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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)

2023 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- The contracted sales amounted to approximately RMB14.8 billion, representing an increase of 198% over the same period of last year, and 64% of the annual sales target was completed;
- The Group realized a turnover of HK\$6.06 billion and a gross profit of HK\$2.08 billion; and the overall gross profit margin was 34.4%;
- Revenue from property investment, property management and hotel operation increased by 25%, 11% and 62%, respectively;
- Loss attributable to equity shareholders was HK\$117 million, with basic loss per share of HK1.31 cents;
- The Board declared the payment of an interim dividend of HK2.00 cents per share.

The board of directors (the “Board”) of Shenzhen Investment Limited (the “Company”) presents the unaudited interim consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2023. The unaudited interim financial information has been reviewed by the Company’s audit committee and the Group’s external auditor, PricewaterhouseCoopers.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Unaudited	
		Six months ended 30 June	
	Note	2023	2022
		<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	5	6,057,890	15,534,377
Cost of sales and services		<u>(3,974,623)</u>	<u>(8,583,140)</u>
Gross profit		2,083,267	6,951,237
Selling and distribution expenses		(183,601)	(162,658)
Administrative expenses		(660,781)	(659,657)
Decrease in fair value of financial assets at fair value through profit or loss		(77,557)	(284,321)
Gains/(losses) result from changes in fair value of and transfer to investment properties		276,216	(23,640)
Net impairment losses on financial assets		(11,673)	(44,998)
Other expenses		(176,393)	(25,159)
Other income	6	80,830	244,311
Other gains	7	<u>304</u>	<u>611</u>
Operating profit		1,330,612	5,995,726
Finance income	8	84,997	131,732
Finance costs	8	<u>(579,376)</u>	<u>(469,412)</u>
Finance costs – net	8	(494,379)	(337,680)
Share of results of joint ventures and associates		<u>(315,033)</u>	<u>140,933</u>
Profit before income tax		521,200	5,798,979
Income tax expenses	9	<u>(557,217)</u>	<u>(3,335,836)</u>
(Loss)/profit for the period		<u><u>(36,017)</u></u>	<u><u>2,463,143</u></u>
(Loss)/profit for the period is attributable to:			
– Owners of the Company		(116,615)	2,360,778
– Non-controlling interests		<u>80,598</u>	<u>102,365</u>
		<u><u>(36,017)</u></u>	<u><u>2,463,143</u></u>
(Losses)/earnings per share for (loss)/profit attributable to owners of the Company (expressed in HK cents per share)			
– Basic and diluted	10	<u><u>(1.31)</u></u>	<u><u>26.53</u></u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
(Loss)/profit for the period	(36,017)	2,463,143
Other comprehensive income		
<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	(45,293)	(137,673)
– Exchange differences on translation of foreign operation	<u>(1,805,077)</u>	<u>(3,014,254)</u>
Total comprehensive expense for the period	<u>(1,886,387)</u>	<u>(688,784)</u>
Total comprehensive expense attributable to:		
– Owners of the Company	(1,810,892)	(559,337)
– Non-controlling interests	<u>(75,495)</u>	<u>(129,447)</u>
	<u>(1,886,387)</u>	<u>(688,784)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited 30 June 2023 <i>HK\$'000</i>	Audited 31 December 2022 <i>HK\$'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		6,016,763	6,159,776
Investment properties		34,327,189	35,126,999
Investments in joint ventures		8,804,198	8,836,242
Investments in associates		5,234,028	5,610,595
Intangible assets		854,120	722,970
Financial assets at fair value through profit or loss	12	29,800	107,455
Financial assets at fair value through other comprehensive income		2,327	2,402
Trade and other receivables	13	240,156	419,737
Deferred income tax assets		3,296,291	3,335,319
		58,804,872	60,321,495
Current assets			
Properties under development		69,322,442	71,019,506
Completed properties held for sale		14,207,501	11,583,916
Inventories		352,864	342,177
Trade and other receivables	13	7,494,160	6,833,278
Financial assets at fair value through profit or loss	12	1,075	1,594
Biological assets		4,713	4,021
Restricted cash and bank deposits		3,713,840	1,693,335
Cash and cash equivalents		11,440,298	11,668,267
		106,536,893	103,146,094
Total assets		165,341,765	163,467,589

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		Unaudited 30 June 2023 <i>HK\$'000</i>	Audited 31 December 2022 <i>HK\$'000</i>
	<i>Note</i>		
EQUITY			
Equity attributable to owners of the Company			
Share capital	16	22,071,756	22,071,756
Capital reserve		59,019	59,019
Other reserves		1,463,004	3,157,152
Retained earnings		18,159,444	19,343,914
		41,753,223	44,631,841
Non-controlling interests		4,855,147	4,925,132
Total equity		46,608,370	49,556,973
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	14	28,578,764	28,138,776
Lease liabilities		178,881	128,177
Deferred income		18,603	19,714
Due to the immediate holding company		701,978	699,483
Deferred income tax liabilities		7,654,839	7,899,606
		37,133,065	36,885,756
Current liabilities			
Bank and other borrowings	14	8,768,163	12,083,433
Contract liabilities		14,352,002	6,328,458
Trade and other payables	15	25,195,952	25,872,833
Lease liabilities		72,677	62,613
Due to the immediate holding company		2,476,135	2,454,966
Due to the ultimate holding company		19,533,363	18,312,783
Tax payable		11,202,038	11,909,774
		81,600,330	77,024,860
Total liabilities		118,733,395	113,910,616
Total equity and liabilities		165,341,765	163,467,589

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 Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in property development, property investment, property management and manufacture operation.

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 30 August 2023 and has not been audited.

2 BASIS OF PREPARATION

This interim financial information for the six months ended 30 June 2023 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 2022 (“2022 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 2022 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 2022 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 MATERIAL ACCOUNTING POLICY INFORMATION

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 amended standards.

(b) New or amended standards and interpretations not yet adopted

		Effective for annual periods beginning on or after
Amendments to HKAS 1	Non-current liabilities with covenants	1 January 2024
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2024
Hong Kong Interpretation 5 (2020)	Classification by the borrower of a term loan that contains a repayment on demand clause	1 January 2024
Amendments to HKFRS 16	Lease liability in sales and lease back	1 January 2024
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 amended standards and interpretations, 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 2022 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 2023 compared to 2022.

Revenues 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 2023 and 2022 are as follows:

Six months ended 30 June 2023

	Six months ended 30 June 2023					Total HK\$'000
	Property development HK\$'000	Property investment HK\$'000	Property management HK\$'000	Manufacturing HK\$'000	Others HK\$'000	
Revenue from contracts with customers						
Recognised at a point of time	2,946,867	–	8,103	218,160	221,446	3,394,576
Recognised over time	–	–	1,482,717	–	565,724	2,048,441
Revenue from other sources						
Rental income	–	709,618	–	–	–	709,618
Total segment revenue	2,946,867	709,618	1,490,820	218,160	787,170	6,152,635
Inter-segment revenue	–	(15,910)	(67,746)	–	(11,089)	(94,745)
Revenue from external customers	2,946,867	693,708	1,423,074	218,160	776,081	6,057,890
Segment results before increase in fair value of investment properties	798,077	334,229	114,126	7,460	(170,447)	1,083,445
Gains result from changes in fair value of and transfer to investment properties	–	276,216	–	–	–	276,216
Segment results after increase in fair value of investment properties	798,077	610,445	114,126	7,460	(170,447)	1,359,661
Share of results of joint ventures and associates	(322,789)	–	7,756	–	–	(315,033)
Other income						80,830
Other gains						304
Fair value loss of financial assets measured at fair value through profit or loss, net						(77,557)
Corporate and other unallocated expenses						(32,626)
Finance costs, net						(494,379)
Profit before taxation						521,200

Six months ended 30 June 2022

	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 from 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)
Revenue from external customers	12,939,870	555,731	1,283,032	249,769	505,975	15,534,377
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)
Segment results after decrease in fair value of investment properties	5,933,883	195,994	53,912	14,001	(116,798)	6,080,992
Share of results of joint ventures and associates	133,438	–	7,495	–	–	140,933
Other income						244,311
Other gains						611
Fair value loss of financial assets measured at fair value through profit or loss, net						(284,321)
Corporate and other unallocated expenses						(45,867)
Finance costs, net						(337,680)
Profit before taxation						5,798,979

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

Revenue, represents sale of completed properties, 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	
	2023	2022
	HK\$'000	HK\$'000
Revenue from contracts with customers		
Sales of properties	2,946,867	12,939,870
Property management service income	1,423,074	1,283,032
Sales of industrial goods	218,160	249,769
Others	776,081	505,975
	<u>5,364,182</u>	<u>14,978,646</u>
Revenue from other sources		
Rental income	693,708	555,731
	<u>6,057,890</u>	<u>15,534,377</u>

No single customer contributed 10% or more of the Group's total revenue during the six months ended 30 June 2023 and 2022.

