深圳控股有限公司
SHENZHEN INVESTMENT LIMITED

股份代號 Stock Code: 00604

2020年中期報告
Interim Report 2020

Contents

Corporate Information

Executive Directors

Dr. LU Hua, *Chairman*
Mr. HUANG Wei, *President*
Mr. MOU Yong (Retired on 26 May 2020)
Ms. CAI Xun (Appointed on 27 August 2020)
Mr. LIU Chong (Resigned on 23 July 2020)
Mr. DONG Fang (Appointed on 23 July 2020)
Mr. LIU Shichao (Re-designated from Non-Executive Director on 23 July 2020)

Non-Executive Director

Dr. WU Jiesi

Independent Non-Executive Directors

Mr. WU Wai Chung, Michael
Mr. LI Wai Keung
Dr. WONG Yau Kar, David

Company Secretary

Mr. LEE Ka Sze, Carmelo

Auditors

KPMG, *Certified Public Accountants and Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance*
Hong Kong

Principal Bankers

Bank of China (Hong Kong) Limited
DBS Bank Ltd., Hong Kong Branch
China Construction Bank Corporation, Hong Kong Branch
The Bank of East Asia, Limited
Industrial and Commercial Bank of China (Asia) Limited
The Hongkong and Shanghai Banking Corporation Limited
Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch
China Citic Bank International Limited
Hang Seng Bank, Limited
CMB Wing Lung Bank, Limited

Registered Office

8th Floor, New East Ocean Centre,
9 Science Museum Road, Tsim Sha Tsui,
Kowloon, Hong Kong

Share Listing

The Stock Exchange of Hong Kong Limited
(Stock code: 00604)

Share Registrar

Tricor Standard Limited
Level 54 Hopewell Centre,
183 Queen's Road East, Hong Kong

Website

www.shenzheninvestment.com

2020 has been unfolded as an extraordinary year with the global COVID-19 pandemic interweaving with the ever changing international environment. Apart from the fact that Chinese economy is at the critical period of structural adjustment, the impact of the pandemic and pressure arising from the external factors have further hit the economic conditions which were already severe. Following the pandemic in China kept under effective control, resumption of work and production was underway orderly. Thanks to the series of specific relief and supporting polices launched by the government, the economic activities have gradually resumed and signs of recovery were showed with various economic indicators.

The COVID-19 pandemic had a direct negative impact on the schedule and sales of real estate projects. However, with the effective macro policies, the policy climate and liquidity in the real estate industry were somewhat improved, which has offset the impact of the pandemic to some extent. In the second quarter, the residential market in Shenzhen saw a robust recovery with the turnaround of housing trading volume back to the average of the previous year. Under the economic stress, the business apartment market was sluggish, while a higher vacancy rate was seen in the office building market with lower rents.

Amidst the pandemic, the Group bravely shouldered its social responsibility by taking active actions to weather the hardship together with homeowners and tenants. The employees from the property management group and intelligent park management company under the Group persisted in performing responsibilities at the frontline against the pandemic by securing the safety of homeowners, residents and customers in the community and park. The Group initiatively waived rent to overcome difficulties together with our customers in concerted efforts. Meanwhile, the Group has proactively promoted the resumption of work and production and commenced online and offline marketing, ensuring on-schedule construction progress of projects. Thus, the Group has achieved expected performance.

2020 Interim Results

During the period, the Group achieved a turnover of HK$4,121.6 million, representing a decrease of 6.4% over the same period of last year. Gross profit was HK$1,565.9 million, representing an increase of 5.7% over the same period of last year. Net profit attributable to equity shareholders was HK$322.6 million, representing a decrease of 27.8% over the same period of last year. If excluding the net effect of changes in fair value of investment properties attributable to the Group and fair value of financial assets, net profit attributable to equity shareholders was HK$1,001.0 million, representing an increase of 76.1% over the same period of last year. Basic earnings per share were HK3.65 cents, representing a decrease of 31.3% over the same period of last year. The Board has resolved to pay an interim dividend of HK7.00 cents per share for 2020 in cash.

