.*