6 OTHER INCOME

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Interest income from joint ventures and a non-controlling interest	42,625	51,944
Government grant	23,409	12,132
Compensation income	7,170	601
Dividend income from financial asset at fair value through profit or loss	72	235
Relocation compensation income	–	171,636
Others	7,554	7,763
	<u>80,830</u>	<u>244,311</u>

7 OTHER GAINS

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Net gain on disposal of property, plant and equipment	<u>304</u>	<u>611</u>

8 FINANCE COSTS – NET

	Six months ended 30 June	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Finance income		
– Interest income from bank deposits	(84,997)	(131,732)
Finance costs:		
– Interest expenses of bank loans	672,059	447,175
– Interest expenses of other borrowings	223,136	186,694
– Lease liabilities	8,067	9,326
– Loans from the ultimate holding company	280,452	303,365
– Loans from the immediate holding company	56,612	18,631
– Loans from fellow subsidiaries	29,793	37,130
– Loans from a joint venture	2,218	2,938
– Loans from an other related company	3,118	3,957
– Loans from non-controlling interests	331,828	152,212
	<u>1,607,283</u>	<u>1,161,428</u>
Less: amounts capitalised on qualifying assets	<u>(1,027,907)</u>	<u>(692,016)</u>
	<u>579,376</u>	<u>469,412</u>
Finance costs – net	<u><u>494,379</u></u>	<u><u>337,680</u></u>

Finance costs have been capitalised on qualifying assets at average rate of 4.31% for the six months ended 30 June 2023 (six months ended 30 June 2022: 3.87%).

9 INCOME TAX EXPENSES

	Six months ended 30 June	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current income tax		
– Mainland China CIT	371,248	1,719,308
– LAT in Mainland China	295,917	2,722,245
	<u>667,165</u>	<u>4,441,553</u>
Deferred income tax		
– Mainland China CIT	(73,601)	(494,281)
– Withholding tax on dividend	25,457	133,900
– LAT in Mainland China	(61,804)	(745,336)
	<u>(109,948)</u>	<u>(1,105,717)</u>
Total	<u><u>557,217</u></u>	<u><u>3,335,836</u></u>

The provision for Hong Kong Profits Tax for the six months ended 30 June 2023 is calculated at 16.5% (six months ended 30 June 2022: 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 six months ended 30 June 2023 (six months ended 30 June 2022: 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 for the six months ended 30 June 2023 (six months ended 30 June 2022: 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 2023 and 2022, 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.

10 (LOSSES)/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.

	Six months ended 30 June	
	2023	2022
(Loss)/profit attributable to the owners of the Company (HK\$'000)	(116,615)	2,360,778
Weighted average number of ordinary shares in issue	<u>8,898,793,115</u>	<u>8,899,424,054</u>

For the six months ended 30 June 2023 and 2022, the effect of conversion of share option scheme were anti-dilutive and the diluted losses/earnings per share for the period is therefore equal to the basic losses/earnings per share.

11 DIVIDENDS

	Six months ended 30 June	
	2023	2022
Dividends recognised as distribution during the period:		
Final dividend declared for 2022 – HK12 cents per share (six months ended 30 June 2022: declared for 2021 – HK8 cents per share) (a)		
Cash	<u>1,067,855</u>	<u>711,903</u>
Dividend declared in respect of current period:		
Interim dividend for 2023 – HK2 cents per share (interim dividend for 2022: HK3 cents per share) (b)		
	<u>177,976</u>	<u>266,964</u>

(a) The Company declared a final dividend of HK12.00 cents per share in respect of year ended 31 December 2022 amounted to approximately HK\$1,067,855,000. The final dividend has been paid in cash on 5 July 2023.

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.

(b) On 30 August 2023, the board declared an interim dividend of HK2.00 cents per share. This interim dividend, amounting to HK\$177,976,000 has not been recognised as liabilities in this interim financial information (six months ended 30 June 2022: HK\$266,964,000).

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June	31 December
	2023	2022
	HK\$'000	HK\$'000
Non-current:		
Financial assets measured at fair value through profit or loss		
– Listed equity investments in Mainland China	29,800	26,851
– Unlisted equity investments in Mainland China	–	80,604
	<u>29,800</u>	<u>107,455</u>
Current:		
Financial assets measured at fair value through profit or loss		
– Listed equity investments in Hong Kong	<u>1,075</u>	<u>1,594</u>

13 TRADE AND OTHER RECEIVABLES

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Included in non-current assets		
– Other receivables – net	<u>240,156</u>	<u>419,737</u>
Included in current assets		
– Trade receivables – net (<i>note (a)</i>)	1,601,939	2,180,070
– Other receivables – net (<i>note (b)</i>)	4,828,999	4,394,087
– Prepayments (<i>note (c)</i>)	<u>1,063,222</u>	<u>259,121</u>
	<u>7,494,160</u>	<u>6,833,278</u>
	<u>7,734,316</u>	<u>7,253,015</u>

(a) Details of trade receivables are as follows:

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Trade receivables	1,767,395	2,348,697
Less: provision for loss allowance	<u>(165,456)</u>	<u>(168,627)</u>
Trade receivables – net	<u>1,601,939</u>	<u>2,180,070</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 2023, the Group's trade receivables with a net carrying value of approximately HK\$51,227,000 (31 December 2022: HK\$51,404,000) was pledged to secure other borrowings granted to the Group (note 14(b)).

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

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Within 1 year	1,511,004	2,100,863
1 to 2 years	96,998	79,179
2 to 3 years	26,030	22,299
Over 3 years	<u>133,363</u>	<u>146,356</u>
	<u>1,767,395</u>	<u>2,348,697</u>

(b) Details of other receivables are as follows:

	30 June 2023 <i>HK\$'000</i>	31 December 2022 <i>HK\$'000</i>
Due from the ultimate holding company	31,894	28,865
Due from the immediate holding company	1,148	1,185
Due from non-controlling interests	499,024	506,352
Loans to joint ventures	769,442	566,585
Others (i)	3,798,222	3,616,294
	<u>5,099,730</u>	<u>4,719,281</u>
Less: allowance for impairment	(270,731)	(325,194)
Other receivables – net	<u><u>4,828,999</u></u>	<u><u>4,394,087</u></u>

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

(c) Details of prepayments are as follows:

	30 June 2023 <i>HK\$'000</i>	31 December 2022 <i>HK\$'000</i>
For acquisitions of land	809,902	30,076
For construction costs and construction materials	198,499	186,231
Others	54,821	42,814
	<u><u>1,063,222</u></u>	<u><u>259,121</u></u>

14 BANK AND OTHER BORROWINGS

	30 June 2023 <i>HK\$'000</i>	31 December 2022 <i>HK\$'000</i>
Non-current		
Bank loans – secured (note(b))	481,356	461,159
Bank loans – unsecured	20,725,197	18,023,270
Other borrowings – secured CMBS (note(a),note(b))	7,372,211	9,654,347
	<u>28,578,764</u>	<u>28,138,776</u>
Current		
Bank loans – secured (note(b))	188,502	89,832
Bank loans – unsecured	8,446,106	11,859,576
Other borrowings – secured CMBS (note(a),note(b))	133,555	134,025
	<u>8,768,163</u>	<u>12,083,433</u>
	<u><u>37,346,927</u></u>	<u><u>40,222,209</u></u>

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

- (a) At 30 June 2023, other borrowings included Commercial Mortgage-backed Securities (“CMBS”) as below:

At 1 March 2021, RMB1,800,000,000 (equivalent to HK\$1,952,280,000) 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\$2,169,200,000) 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\$3,470,720,000) 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 2023, loans amounting to approximately HK\$8,175,624,000 (31 December 2022: HK\$10,339,363,000) were secured by certain of the Group’s assets with carrying amounts as below:

	Carrying Amount	
	30 June 2023 HK\$’000	31 December 2022 HK\$’000
Plant, property and equipment (included land and buildings)	21,549	22,844
Properties under development	4,301,049	7,823,220
Completed properties held for sale	–	2,051,394
Trade receivables (<i>note 13</i>)	51,227	51,404
Investment properties	13,479,592	14,282,804
	17,853,417	24,231,666

- (c) At 30 June 2023, bank borrowings of approximately HK\$23,640,589,000 (31 December 2022: HK\$22,355,890,000) were bearing floating rates.

- (d) Except for the bank borrowings equivalent to approximately HK\$15,541,337,000 (31 December 2022: HK\$16,351,337,000), which are denominated in Hong Kong dollars, all other borrowings as at 30 June 2023 are denominated in RMB.

- (e) For the six months ended 30 June 2023, the average effective interest rate of the bank and other borrowings was 4.15% per annum (six months ended 30 June 2022: 3.17% per annum).