Steady Sales Growth

The Group has seized the prime opportunities arising from the pre-sale policy adjustment and residential market turnaround by vigorously pushing forward the efforts in the sale contract of our key project, Qianhai Parkview Bay. Among the sluggish office building market, the Group has followed up with the intent of the interested major customer of Terra Licheng and achieved the block trade target of approximately RMB1.81 billion of contracted sales. During the period, the Group realized contracted sales of approximately RMB7.582 billion, representing an increase of 17.8% over the same period of last year. Its major projects include Qianhai Parkview Bay, Terra Licheng, Ma'anshan Shum Yip Huafu, Shum Yip Heron Mansion and Shum Yip Dongling, among which, approximately 73% of the Group's contracted sales were contributed by Shenzhen projects.

Maintenance of Stable Performance in Property Lease Business

During the pandemic outbreak, the Group has proactively shouldered its social responsibility. In this regard, the Group waived rent for the enterprises within the industrial parks and commercial tenants in the shopping malls to overcome difficulties together with our customers in concerted efforts. Confronted with the pandemic threats, the Group has strived to surmount all odds. On one hand, it has maintained good relationship with customers by actively supporting them for the resumption of work and production, and thus enhancing customer stickiness and brand image of the Group. On the other hand, the Group has practically and actively pushed forward the promotion of its commercial and office projects by unleashing its brand advantages. As a result, an incremental rental income of approximately HK$120 million was recorded in commercial properties, which has partly offset the negative effect of waiving rent, thereby maintaining the stable performance of property investment business.

According to DTZ Research, the vacancy rate of office building market in Shenzhen increased to approximately 25% in the first half of the year, while the rent of Grade A office buildings decreased by approximately 14% as compared with the same period of last year. Due to the sluggish investment property market, the fair value of revaluation of investment properties of the Group decreased by approximately HK$464 million during the period. Despite the impaired macro environment, the Group managed to maintain the average occupancy rate of its exiting properties at about 89%, which is far above the market average, by improving the operation and service quality of its properties through various efforts such as property upgrade and renovation as well as maintaining the customer relationship.

Expansion of Quality Resources

Focusing on the Guangdong-Hong Kong-Macao Greater Bay Area continuously, the Group put in greater efforts in the development in Shenzhen and planned for its business presence in key second-tier cities. Further, it has made a breakthrough in acquisition of resources.

At the beginning of July, a subsidiary of the Group entered into an agreement with Shum Yip Group, the ultimate holding parent company of the Company, pursuant to which, the subsidiary purchased the 52.848% equity interest of Shum Yip Jinzhi Logistics Development Co., Ltd. ("Shum Yip Jinzhi") held by Shum Yip Group at a consideration of approximately RMB537 million. The principal business activities of Shum Yip Jinzhi are property development and management. Its core assets are located at Luohu District, Shenzhen City, which include the Jinyuan Building with a sales amount of approximately RMB350 million to be booked, the Zhifeng Building Project under construction with a capacity building area of 47,384 square meters and other projects currently used for leasing with an aggregate area of approximately 5,200 square meters. The Group has started a new round of asset injection through this transaction. Looking forward, the Group's land reserve, value, revenue, profitability and sustainability in Shenzhen will be significantly improved.

During the period, the Group vigorously planned for its business presence in key second-tier cities and has acquired two pieces of land in Chengdu. Among them, the land in Chenghua District is located at the core of downtown area within the second ring road of Chengdu. It has a site area of approximately 23,000 square meters, a capacity building area of approximately 68,000 square meters and a land premium of RMB1.15 billion. It is situated in a prime geographical location where is filled with commercial atmosphere. While the land in Qingbaijiang District, Chengdu City has a site area of approximately 114,000 square meters, a capacity building area of approximately 284,000 square meters and a land premium of RMB650 million, which is highly reasonable.

During the period, the Group has innovated its way of resource acquisition. For example, it won the bid for the renovation of Shenzhen Women and Children Tower by way of PPP (public-private partnership). Upon renovation, the Group shall be responsible for the investment solicitation, property management, maintenance of facilities, organizing and planning activities and other management and operation of such project. The successful biding is of significant strategic importance for the Group to intensify its close cooperation with the government, expand the existing resource of property renovation projects in Shenzhen as well as increasing rental income and operating income in the future.

Investment Income

The Group, as a strategic investor, contributed RMB5.5 billion for investment in the equity interests in Hengda Real Estate in 2017. Hengda Real Estate paid the Group a dividend for 2018 of approximately RMB790 million and a dividend for 2019 of approximately RMB660 million in January and July 2020, respectively. The first batch of dividend has been recognized during the period, while the second batch of dividend will also be recognized during this year. To date, the strategic investment in Hengda Real Estate has contributed considerable investment gain to the Group.

Robust Financial Position Maintained

The Group made initiative plans to strengthen its integrated fund planning and financial management to improve the capital efficiency and the return on available funds. Borrowing costs reduced by 0.33 percentage point to 4.37% by means of debt replacement and optimization of loan portfolio. As at 30 June 2020, net gearing ratio (inclusive of all interest-bearing liabilities) further decreased by 4.0 percentage points to 36.7%. Riding the prime opportunities arising from lower cost of capital, the Group pushed ahead financing innovation and increased its financial resources. During the period, the Group completed the issuance of Commercial Mortgage-backed Notes ("CMBN") with Times Technology Building as the underlying asset with an issue amount of RMB1.9 billion, among which, the coupon rate of the senior notes was 3.28%.

The Group will continue to seek high-quality assets, improve operational efficiency, optimize the structure of its profit model and improve its profitability to create sustained and steady returns for shareholders.

Outlook

Post-pandemic Economic Outlook

During the prevention and control of COVID-19 in 2020, China has withstood the test by fighting the pandemic in a timely, strict and sustained manner, and with its established pandemic prevention and fight system, demonstrated its strong organization, management and execution and delivered an excellent result. With the pandemic under control, orderly resumption of all work and production throughout China has been underway and economic activities are gradually recovering. The economic policy for 2020 focuses on "ensuring stability in employment, financial operations, foreign trade, foreign investment, domestic investment and expectations" as well as "ensuring security in job, basic living needs, operations of market entities, food and energy security, stable industrial and supply chains and the normal functioning of primary-level governments", aiming to maintain a stable economy with proactive fiscal policy. A more flexible monetary policy has also been adopted, with faster growth of money supply and financing scale than the previous year. More support will be provided to small and medium-sized enterprises specifically. In addition, the government encourages investment in new infrastructure industries, such as 5G and big data center, as well as public services, such as healthcare and education, and proposes the new strategy to create a new development pattern whereby domestic and foreign markets can boost each other, with the domestic market as the mainstay, striving to further push forward the opening up to a higher level in order to cope with the significant uncertainties in the international environment. Benefitted from a series of effective policies and measures, some economic indicators have seen turnaround in the second half of the year.

Undoubtedly, it takes some time for the recovery of the real economy. The complicated and changing external environment, the increased Sino-US frictions and various uncertainties will continue to pose some pressure and challenges on Chinese economy for the second half of the year. However, we believe the economic development will resume normal as the real economy gradually revives and the real estate industry will gradually restore its fundamentals and develop in a healthy, orderly and sound manner under the principle that "housing is for living in, not for speculation".

Guangdong-Hong Kong-Macao Greater Bay Area

While keeping the pandemic under effective control, Shenzhen will firmly embrace the significant historic development opportunities arising from the "dual-driven" (雙區驅動) policy (i.e. development to be driven by the Guangdong-Hong Kong-Macao Greater Bay Area and the Pilot Demonstration Zone of Socialism with Chinese Characteristics). With market-oriented business environment, well established infrastructure and efficiently operated government, Shenzhen's economy is rich in vitality. Against the backdrop of "dual-driven" development, the synergy effect of Shenzhen and the Guangdong-Hong Kong-Macao Greater Bay Area on global industries, capital and talents will become increasingly prominent as the government creates innovative ecological industry chain and constantly completes the construction of educational, medical and cultural infrastructures.

In mid-July, the government of Shenzhen released the Notice on Further Promotion of Stable and Healthy Development of the Real Estate Market (《進一步促進房地產市場平穩健康發展的通知》) that further reaffirmed the principle that "housing is for living in, not for speculation", and announced to curb housing speculation from various aspects, including time length requirement for housing purchase, differentiated housing credit, tax, general housing standards and management on hot sales of properties. By the end of July, Shenzhen Housing and Development Bureau (深圳市住建局) issued a notice to suspend the approval for business apartments and encourage the approved projects to change into saleable housing for talents. With the effect of such new policies, the housing market will restore its nature of primarily for reasonable self-occupying demand. In the future, the land supply for residential purpose is expected to increase and therefore, relieve the imbalanced supply and demand to a certain extent. The overheated investment demand, coupled with the increased apartment supply, may bring opportunities to the currently depressed sales of existing apartments, office buildings and to market recovery of other cities in the Greater Bay Area. In the long run, sustainable population inflow, industry clustering and economic vitality are key factors to support the development of the real estate market in a healthy manner. The development of Shenzhen and Guangdong-Hong Kong-Macao Greater Bay Area will promote the demand for industrial parks, office buildings, residential and commercial spaces in the region. With the increase in supply and improvement of supply structure, we believe the real estate market in Shenzhen and Guangdong-Hong Kong-Macao Greater Bay Area will sustain healthy and steady growth for the long run.