15 TRADE AND OTHER PAYABLES

	30 June 2023 HK\$’000	31 December 2022 HK\$’000
Trade payables (<i>note (a)</i>)	4,692,750	6,335,130
Other payables and accruals (<i>note (b)</i>)	20,212,796	19,074,245
Value-added tax and other taxes payable	290,406	463,458
	25,195,952	25,872,833

(a) Trade payables

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

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Within 1 year	3,374,274	5,098,345
1 to 2 years	670,011	735,675
2 to 3 years	330,189	380,447
Over 3 years	318,276	120,663
	<u>4,692,750</u>	<u>6,335,130</u>

(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 interests of the Group.

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Accruals and other payables	9,990,869	8,781,853
Loans from a joint venture	217,309	228,904
Loans from fellow subsidiaries	1,967,004	1,803,046
Loans from an other related party	165,560	175,189
Loans from non-controlling interests	7,872,054	8,085,253
	<u>20,212,796</u>	<u>19,074,245</u>

16 SHARE CAPITAL

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Issued and fully paid:		
8,898,793,115 (31 December 2022: 8,898,793,115) ordinary shares	<u>22,071,756</u>	<u>22,071,756</u>

17 COMMITMENTS

Capital commitments outstanding at 30 June 2023 not provided for in the interim financial report:

	30 June 2023 HK\$'000	31 December 2022 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	<u>13,278,018</u>	<u>8,324,329</u>

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 2023, the Group had an outstanding capital commitment to Shum King Company Limited of HK\$1,607,500,000 (31 December 2022: HK\$1,757,500,000).

18 FINANCIAL GUARANTEES

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Financial guarantees		
– to purchasers of the Group's properties (<i>note (a)</i>)	8,927,178	6,926,523
– to related parties of the Group (<i>note (b)</i>)	<u>1,372,355</u>	<u>1,400,718</u>

- (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 2023, the Group has given guarantees amounted to HK\$1,372,355,000 (31 December 2022: HK\$1,400,718,000) 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

In the first half of 2023, the overall domestic and international situation continued to evolve, with core inflation in the U.S. and European economies remaining at a high level, rising yields on the U.S. government bonds, and a continued downturn in the global manufacturing and service industries. In such a complicated international environment, China’s economy continued to recover, showing signs of improvement broadly, but was still plagued by insufficient domestic demand, supply shocks and weakening expectations – a trifecta of headwinds. Against the backdrop, the overall performance of the real estate market fell after a surge, featuring “slow recovery and strong differentiation”: home sales increased in the first quarter, but followed by a drop in both volume and price from the second quarter onwards. As the overall sales were unsatisfactory and it still takes time to restore market confidence, real estate enterprises were struggling to move forward. The sluggish industry environment overall and the fact that most projects were scheduled to be completed in the second half of the year, which caused a decrease in booked area during the period, coupled with the share of loss of associates, the Group reported a loss in the first half of 2023.

Despite the challenging market environment, the Group overcame difficulties and strived to push forward business operation. As a result, the Group achieved record-breaking contracted sales, showed various highlights in each operating business and made a solid progress in the innovative business, and continued to forge ahead on the journey of transformation and upgrading and high-quality development. With concerted efforts, the Group will adopt multiple measures in an active manner to ensure delivery on schedule, accelerate the de-stocking process and drive a rebound in annual results.

I. KEY PERFORMANCE INDICATORS

For the first half of 2023, the Group realized revenue of approximately HK\$6.06 billion, representing a decrease of 61% over the same period of last year. Gross profit was approximately HK\$2.08 billion, with overall gross profit margin of 34.4%. Loss attributable to equity shareholders of the Company was HK\$117 million, and basic loss per share was HK1.31 cents.

As of 30 June 2023, the Group had total assets of approximately HK\$165.34 billion and net assets of approximately HK\$46.61 billion. Excluding advance receipts, the Group recorded gearing ratio of 68.9%, net gearing ratio of 53.2%, cash to short-term debt ratio of 1.73 times and composite borrowing cost at 4.15%.

The Board resolved to pay an interim dividend of HK2.00 cents per share for 2023 in cash.

II. BUSINESS REVIEW FOR THE FIRST HALF OF 2023

(I) Real Estate Business

Amidst the challenging industry environment, the Group persisted in pushing forward the development and transformation of the real estate business. Notwithstanding a decrease in booked revenue in the first half of the year as a result of the completion schedule, the Group made positive progress in contracted sales, investment expansion, property leasing and park business.

Contracted sales increase amid challenges

Against the backdrop of a rising and then falling property market with sluggish sales, the Group accurately grasped product positioning, strengthened marketing and promotion efforts, expanded customer base, and vigorously procure the sale of key projects. In the first half of the year, the Group achieved contracted sales of approximately RMB14.8 billion, representing an increase of 198% over the same period of last year, and accomplished approximately 64% of the annual sales target. In particular, the Upper Coast project in Qianhai, Shenzhen was over 90% sold on the opening day, with a subscription amount of over RMB10 billion, which set the record for the highest single-day housing units sold and sales amount this year in China; and the Zhongshan Bay Front project remained popular, with a cumulative turnover of RMB1.85 billion, leading the local market in terms of both sales volume and average selling price. In the current market environment, the performance of real estate sales was encouraging.

Select the best among the best for investment and expansion

Adhering to the investment principle of “selecting the best among the best”, the Group acquired a commercial and residential land parcel in Longhua North Railway Station business district, Shenzhen and a residential land parcel in Ma’an Island, Cuiheng New District, Zhongshan through land auctions in June and July respectively, with an aggregate area of approximately 270,000 square meters and valuing approximately RMB7.6 billion, which has further expanded its land reserve in the Guangdong-Hong Kong-Macao Greater Bay Area. In addition, the Group has strived to promote the urban renewal and benefit integration projects in Shenzhen, for example, phase IV and phase V of Taifu Square in Luohu District have been included in the urban renewal scheme; the demolition and relocation negotiations for phase II of the first portion of Chegongmiao renewal project in Futian District have been completed; the overall implementation plannings for the benefit integration projects in Guangming Shangcun and Henggang South have been submitted for approval; and Baihua Community in Guangming District has also been included as a new benefit integration project. The three benefit integration projects currently underway aggregately cover an area of approximately 4 square kilometers.

Strong rebound in rental income

Since the beginning of the year, as the pandemic stepped into a normalized stage, social activities have been resumed. There was a gradual recovery of the office market, offline spending and market confidence. And, government policies to encourage and support spending have also brought about positive changes in the commercial market. The Group seized the opportunity of the rebound and stepped up tenant sourcing efforts and tenant optimization to promote commercial operations. Property investment income for the first half of the year was approximately HK\$694 million, representing an increase of approximately 25% over the same period of last year. The Group’s overall occupancy rate beat the market, showing a modest increase.

Industrial park business develops efficiently

The Group’s industrial-city ecosystem has taken shape. Fixed-theme commercial industrial parks have been operating healthily. Shum Yip Auto City, an intelligent travel industrial park in Shenzhen, continued to improve its brand image, maintaining an occupancy rate of over 96% and a rent growth rate of 3% to 5%. Meanwhile, the growth path for manufacturing commercial industrial parks has been increasingly mature. The three industrial parks in the Yangtze River Delta

region have progressed well, with a cumulative contracted area of 17,000 square meters in the first half of the year. In particular, the sell-through rate of the Shenma Technology Park in Ma'anshan exceeded 80% and the proportion of national high-tech enterprises, foreign-funded enterprises, enterprise above designated size and specialized and innovative 'little giant' enterprises among those introduced in the parks reached 76%, which has been highly recognized by the local government.

(II) Urban Integrated Operation Business

The Group has been steadfast in promoting the transformation of traditional property management business to urban operation and services. With the full recovery of economy and consumer spending, the Group has made significant breakthroughs in the expansion of integrated urban operation, commercial operation and hotel operation, boosting its comprehensive strength steadily.

Continuous expansion of city services

In the first half of 2023, the Group expanded 43 new operation projects. As of 30 June 2023, Shum Yip Operations had total GFA of approximately 75.61 million square meters, and GFA under management of approximately 71.83 million square meters, of which approximately 63% were non-residential properties and approximately 73% were developed by third parties. Continuous efforts have been made in the city services segment to expand a number of high-quality public construction projects, including courthouse, emergency center and public primary and secondary school and kindergarten in Shenzhen. The "city housekeeper" business tapped into a new area and a joint venture won the bid for the city service project in Yushan District, Ma'anshan, with total contract amount of RMB150 million.