Seeking Breakthrough amidst Robust and Healthy Business Development throughout the Year

The year 2020 witnesses the most severe operating environment for all enterprises. In fighting the pandemic, the Group makes concerted efforts with corporate customers to go through difficulties, striving to maintain its operation and the sustainable and stable performance growth, while seeking opportunities to expand its resources proactively. Pursuant to its business plan as adjusted, the adjusted saleable value planned for the whole year is approximately RMB28 billion, and the sales will maintain the same level with the previous year. This year, the Group will ensure the completion and occupation of its key projects, including Shum Yip Zhongcheng and Taifu Square. The Group will further strengthen the management of investment properties and assist the commercial customers in resumption of operation and improve customer flows and opening rate, aiming to realize the increase in annual commercial rentals to partly offset the impact of rent concession during the pandemic, and thus maintain a stable annual rental income. The property management companies and intelligent park operation companies under the Group will explore "property management city" as a new urban management model in addition to their expansion of traditional residential communities and industrial parks. Certain urban management and operation projects have been commenced in Futian, Longgang, Pingshan, and Dapeng in Shenzhen. The Group will also actively capture the opportunities in participation of the parent company in the construction and operation of Guangming Science City, Shenzhen International Bio-Valley in Baguang, Dapeng, Shenzhen-Hong Kong Science and Technology Innovation Cooperation Zone and Zhongshan Cuiheng Industrial Park (中山翠亨園區), in an effort to play an active role in business expansion, thus achieving a great leap-forward development.

Focusing on the Bay Area and Increasing Investment in Shenzhen by Proactively Planning for Multi-Channel Resources

The Group will maintain its strategic resilience, unleash its capital advantages and increase investment in Shenzhen and the Guangdong-Hong Kong-Macao Greater Bay Area, while expanding land resources and projects through multi-channels. In terms of resource acquisition, the Group will identify various methods which are appropriate for its own development, including but not limited to: 1) deepening cooperation with its parent company to increase our land reserves in Shenzhen and the Greater Bay Area; 2) securing industrial planning and clustering abilities, capitalizing on our core advantages in industrial introduction and park operation services and expediting resource expansion; 3) relying on the Group's experience in urban renewal projects and seizing the opportunities arising from the favorable policy of "dual-driven" development to actively identify urban renewal projects in key cities in the Guangdong-Hong Kong-Macao Greater Bay Area; and 4) focusing on merger and acquisition and innovative land acquisition methods while strengthening collaboration to fully participate in the development of the Guangdong-Hong Kong-Macao Greater Bay Area.

Deepening Transformation to Plan for the Coming Five-Year Blueprint

Riding the historic opportunity of "dual-driven" development in Shenzhen, the Group will actively align with this national development landscape and plan for its blueprint for the period of "14th Five Years Plan" with a heightened strategic position and high standard. By steering its strategic planning and driving mechanism and system innovation, the Group's urban service capability and industry clustering capability will be improved steadily; its resource acquisition capability and professional operating capability will be greatly strengthened; its growth in land reserves, contracted sales, recurring income and the scale of profitability will become more aggressive; its sustainability and value-creating ability will be lifted to a new level in the coming five years.

Through unremitting efforts, the Group is expected to further achieve a sound, sustainable and robust development and create more satisfactory returns for its shareholders.

LU Hua
Chairman

27 August 2020

Overall Results

In the first half of 2020, the COVID-19 pandemic has caused severe impact on the global economy and even affected the macro economy profoundly. Despite the fact that real estate enterprises have encountered various difficulties in business operation caused by the pandemic outbreak, the policy climate and liquidity in the real estate industry were somewhat improved with the implementation of proactive macro policies. There were signs of recovery in the real estate market with the extent varied among different market segments. In the second quarter, the residential market experienced a robust recovery, but the apartment market and office building market remained sluggish.

In face of the pandemic and the complex business environment, the Group has taken active measures on pandemic prevention and control. It also shouldered its social responsibility by securing the safety of homeowners and commercial tenants. While overcoming difficulties together with them in concerted efforts, the Group has proactively promoted the resumption of work and production and endeavored to implement each operating task to maintain steady growth in performance.

During the period, the Group realized revenue of approximately HK$4,121.6 million, representing a decrease of 6.4% over the same period of last year. Gross profit margin was 38.0%, representing an increase of 4.4 percentage points over the same period of last year. Gross profit was HK$1,565.9 million, representing an increase of 5.7% over the same period of last year. Net profit attributable to equity shareholders was HK$322.6 million, representing a decrease of 27.8% over the same period of last year. If excluding the net effect of investment properties attributable to the Group and changes in fair value of financial assets, net profit attributable to equity shareholders was HK$1,001.0 million, representing an increase of 76.1% over the same period of last year. Basic earnings per share were HK3.65 cents, representing a decrease of 31.3% over the same period of last year.

Property Development Business

Sales Revenue Booked

During the period, the Group recorded property sales booked of 90,696 square meters (excluding interests attributable to the major associates of the Group), representing a decrease of 44.6% over the same period of last year, and achieved net revenue from property sales of approximately RMB1,964.7 million (equivalent to HK$2,170.2 million), representing a decrease of 8.5% over the same period of last year. Gross profit margin of property development and sales was 43.4%, representing an increase of 5.7 percentage points over the same period of last year. During the period, the percentage of Shenzhen projects over the sales revenue booked was 64.5%. During the period, the average gross profit margin of projects of the Group in Shenzhen was approximately 46.4%, whereas the average gross profit margin of projects in other cities was approximately 37.9%.

Property Sales Booked in the First Half of 2020

Property Name	City	Type	Booked Area *(sq.m.)*	Net Sales *(RMB'000)*	Unit Price *(RMB/sq.m.)*
UpperHills	Shenzhen	Residential	1,268	167,862	132,383
Taifu Square	Shenzhen	Office/apartment	4,169	223,678	53,653
Shum Yip Dongling	Shenzhen	Residential/kindergarten	4,942	290,564	58,795
Shum Yip Zhongcheng	Shenzhen	Apartment	5,111	586,112	114,677
Jiangyue Bay	Guangzhou	Residential	98	1,223	12,480
Euro-view Garden	Dongguan	Shop	298	2,767	9,285
Garden Hills	Huizhou	Residential/shop	477	6,116	12,822
Wanlin Lake	Huizhou	Residential/shop	1,369	13,721	10,023
Gaobangshan No. 1 Garden	Huizhou	Shop	1,977	49,234	24,903
Shum Yip City	Foshan	Residential	3,257	61,361	18,840
Saina Bay	Heyuan	Shop	362	3,102	8,569
Yihu Rose Garden	Chengdu	Residential	3,117	27,459	8,809
Shum Yip Xihui	Changsha	Shop	2,361	16,951	7,180
Ma'anshan Shum Yip Huafu	Ma'anshan	Residential	61,759	491,804	7,963
Royal Spring Garden	Chaohu	Villa	131	2,296	17,527
Parking space sales		Parking space	–	20,458	–
Total			**90,696**	**1,964,708**	**–**

Note: 226 parking spaces were sold.

Contracted Sales

During the period, the Group realized contracted sales area of 256,396 square meters and contracted sales income of approximately RMB7.582 billion. The average price per square meter was RMB29,572. The contracted sales were mainly attributable to the residential project of Qianhai Parkview Bay in Shenzhen which realized a contracted sale of approximately RMB2.79 billion and the office building project of Terra Licheng in Shenzhen which realized a contracted sale of RMB1.81 billion in block trades. Besides, sales of the Group's projects in third-tier and fourth-tier cities beat the expectations. By the end of June 2020, the Group's unbooked contracted sales amount was approximately HK$31.2 billion.

By geographical location, projects in the Greater Bay Area accounted for 79% of the realized contracted sales, 10% was contributed by projects in the second-tier cities, and the rest 11% was in the third-tier and fourth-tier cities. By the types of products, residential products accounted for 64% of the realized contracted sales, and commercial products (including office and apartment) accounted for 36%.