Frequent commercial operation achievements

In 2020, the Group successfully won the bid for the transformation of Shenzhen Women and Children Tower, the first PPP project transforming existing public service facilities in Shenzhen. With an operation right for approximately 19 years, the Group undertakes property management, equipment maintenance, events planning and other operation work for the transformed building. On 1 June 2023, Shenzhen Women and Children Tower was newly unveiled by launching the first picture book museum in China, the first children exploration museum in Shenzhen, children's theater as well as a series of featured humanities and art exhibition activities with women and children theme, becoming a model project to transform the urban stock of public service facilities and help Shenzhen build a child-friendly city.

Seizing the opportunity of offline spending rebound, the Group's shopping malls made positive progress in tenant-sourcing and operation. UpperHills is moving toward internationalization in aspects of business environment, humanistic and artistic events, and high-end brands. In the first half of the year, more than 100 exciting marketing campaigns were organized, which led to continuous rises in customer traffic, especially customers from Hong Kong rose by 40% year-on-year. The grand opening of the Galleries Lafayette department store on 8 July 2023 brought a number of first stores in Asia and China, helping create a new landmark of Shenzhen's high-end fashion. On the day of the grand opening, Galleries Lafayette recorded sales of over RMB1 million and brought over 200,000 customers to UpperHills. There are 11 Fortune 500 companies moving into the office building of UpperHills, further consolidating its position as an iconic commercial building in the market.

A breakthrough in hotel operation

In the first half of 2023, the core operating indicators of the Group's hotels significantly exceeded expectations, with revenue of approximately HK\$194 million, up by 62% as compared to the same period of last year. Mandarin Oriental Hotel Shenzhen won a Forbes Travel Guide Five-Star for the first time, and was recognized as one of the World's Best Hotels 2023 in LA LISTE's first global hotel ranking, being the only hotel in Shenzhen on the list. In May 2023, the Group released its independently-operated hotel brand "JINGJU", consisting of four product lines, aiming to improve the light assets brand portfolio of its hotel management segment. It is an important breakthrough for the Group to develop hotel networks in the future and the first flagship hotel was officially opened in Shenzhen Women and Children Tower on 9 June 2023.

Rising comprehensive strength

With its industry-leading comprehensive strength and widely-recognized service, Shum Yip Operations has received various awards and recognitions, and improved its industry ranking: it moved up 3 spots from last year to No.17 in the rankings of the Top 100 Property Service Enterprises China 2023 (2023年中國物業百強企業) issued by the China Index Academy, and 1 spot from last year to No.6 in the rankings of the Top 100 State-Owned Property Management Companies by Comprehensive Strength 2023 (2023中國國有物業服務企業綜合實力100強) issued by the China Property Management Research Institution.

(III) Innovative Business

The Group takes active steps to explore and deploy the innovative business by means of technology-empowered product upgrading and business transformation, supports development of advanced manufacturing and agricultural technology business, promotes spin-off of large-scale mature business, and seeks to create value in the capital market.

Accelerated development of advanced manufacturing

Specialized in LCD devices and intelligent controllers, Shenzhen Jinghua Displays Electronics Co., Ltd. ("Jinghua"), a subsidiary of the Group and a national high-tech enterprise and a "specialized and innovative" small and medium-sized enterprise in Shenzhen and a vice-president unit of CODA is committed to becoming a leading enterprise in the area of human-computer interaction display and intelligent control. The company has an established intellectual property system and industry-leading technological innovation achievements, and owns 42 patents and 16 software copyrights, including 8 invention patents. In addition, extensive high-quality domestic and international customer resources also provide a strong support for its sustainable development. As a focus of development, its intelligent controller products have made good progress, with new breakthroughs in both hardware innovation and software algorithms, and obtained three new authorized patents. Besides, it has further expanded the customer base for its electronic control products and has been successfully admitted as a supplier of many large-scale international customers, laying a solid foundation for subsequent new sales.

Effect-showing high-tech agriculture development

The high-tech agriculture segment was blooming in various aspects. With emerging in scientific research results, 4 authorized patents in the field of smart agriculture patents were obtained. Construction of agricultural parks has been promoted vigorously, with an increase in total land area to 5,800 mu through the acquisition of 1,200 mu new land, which continuously improved the scale. Jinnong project has realized fully mechanized refined management, recording an increase in crop yield of 50% compared to last year. Xiantao Flower Base project commenced its construction, which is planned to be developed into the largest flower base in Central China integrating “production, education, research, exhibition and view”. The “Four Seasons” agri-tourism project has been implemented in a well-grounded manner. Xiangmihu Flower Wonderland successfully hosted the Guangdong-Hong Kong-Macao Greater Bay Area Flower Show, attracting more than 100,000 visitors. The Group strived to activate rural land based on the construction of Dapeng, Nan’ao and Xinfeng Four Seasons Garden projects, and took the lead in municipality-owned agri-tourism projects. Feng Nong You Pin has been selected as a key agricultural leading enterprise in Shenzhen for a demonstration effect.

Significant progress in capital operation

Each of the operation segment and the manufacturing segment of the Group has stepped into an advanced stage in respect of their separate spin-off. After 6-month preparation for listing, Shum Yip Operations has submitted an application for the listing of H shares on the Stock Exchange of Hong Kong. Now it is in the process of listing vetting. Additionally, upon obtaining the spin-off approval during the period, Jinghua filed its A-share GEM IPO application and has been accepted by the Shenzhen Stock Exchange for further process. Jing Hua is currently preparing for the response to the first round of feedbacks.

(IV) Corporate Management

Outstanding ESG performance

Seizing the development opportunities arising from Shenzhen – Hong Kong integration and the construction of the Greater Bay Area, the Group deepens the implementation of sustainability concept, practices the “Dual Carbon” initiative, and continuously improves the sustainability governance framework in fulfilling its social responsibility. The Group has published the environmental, social and governance (ESG) reports for eight consecutive years, demonstrating its efforts and achievements in corporate social responsibility and sustainable development. In the first half of the year, the Group set clear targets for carbon emissions, use of energy, use of water resources, waste consumption and green buildings, and continued to track, report and manage the sustainability performance of the Group’s core businesses in all aspects in an effort to contribute to the realization of China’s “Dual Carbon” goals. With its excellent performance in sustainability, the Group continued to maintain a good MSCI ESG rating, and has been honored with the “Best ESG Award” at the China Excellence IR Awards for two consecutive years.

Further optimized financial management

Given the prevailing complex and volatile market environment, the Group makes meticulous capital planning and actively communicates with the relevant regulatory authorities for the release of pre-sale funds to maximize the efficiency of capital utilization. The Group proactively expands financing channels and continues to explore cost-efficiency methods. In the first half of the year, the Group successfully obtained foreign debt facilities of US\$730 million and also entered into a

HK\$5 billion medium – to long-term loan agreement. Cost of the fixed-rate portion under such new loan agreements further decreased. A subsidiary of the Group invited bids for project development loans through financing platform and obtained the lowest interest rate of 2.52%. The Group continues to focus on the “concentration of internal funds” as an assessment indicator to strengthen the centralized and coordinated management of funds, and continue to revitalize its capital pool to ensure fund safety.

Effective human resources development

The Group continues to focus on the construction of a talent team and introduced many urgently-needed scarce talents through internal and external recruitment, combined with trainings and education, aiming to build a talent echelon capable of supporting its high-quality development. In response to the industry situation, the Group promotes the implementation of strategies, optimizes the organizational control of its subsidiaries, establishes a “lean and adaptable, efficient and unified, and vigorous” organizational control system; and deepens the reform of performance appraisal by adopting “strong incentives and hard constraints” and providing rankings based on evaluation results to effectively stimulate the vitality of the team and given full play to the function of the performance assessment as a “baton”.

Continuous empowerment of digital transformation

The Group continues to push forward the construction and promotion of two key technology support platforms and eight major shared applications. Among them, the Internet of Things (IoT) platform helps 4 projects (aggregately 1.28 million square meters) in Chegongmiao area realize intelligent operation, improving HR efficiency by 2.35 persons per year on an average basis, reducing electricity consumption by 55,200 kWh annually; the promotion and application of the financial reporting and funding system significantly improves the financial reporting efficiency by 50% and effectively controls the fund management risk; and the establishment of the central human resource database enables the unified control over the data of over 24,000 employees of the Group, covering business process, basic information and remuneration.

Improved “cohesion” based on corporate culture

Culture is the heart and soul of a business. The management of the Group has a profound consensus on the building of corporate culture, and always insists on advocating the core values of “Sunshine and Honesty, Innovation and Excellence, Diligence and Commitment, Harmony and Sharing”. During the year, in celebration of the 40th anniversary of the establishment of Shum Yip Group and upon a two-way assessment, the Group selected the top 10 employees under each of four categories and granted them the “Loyalty Award”(丹心獎), “Pioneer Award”(先鋒獎), “Craftsman Award”(工匠獎) and “Elites Award”(菁英獎) respectively. More than 1,600 employees who have been serving the Group for 20 years, 30 years, 40 years were given long-term service medals. Other award events including the reform and innovation award and the top execution award were also organized to reward a large number of courageous and dedicated employees and further stimulated the vitality of employee. The Group also revised its official account and internal magazine as two strongholds for publicity, highlighting the “future-oriented, society-oriented and grassroots-oriented” cultural propaganda, allowing the values of respecting shareholders, customers and employees and giving back to society to be rooted in all areas of corporate management. In addition, the Group organized trainings for the newly-appointed middle-level management to accelerate the enhancement of the ability, confidence and motivation of the wide management members. The Group also organized various kinds of diversified cultural activities for employees, such as “Green Run in the Park”, ball games, photography and calligraphy competitions. Our rowing team won the champion of the Bright Science City Rowing Challenge; and our table tennis team won the group championship (mixed) of the state-owned enterprise table tennis competition in Shenzhen. Such team building activities greatly improved our cohesiveness.

III. BUSINESS PLAN FOR THE SECOND HALF OF THE YEAR

2023 is a crucial year for the implementation of the “14th Five-Year Plan” and the accomplishment of each task this year affects the overall situation and is of great significance. At a recent meeting of the Political Bureau of the Central Committee, it was made clear that it is necessary to adjust and optimize the real estate policy in a timely manner to cope with the new situation of significant changes in the supply and demand relationship in the real estate market in China. The Group will pay active attention to the subsequent publication and implementation of, as well as the market feedbacks on, the specific policies, and focus on the principal business to ensure the achievement of its business objectives. It will take opportunities to promote transformation and upgrading. While pursuing development, the Group adheres to long-termism and always puts “safety” in the first place. We will continue to enhance management, strengthen investment control, improve debt structure, accelerate the pace of securitization of assets, and further fortify financial risk management and control so as to promote the high-quality development of the Group.

(I) Promote real estate development, sales and delivery

The Group will continue to promote the development of its real estate business to improve operating results, promote the transformation of the real estate business, embrace the “era of existing assets”, innovate business model, revitalize existing assets and actively adapt to the new development mode of real estate.

Product power is our core competitiveness. In the face of the industry’s shift to high-quality operation, the only way to survive under the new real estate development pattern is to always strive for product excellence. On the basis of its established “Product + Management + Technology” system, the Group will continue to enhance management, deepen its research and development, further strengthen the building up of product power, and always stick to “quality” and “craftsmanship” to polish our products and services.

In terms of development and sales, in accordance with the progress schedule of project construction, completion and delivery of the Group’s major projects will be concentrated in the second half of the year. Nine projects, including Cloud Center (phase II) and Natural City, are scheduled to be completed within the year. The Group will implement projects with all efforts and accelerate project progress to ensure the projects to be delivered as scheduled. Meanwhile, it will strengthen the cost management during the construction period, and promote efficiency enhancement through centralized procurement and annual procurement, so as to reduce costs and improve efficiency. The available-for-sale product value for the second half of the year is estimated to be approximately RMB30 billion, including new or additional residential projects in prime locations in Shenzhen, Zhongshan, Shanghai and Chengdu. The Group will continue to promote contracted sales, explore diversified marketing methods, and develop targeted strategies to promote destocking and accelerate capital collection to ensure the completion of the full-year sales target.

In terms of investment, the Group will identify the new situation of significant changes in the supply and demand relationship in the real estate market, further focus on urban function level and select strategic projects that are marketable or can capitalize on brand and operation advantages, with focus on expanding resources through benefit integration and urban renewal. Benefit integration projects are fundamental for the Group’s sustainable development in the future, and the successful development of such projects will bring about large-scale quality project resources. Therefore, it is of great strategic significance. The Group will make further efforts to speed up space and industry planning, and expedite the approval process for the implementation plan of, and

the substantive demolition and relocation negotiation for, the Guangming Shangcun and Henggang South projects as soon as practicable, push forward the land acquisition for the Guangming Baihua project (south district), and expand new benefit integration projects in other regions of Shenzhen. Moreover, the Group will pay close attention to the opportunities of urban village redevelopment, accelerate urban renewal projects in Shenzhen, expediate the negotiations and contracting in respect of project demolition and relocation to facilitate resource transformation, strive for excellence and select the best among the best in identifying projects in the open market.

(II) Promote operation and revitalization of existing assets

Benefitting from our strategic focus on high-tier cities and insistence on holding and operation, the Group currently holds high-quality completed properties of approximately 1.8 million square meters. In this “era of existing assets” for real estate, the Group will continue to innovate business pattern, enhance the operational efficiency and asset value of property holdings in a coordinated manner, promote asset revitalization, and explore the establishment of a virtuous cycle of “investment-holding-operation-revitalization-exit” for stock assets.

In respect of leasing, the Group will ride on the good momentum of commercial real estate development in the first half of the year, intensify activity planning to boost customer traffic, accelerate brand promotion to improve the unit efficiency of businesses and further increase the commercial rental income; take continuous steps to intensify the tenant sourcing of office buildings, attract and introduce in high-quality enterprises, concurrently with the promotion of upgrading and leasing of old properties, so as to drive rent increase and the enhancement of property values.

The Group will give full play to the advantages of integrated operation of the whole industrial chain, focus on improving operational efficiency and asset value, and actively explore the revitalization of existing assets. For investment properties and industrial park properties with high value growth, strong realizability and high market recognition, the Group will actively study the feasibility of asset securitization, such as revitalization through REITs or alike, and subsequently consider exiting depending on the market and policy conditions; and for property holdings with value growth but without the potential for asset securitization, the Group will consider disposal for realizability, thus forming a virtuous cycle of existing assets and new investments.

(III) Accelerate large-scale development of urban integrated operation

The Group continues to improve its core competitiveness in urban integrated operation, accelerate expansion and promote upgrading to establish a new presence for Shum Yip Operations.

Concerning business expansion, Shum Yip Operations will continue to capitalize on its market expansion advantages and make full use of its background as a state-owned company to further tap into the nation-wide potential market and expand market share; promote the interactivity of “city housekeeper” business with traditional property to form a regional expansion pattern of high efficiency and intensification; and continue to identify merger and acquisition opportunities to achieve large-scale expansion. Concerning service, Shum Yip Operations will improve the quality of its services with the “Shen Xiang” (深享) series product brochures and intensify customer maintenance; coordinate space resources, improve space operation, community life, asset management and other diversified value-added service systems, and support the well-being business of our controlling shareholder to promote the launch of “property management + elderly care” service. Concerning management, organizational control will be optimized to enhance labor efficiency, reduce costs and increase benefits, aiming to boost the value of integration.

In addition, a refined commercial management system will be developed for commercial operation as a key segment of the operating business to reinforce the control over the entire value chain of commercial assets, and continue to increase the revenue of operating shopping malls and hotels. By focusing on Shenzhen-Hong Kong consumption integration, UpperHills will give full play to its characteristics in fashion trends and urban micro-vacation to bring dynamics to international consumption in the Greater Bay Area. With its unique geographical advantage, UpperHills will innovatively interact with the surrounding parks to stimulate park economy and expand the operation and management of cultural and sports facilities to explore a new way of transformation and upgrading. Moreover, the preparation for the opening of Zhongshan Bay Front will be further propelled, aiming to create the first international IP indoor theme park cluster in Asia as an output of “UpperHills” and help form a new pattern in the Greater Bay Area.

(IV) Promote development and layout of innovative business

The Group will continue to invest in and foster the technology industry to build up a limited diversified portfolio and look for new growth drivers.

Jinghua, an advanced manufacturing arm of the Group, possesses the basic conditions and industrial advantages in the intelligent controller industry. Promoting the development and growth of such business is in line with the national strategic direction. Utilizing its core advantage of “display + intelligent control” integration, Jinghua will develop its business in the human-machine interaction sector, and actively expand into the downstream areas, such as smart home, industrial control, etc., to increase its market share and consolidate its core business. It will also expediate its expansion into overseas market, and, on the ground of its existing major overseas customers, establish overseas offices and service centers to provide customized service solutions and after-sale service to customers, thus firmly retaining its key downstream customers to facilitate the rapid expansion of the overseas business.

The agricultural segment will make an intensive effort to develop business in the agricultural industry. Xinfeng agricultural industrial park and Shum Yip Jinnong project will actively explore the establishment of a supply chain product system, promote park upgrading and transformation, comprehensively complete the construction of high-standard farmland and the transformation of digital farmland, strengthen the matchmaking of production and marketing, and promote the joint production, joint operation and various other forms of cooperation. Greater efforts will also be put to promote the opening of Dapeng Four Seasons Garden, Nan’ao Four Seasons Garden and the Central China Flower Base (華中花卉基地) so as to realize the integration of three industries. The Group will strengthen the agricultural brand, intensify brand promotion, endeavor to materialize the brand effect of “Nongwofeng” gradually, promote omni-channel development transformation of agricultural product sales, realize high integration between offline and online, and strive to achieve a new level of annual sales revenue. Except for the foregoing, the Group will take the initiative to make planning for the new pattern of the agricultural industry, and carry out research on innovative agricultural business in supporting the agricultural segment to develop in a high-quality manner.