Contracted Sales in the First Half of 2020

	City	Type	Sales Area *(sq.m.)*	Sales* *(RMB'000)*
UpperHills	Shenzhen	Complex	1,268	176,250
Shum Yip Zhongcheng	Shenzhen	Complex	1,638	179,350
Shum Yip Dongling	Shenzhen	Complex	5,262	327,520
Taifu Square	Shenzhen	Complex	1,319	84,830
Terra Licheng	Shenzhen	Complex	30,473	1,814,820
Qianhai Parkview Bay	Shenzhen	Residential	28,856	2,786,850
Tanglang City**	Shenzhen	Complex	2,298	137,256
Jiangyue Bay	Guangzhou	Residential	24	447
Gaobangshan No.1 Garden	Huizhou	Residential	20,594	222,549
Garden Hills	Huizhou	Residential	13,608	119,280
Wanlin Lake	Huizhou	Residential	1,581	15,532
Shum Yip City	Foshan	Residential	4,985	81,538
Saina Bay	Heyuan	Residential	228	2,242
Yihu Rose Garden	Chengdu	Residential	4,871	46,810
Shum Yip Heron Mansion	Changsha	Residential	29,970	408,064
Shum Yip Rui Cheng	Changsha	Residential	387	2,580
Shum Yip Xihui	Changsha	Residential	1,571	7,116
Nanhu Rose Bay	Wuhan	Complex	0	1,925
Shum Yip Upper Life	Nanjing	Residential	11,654	303,336
Changzhou Shum Yip Huafu	Changzhou	Residential	332	801
Ma'anshan Shum Yip Huafu	Ma'anshan	Residential	59,326	561,901
Splendid City	Taizhou	Residential	36,151	301,228
Total			**256,396**	**7,582,225**

* Including parking space sales.

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

Project Development

During the period, the Group had a new construction area of 209,175 square meters.

New Construction Projects in the First Half of 2020

Property Name	City	Type	Total GFA (sq.m.)	Saleable Area (sq.m.)
Chengdu Chenghua Haibinwan Project	Chengdu	Residential	59,131	40,958
Taifu Square Phase 2	Shenzhen	Complex	106,106	41,909
Tuen Mun (Land Plot 520)*	Hong Kong	Residential	43,938	43,938
Total			**209,175**	**126,805**

* The project was co-developed with Road King Infrastructure Limited, as to 50% owned by the Group, and it is accounted using equity method.

Expansion of Land Resources

During the period, by vigorously implementing its development strategy of expanding the land resources in core second-tier cities, the Group acquired two pieces of prime land in Chengdu. In May, our Group won the bid for a piece of residential land in Shuanglinbeiheng Road, Chenghua District, Chengdu City with an average cost of approximately RMB16,800 per square meter at a consideration of RMB1.15 billion. The project has a site area of approximately 23,000 square meters and a capacity building area of approximately 68,000 square meters, of which 31,000 square meters and 23,000 square meters were planned to be built into foreign-style houses and low-rise residential buildings, respectively. In June, the Group, by way of industrial introduction, acquired a piece of commercial and residential land, i.e. the Phoenix New Town in Qingbaijiang District, Chengdu City with an average cost of approximately RMB2,300 per square meter at a consideration of RMB650 million. The project has a site area of approximately 114,000 square meters and a capacity building area of approximately 284,000 square meters, of which 139,000 square meters and 145,000 square meters were planned to be built into residential buildings as well as commercial and office buildings, respectively.

The Group has been proactively expanding the resources in the Greater Bay Area. In July, the Group announced the acquisition of the 52.848% equity interest of Shum Yip Jinzhi held by Shum Yip Group, the ultimate holding company of the Company, at a consideration of approximately RMB537 million. Through the acquisition, the Group obtained a range of high quality assets in Luohu District, Shenzhen including the Jinyuan Building which has been contracted for sale and completed and passed the inspection, the Zhifeng Building which is under construction, the potential urban renewal project of "Sungang Phase I Project", the office buildings and land parcel which are currently leased out as well as a wholly-owned property management subsidiary. As a practice of the Group's development strategy of "focusing on the Greater Bay Area and intensifying development in Shenzhen", this acquisition is beneficial to enhancing the Group's revenue and profitability in recent years and promoting sustainable development in the long run.