“Strive for excellence with great determination and vigor”. In the face of the current industry situation, we are resolved to promote business transformation in a prudent and determined manner and is committed to transforming and upgrading ourself into a technology-empowered industrial group principally engaged in urban integrated development and operation, and technology industry investment service. With unremitting efforts, the Group will forge ahead with high-quality development to make greater contributions to social economy and urban development, and create satisfactory returns for shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Results

In the first half of 2023, due to the weakening of the dividends of the real estate industry, the overall market size shrank, and the industry has returned to be rational. Since the beginning of this year, the central government has set the tone of “stabilizing the pillar, preventing risks and promoting demand”, and local supportive policies such as relaxation of purchase restrictions have been launched, but it will take time to have an effect, and the market has generally maintained “weak recovery”. Amid the severe downturn in the industry, the Group continued to adhere to a general keynote of “prudent growth”, strived to overcome the adverse impact of the industry downturn and other obstacles, focused on transformation and high-quality development, and worked conscientiously to promote various aspects of the work.

The loss recorded for the first half of 2023 was due to the decrease in booked area of the projects during the period as the sales revenue of major projects was mainly be recognized in the second half of the year, together with loss from the associates. During the period, the Group realized turnover of HK\$6.06 billion, representing a decrease of 61% as compared to the same period of last year. Gross profit was HK\$2.08 billion, with overall gross profit margin of 34.4%. Loss attributable to equity shareholders of the Company was HK\$117 million, and basic loss per share was HK1.31 cents. If excluding the net effect of changes in fair value of investment properties attributable to the Group and changes in fair value of financial assets, loss attributable to equity shareholders of the Company was HK\$245 million.

Property Development Business

I. Sales Revenue Booked

During the period, no new projects were completed by the Group and the revenue booked was from inventory sales. The Group recorded property sales booked of 120,726 square meters (excluding interests attributable to the major associates of the Group), representing a substantial decrease of 63% over the same period of last year, and achieved revenue from property sales of approximately RMB2.62 billion (equivalent to approximately HK\$2.95 billion) (net of value-added tax), representing a decrease of 76% over the same period of last year. Shenzhen projects contributed 68% of the sales revenue booked.

Gross profit margin of property development and sales was 42%, representing a decrease of 8 percentage points over the same period of last year. The average gross profit margin of projects in Guangzhou and Shenzhen was approximately 53%, whereas the average gross profit margin of projects in other cities was approximately 33%.

According to the project plan, nine projects, including Cloud Center Phase 2 and Natural City, will be completed in the second half of the year, and the Group will closely monitor the progress of the projects to ensure that they are completed as scheduled.

Property Sales Booked in the First Half of 2023

Property Name	Type	City	Booked Area (sq.m.)	Net Sales (RMB'000)
UpperHills	Office	Shenzhen	3,952	246,058
Terra Licheng	Innovative industrial building	Shenzhen	151	899
Zhifeng Tower	Office	Shenzhen	10,131	296,992
Taifu Square	apartment	Shenzhen	945	48,024
Sky Park	Residential/apartment	Shenzhen	1,320	127,876
Cloud Center	Residential	Shenzhen	25,327	1,023,354
Parkview Bay	Residential	Shenzhen	191	23,597
Shum Yip Moon River Palace	Residential	Guangzhou	95	2,732
Garden Hills	Residential/commercial	Huizhou	14,099	108,355
Wanlin Lake	Residential/commercial	Huizhou	2,122	7,353
Gaobangshan	Residential/commercial	Huizhou	17,051	166,291
Bustling City	Residential	Foshan	951	21,796
Euro-view Garden	Parking space	Dongguan	36	533
Starry Lakeshore	Residential	Dongguan	233	11,097
Shum Yip City	Residential	Foshan	11,344	174,707
Ruicheng	Residential	Changsha	1,566	1,114
Heron Mansion	Residential	Changsha	1,394	20,106
Terra Nanhu Rose Bay	Villa	Wuhan	268	11,583
Shum Yip Huating	Residential	Chengdu	113	2,068
Yihu Rose Garden	Residential	Chengdu	322	3,040
Longwan Mansion	Residential	Nanjing	5,351	235,672
Splendid City Phase 3	Residential/commercial	Taizhou	1,220	13,605
Royal Spring Garden	Villa	Ma'anshan	418	7,957
Ma'anshan Shum Yip Huafu	Residential/commercial	Ma'anshan	605	8,947
Shenma East China Industrial Technology Industrial Park	Plant	Ma'anshan	9,602	28,496
Parking space	Parking space		11,919	28,350
Total			120,726	2,620,602

II. Contracted Sales

In the first half of 2023, despite tough market environment, the Group managed to overcome difficulties with accurate product positioning, and vigorously promoted marketing. During the period, the Group recorded contracted sales amount of approximately RMB14.79 billion (equivalent to approximately HK\$16.63 billion), representing an increase of 198% over the same period of last year, and contracted sales area of 344,670 square meters. The average price per square meter was approximately RMB42,908. The contracted sales were mainly attributable to Shenzhen Upper Coast project which was over 90% sold on the launching day, a record high in terms of both the number of units and sales amount of single-day sales in China this year, and realized contracted amount of approximately RMB9.01 billion during the period; and Zhongshan Bay Front project which continued to record impressive sales, with total transaction amount of RMB1.85 billion. The sales performance of the Group in the first half of the year was satisfactory, and approximately 64% of the annual sales target was completed.

By geographical location, projects in the Greater Bay Area accounted for 92% of the contracted sales amount, and the other 7% and 1% came from projects in the second-tier provincial capital cities and other cities respectively. By the types of products, residential products accounted for 84% of contracted sales, and non-residential products (including office, apartment and industrial park) accounted for 16%.

Contracted Sales in the First Half of 2023*

	City	Type	Sales Area (sq.m.)	Sales** (RMB'000)
Natural City	Shenzhen	Residential	15,495	531,530
Sky Park	Shenzhen	Apartment	1,414	143,026
Cloud Center	Shenzhen	Residential	18,795	816,856
Shum Yip Taifu Square	Shenzhen	Apartment and office	1,178	64,797
UpperHills	Shenzhen	Office (including industrial R&D and warehousing)	3,636	234,966
Upper Coast	Shenzhen	Residential	98,228	9,013,944
Luxury Mansion	Shenzhen	Residential	3,198	231,112
Shum Yip Scenery Bay	Guangzhou	Residential	7,975	304,446
Shunde Shum Yip City	Foshan	Residential, commercial	9,670	152,377
Bustling City	Foshan	Residential	951	16,870
West Lake Sanli	Huizhou	Residential	22,823	168,230
Xiyue City	Huizhou	Residential	15,381	125,397
Wanlin Lake	Huizhou	Residential	1,384	2,273
Bay Front	Zhongshan	Residential, office	78,903	1,844,860
Nanwan Mansion	Nanjing	Residential	7,489	348,681
Jiangyin Shum Yip Technology Industrial Park	Nanjing	Office (including industrial R&D and warehousing)	1,977	10,675
Shum Yip Heron Mansion	Changsha	Commercial	991	14,253
Shum Yip Ruicheng Xihui	Changsha	Commercial	485	2,692
Shum Yip Tairong Mansion	Chengdu	Residential	8,680	178,859
Shum Yip North Shore	Chengdu	Residential	8,385	63,307
Qingbaijiang Shum Yip Taifu Square	Chengdu	Office	3,791	27,793
Taiyun Mansion	Wuhan	Residential	19,111	349,657
Changzhou Shum Yip Huafu	Changzhou	Parking space	116	272
Shum Yip Yunqi Garden	Taizhou	Residential	1,530	23,359
Shenyue Bay	Taizhou	Parking space	2,387	21,956
Ma'anshan Shum Yip Huafu	Ma'anshan	Commercial, parking space	2,206	25,199
Shenma East China Industrial Technology Industrial Park	Ma'anshan	Industrial	6,782	22,104
Others	–	–	1,709	49,564
Total			<u>344,670</u>	<u>14,789,055</u>

* As all the contracted sales took place in Mainland China, the contracted sales figures are expressed in Renminbi.

** Sales includes the sales of parking lots.

III. Project Development

During the period, the Group's newly started construction area was approximately 1.09 million square meters, and there were no newly completed projects.

New Construction Projects in the First Half of 2023

Project	City	Type	New Construction Area (sq.m.'000)
Shum Yip Tairui Mansion	Shenzhen	Residential	214
Luxury Mansion Phase 1	Shenzhen	Residential	138
Huizhou Wanlin Huafu Phase 1	Huizhou	Commercial/Residential	159
Shanghai Huxi Shangju Phase 1	Shanghai	Residential	57
Chengdu Longquanyi Project North Land Plot	Chengdu	Complex	132
Changsha Luxiyunjing Phase 1	Changsha	Residential	96
Shum Yip Tairong Mansion	Chengdu	Residential	225
Jiangyin Research and Innovation Park Phase 1	Jiangyin, Wuxi	Industrial	69
Total			1,090

IV. Expansion of Land Resources

By adhering to the investment principle of “selecting the best among the best”, the Group acquired 2 land plots in Longhua North Railway Station business district, Shenzhen and Ma'an Island, Cuiheng New District, Zhongshan, adding a total new site area of approximately 110,000 square meters, with a capacity building area of approximately 270,000 square meters, with an estimated value of approximately RMB7.6 billion.

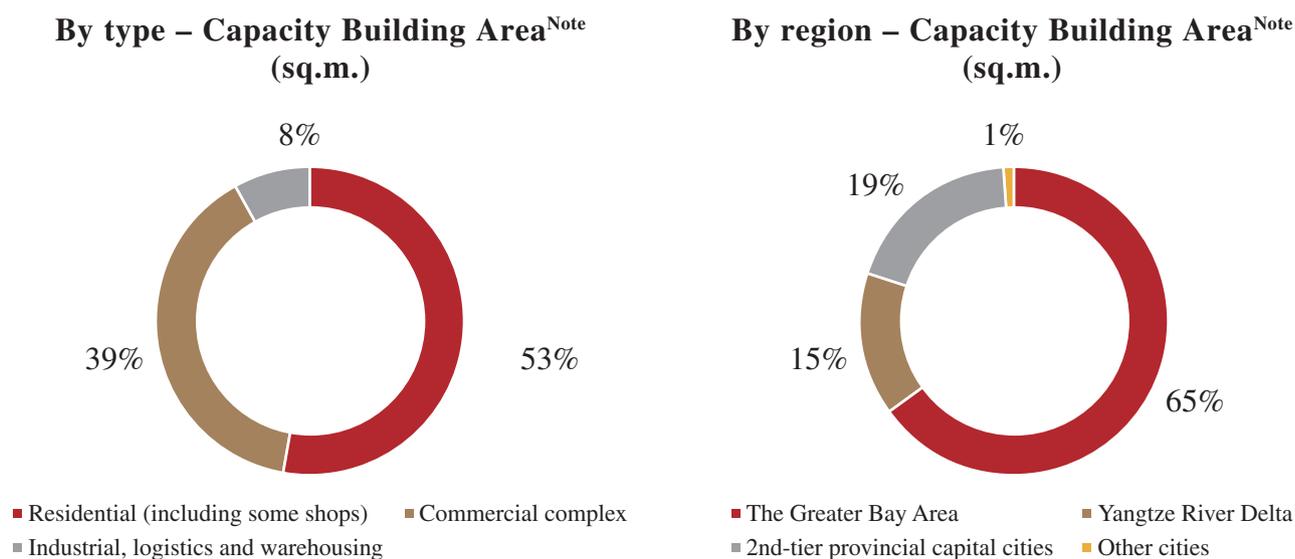
New Expansion of Land Resources

Project Name	City	Acquisition Date	Project Equity Ratio	Type	Total Land Price (RMB million)	Site Area (sq.m.)	Capacity Building Area (sq.m.)
Shenzhen Longhua District Land Plot A811-0347	Shenzhen	30 June 2023	100%	Complex	1,441	10,118	72,850
Zhongshan Xisanwei Land Plot G28	Zhongshan	11 July 2023	50%	Residential	1,981	99,039	198,077
Total					3,422	109,157	270,927

V. Land Reserves

As of 30 June 2023, the Group had land reserves with a capacity building area of approximately 6.59 million square meters, of which, the projects not yet started had a capacity building area of approximately 0.71 million square meters, the projects under construction had a capacity building area of approximately 5.20 million square meters and the completed but not yet booked projects had a capacity building area of approximately 0.68 million square meters. The structure of the land reserve remained reasonable and healthy, with land reserve in the Greater Bay Area, the Yangtze River Delta region and the second-tier provincial capital cities accounting for 65%, 15% and 19% of the total capacity buildings area respectively. Besides, the carrying value of completed properties held for sale amounted to HK\$14.21 billion.

Distribution of Land Reserves (As at 30 June 2023)



Note:

Capacity building area: the sum of the gross floor area which is used in the calculation of the plot ratio within the land for construction.

VI. Property Investment Business

In the first half of 2023, the Group grasped the opportunity of the recovery of consumption and the commercial market to vigorously promote tenant sourcing for commercial and office buildings, promote the optimization and iteration of tenants, and strengthen commercial operations to boost the turnover of tenants, and the property investment business recorded significant improvement. During the period, the Group recorded an income from property investment of approximately HK\$694 million, representing an increase of 25% over the same period of last year. The gross profit margin of property investment business was approximately 79%, representing an increase of 10 percentage points over the same period of last year. As at 30 June 2023, the Group had investment properties of approximately 1.79 million square meters, with a fair value of approximately HK\$34.33 billion. The Group recorded a revaluation increase in the fair value of its investment property portfolio of HK\$276 million during the period.

Urban Integrated Operation Business

I. Overview of the Business Segment

The Group's urban integrated operations business, comprising urban and industrial park property management, residential property management, commercial operation and property management services, had a total contracted GFA of approximately 75.61 million square meters and a total GFA under management of approximately 71.83 million square meters, of which approximately 73% was attributable to independent third-party projects and 63% was attributable to non-residential properties, both indicators are higher than the industry average. During the period, revenue from the urban integrated operations business amounted to approximately HK\$1.42 billion, representing an increase of 11% over the same period of last year. With its industry-leading comprehensive strength and widely-recognized service, the Group was listed among the "Top 100 Property Service Enterprises China 2023 (No. 17)" (2023 中國物業服務百強企業第 17 位) by the China Index Academy, "Top State-Owned Property Management Companies by Comprehensive Strength (No. 6)" (國有物業服務企業綜合實力第 6 名) by the China Property Management Research Institution, etc.

II. Operation Business Expansion

In the first half of 2023, Shum Yip Operations expanded its operation by exceeding 4.60 million square meters net (if including the business carried through joint ventures, the expansion in net operation area in the first half of the year was approximately 9.46 million square meters), and the market expansion strength remained strong. The urban and industrial park service made further progress. Shum Yip Operations established a joint venture in Ma'anshan, Anhui with a local state-owned enterprise, and successfully launched its business outside the Guangdong-Hong Kong-Macao Greater Bay Area by winning the bid for Ma'anshan city service project, which had contracted area under management of more than 4.80 million square meters, with total contract value of RMB150 million. There was breakthrough in public construction project expansion. With "corporate-to-corporate collaboration", the Group newly expanded Shandong Mobile (Zibo) and Hainan Mobile (provincial headquarters) office property management projects to fill its gap in regional market; and focused on major projects by successfully expanding high-quality public construction property projects such as Intermediate People's Court, Emergency Blood Information Three Centers (急救血液信息三中心), and 11 public primary and secondary schools and kindergartens under the Longhua District Education Bureau in Shenzhen.

III. Commercial Operation

In the first half of 2023, seizing the opportunity brought by the recovery of offline consumption after the pandemic, the Group took the initiative to improve the operation of various commercial projects, made positive progress in investment promotion, business opening and operation, and further enhanced its brand value. UpperHills grasped the market trend, accelerated the optimization of brand matrix, organized frequent creative promotion activities, and promoted the integration of consumption between Shenzhen and Hong Kong. During the period, customer traffic reached new highs, and customers from Hong Kong rose by 40% year-on-year. The grand opening of the first Galeries Lafayette in South China on 8 July 2023 created a new landmark of high-end fashion in Shenzhen. On the opening day, the customer traffic of UpperHills exceeded 200,000, and the sales amount of Galeries Lafayette exceeded RMB1 million. UpperHills Block was awarded the first batch of night economy demonstration block and demonstration characteristic business district by the Commerce Bureau of Shenzhen Municipality, and is the only municipal night economy demonstration block in Futian District of Shenzhen.

In addition, the Group began to export commercial brands, and obtained the first PPP project of the stock renovation in public service sector in Shenzhen in 2020, namely Shenzhen Women and Children Tower renovation and operation project. After three years of renovation, Shenzhen Women and Children Tower had its debut on 1 June 2023 featuring the first picture book museum in China, the first children's exploration museum in Shenzhen, children's theater as well as a series of featured women and children – themed humanities and art exhibition activities, becoming a model project to revitalize the city's existing public service facilities. In May 2023, Zhongshan Bay Front began to sign contracts with commercial brands to build the first international indoor IP theme park cluster in the Guangdong-Hong Kong-Macao Greater Bay Area. The commercial water street is named as the “Bay Front•UpperHills Water Street (灣中•上城水街)”, marking the successful export of the “UpperHills” brand and the new pattern of expanding to the Bay Area.

Hotel Operation Business

The Group owns 6 hotels in operation, namely Suzhou Marriott Hotel (with 302 guest rooms), Chaohu Shum Yip Bantang Hot Spring Hotel (with 27 spring villas), Holiday Inn Resort Chaohu Hot Spring (with 203 guest rooms), Muji Hotel (with 79 guest rooms) in UpperHills, Shenzhen, Mandarin Oriental Shenzhen (with 178 guest rooms) and Jingju Hotel (with 196 guest rooms) in Shenzhen Women and Children Tower. During the period, the core operating indicators of the Group's hotels exceeded expectations, and the hotels recorded operating income (included under other operating segment) of approximately HK\$194 million, representing an increase of 62% over the same period of last year.

Mandarin Oriental Shenzhen was awarded Five Star by Forbes Travel Guide for the first time, and was named as one of the World's Best Hotel in 2023 in LA LISTE's first global hotel ranking, being the only hotel in Shenzhen on the list. In May 2023, the Group released its own hotel brand “Jingju Hotel”, and officially launched four brand product lines to improve the asset-light brand matrix of the hotel management segment. It is an important breakthrough for the Group to develop hotel networks in the future.

Industrial Manufacturing Business

The Group's manufacturing business mainly represents the research and development, production and sales of LCD devices and intelligent control displays operated by its subsidiary Shenzhen Jinghua Displays Electronics Co., Ltd ("Jinghua"). The products of Jinghua are widely used in fields such as smart home, industrial control and automation, OA office, intelligent vehicle and smart healthcare. It is committed to creating a new business model of "headquarters + OEM production base + R&D center" to realize the transformation from "product manufacturer" to "solution service provider". The intelligent control business, being its main development direction, has made great progress, while electronic control customers continued to increase, and successfully entered a number of international major customer supply chain channels, laying a good foundation for subsequent sales. After years of operation, Jinghua has developed on a large scale. During the period, it has obtained the spin-off approval and submitted its listing application for IPO on the Growth Enterprise Market Board of the Shenzhen Stock Exchange.

In the first half of 2023, the global economic downturn led to slower growth of overall demand in the industry and delayed order demand of certain customers. Jinghua realized operating income from manufacturing business of approximately HK\$218 million, representing a decrease of 10% over the same period of last year. By optimizing product structure, enhancing product performance and strengthening low-cost advantage, Jinghua will strengthen its development in the intelligent display control field and expand international customers base in overseas market, so as to increase the number of orders and improve business performance.

Performance of Major Joint Ventures and Associates

During the period, Taizhou Shum Yip Investment Development Limited (a 51% owned company of the Group) incurred a loss of HK\$7.20 million to the Group. The principal activity of the company is to assist local government in primary land development.

Shenzhen Langtong Property Development Company Limited (a 50% owned company of the Group) contributed profit of HK\$8.96 million. It is the project company that has developed Shenzhen Tanglang City in collaboration with Shenzhen Metro Group.

Shenzhen Tianan Cyber Park (Group) Co., Ltd. (a 37.5% owned company of the Group) incurred a loss of HK\$1.60 million to the Group.

Road King Infrastructure Limited, an associate invested by the Group (1098.HK), incurred a loss of HK\$330 million to the Group.

Financial Management

I. Capital and Financing

As at 30 June 2023, the Group's total bank and other borrowings amounted to HK\$37.35 billion (31 December 2022: HK\$40.22 billion). Floating rate loans and fixed-rate loans accounted for 63.3% and 36.7%, respectively; long-term loans and short-term loans accounted for 76.5% and 23.5%, respectively; borrowings denominated in Hong Kong dollars and Renminbi borrowings accounted for 41.6% and 58.4%, respectively.

The Group proactively raised funds, and strengthened financing expansion by successfully entered into a HK\$5 billion medium and long-term loan agreement in the first half of the year (including a syndicated loan of HK\$3.5 billion). Besides, it strengthened the management of loan costs and further reduced the fixed-interest rate cost under the newly signed loan agreements, and its subsidiaries invited bids for project development loans through the capital financing platform of State-owned Assets Supervision and Administration Commission and obtained the lowest loan interest rate of 2.52%. During the period, due to significant increase in the cost of the floating rate portion of the borrowings denominated in Hong Kong dollars held by the Group, the average comprehensive interest rate of the Group's bank and other borrowings was approximately 4.15% per annum, representing an increase of 0.83 percentage point over last year.

As at 30 June 2023, the Group's cash balance was HK\$15.15 billion (including restricted cash) (31 December 2022: HK\$13.36 billion), of which approximately 95.6% were denominated in Renminbi, and the remaining in US dollar and Hong Kong dollar. The cash to short-term debt ratio was 1.73 times.

As at 30 June 2023, the Group had net assets, excluding non-controlling interests, of HK\$41.75 billion (31 December 2022: HK\$44.63 billion). The asset-liability ratio, excluding advance receipts, was 68.9%, and the net gearing ratio (net debt divided by equity attributable to owners of the Company) was 53.2%.

Key Financial Indicators

	As at 30 June 2023	As at 31 December 2022
HK\$100 million		
Bank and other borrowings	373.5	402.2
— Long-term borrowings	285.8	281.4
— Short-term borrowings	87.7	120.8
Cash (including restricted cash)	151.5	133.6
Net gearing ratio	53.2%	60.2%

II. Effect of Exchange Rate Fluctuation

The Group's assets are mainly denominated in Renminbi, while Hong Kong dollar 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 Hong Kong dollar, the reporting currency. During the period, such fluctuations in the asset and earnings denominated in Renminbi against Hong Kong dollar, the reporting currency, of HK\$1.81 billion were included in other comprehensive income. In addition, due to the decrease in deposits denominated in foreign currencies held in the PRC, the Group recorded foreign exchange losses of HK\$31.68 million for the first half of 2023 as compared to foreign exchange gains of HK\$150 million for the same period of last year, which were included in the "other expenses" line item.

III. Financial Assets

On 31 May 2017, the Group contributed an amount of RMB5.50 billion to the capital of Hengda Real Estate Group Company Limited ("Hengda Real Estate") and held 2.6439% equity interests in Hengda Real Estate. According to the requirements under accounting standards, the equity interests held by the Group in Hengda Real Estate 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 2023, the Group made a provision for fair value losses of approximately HK\$80.96 million, and the book fair value of the said financial assets have been fully provided for.

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) (the "Breeding Center") 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. In August 2022, the Court made the first instance judgment to the Litigation confirming the contract was void and dismissing the Breeding Centre's claim. Later the Breeding Centre appealed against the judgment, and the Court of Second Instance ruled that the original judgment was upheld in May 2023. Currently, all the frozen funds of the Terra Companies have been released by the Court. 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 2023, the Group had total loans of HK\$8,176 million (31 December 2022: HK\$10,339 million) that were pledged with assets (please refer to note 14 to the financial information for details).

As at 30 June 2023, the Group has given guarantees amounted to HK\$1.37 billion in respect of bank and other borrowings to three joint ventures of the Group (please refer to note 18 to the financial information for details).

Employees and Remuneration Policy

As at 30 June 2023, the Group employed 22,229 employees (30 June 2022: 21,786) of whom 22 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 2023 (excluding remuneration of the Directors) amounted to approximately HK\$1.371 billion (six months ended 30 June 2022: HK\$1.498 billion).

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 HK2.00 cents per share for the six months ended 30 June 2023 (2022: HK3.00 cents) to be paid in cash on or about Friday, 13 October 2023 to shareholders whose names appear on the register of members of the Company on Friday, 15 September 2023.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 14 September 2023 to Friday, 15 September 2023 (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 Thursday, 13 September 2023.

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 2023.

AUDIT COMMITTEE

As at the date of this announcement, the Audit Committee comprises three independent non-executive directors namely Mr. LI Wai Keung, Dr. WONG Yau Kar, David and Prof. GONG Peng. 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 2023.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2023.

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 2023.

By Order of the Board
SHENZHEN INVESTMENT LIMITED
LU Hua
Chairman

Hong Kong, 30 August 2023

As at the date of this announcement, the Board comprises 8 directors, of which Dr. LU Hua, Mr. WANG Yuwen, Ms. CAI Xun, Mr. XU Enli and Ms. SHI Xiaomei are the executive directors of the Company and Mr. LI Wai Keung, Dr. WONG Yau Kar, David and Prof. GONG Peng are the independent non-executive directors of the Company.