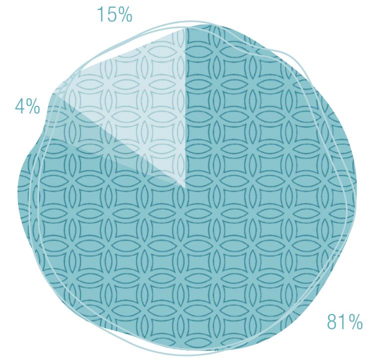
Land Reserves

By the end of June 2020, the Group had land reserves with an aggregate planned gross floor area (GFA) of approximately 4.86 million square meters (of which the Group was interested in 4.18 million square meters), and a capacity building area of 3.66 million square meters (of which the Group was interested in 3.19 million square meters), of which, the projects under construction had a total planned GFA of approximately 2.46 million square meters and a capacity building area of 1.87 million square meters. The GFA and capacity building area of land reserve in the first-tier and second-tier cities and the Greater Bay Area accounted for 57% and 46% of its total capacity building area respectively. Besides, the value of completed properties in stock amounted to approximately HK$20.42 billion.

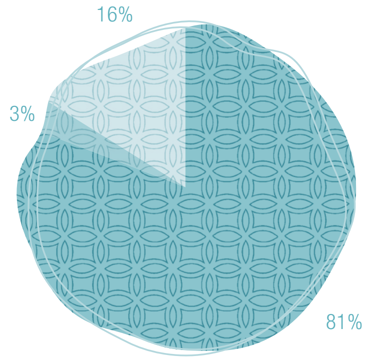
In the future, the Group will continue to focus on the Greater Bay Area, and intensify its development in Shenzhen by proactively seeking for project resources and also opportunities to invest in quality projects in the major first-tier and second-tier cities.

Distribution of Land Reserves (As at 30 June 2020)

By type – Planned GFA Note 1 (sq.m.)

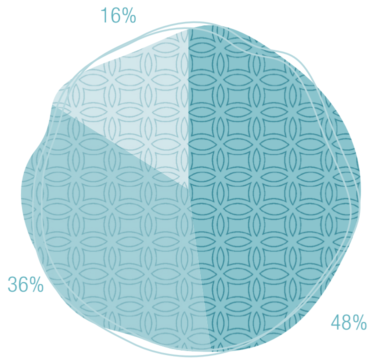


By type – Capacity Building Area Note 2 (sq.m.)

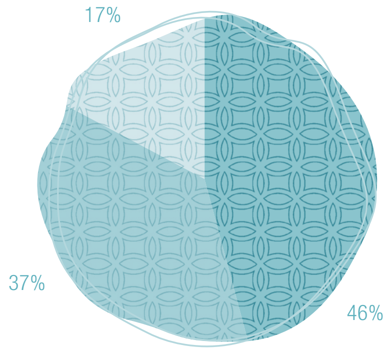


Residential Industrial Complex

By Region – Planned GFA Note 1 (sq.m.)



By Region – Capacity Building Area Note 2 (sq.m.)



The Greater Bay Area 2nd-tier cities 3rd-tier and 4th-tier cities

Notes:

1. Planned GFA: the sum of the gross floor area of all the floors above and under the ground of a single building or buildings within the scope of the land for construction.

2. 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.

Property Investment

As at 30 June 2020, the Group had investment properties of approximately 1.29 million square meters, 82.1% of which were located in Shenzhen. During the period, the Group recorded an income from property investment of approximately HK$560.6 million, representing an increase of approximately 11.1% over the same period of last year. Among them, there was a decrease in rental income of existing investment properties due to the fact that a waiver of rent was implemented during the outbreak of the pandemic, has affected the accounting adjustments to be made based on the amortisation recognized in the lease term. However, there was incremental rental income contributed by new properties and commercial properties, which has partly offset the impact of waiver of rent in the existing investment properties. The gross profit margin of property investment business was approximately 80.3%, representing an increase of 2.6 percentage points over the same period of last year.

Due to the fact that the overall office building rental market was sluggish in Shenzhen impacted by the pandemic, the Group recorded a revaluation decrease in the fair value of its investment property portfolio of HK$464.3 million during the period.

Besides, in February 2020, the Group won the bid for the renovation of Shenzhen Women and Children Tower, a public-private partnership (PPP) project, and acquired the operating rights for a period of about 19 years for investment solicitation and leasing, property management, facilities maintenance, activities planning and other management and operation upon renovation. Upon renovation and commencement of operation, the project is expected to contribute rental income and operating income to the Group.

Asset – light Operation Business

The asset-light operation business of the Group includes commercial operation business, property management business and intelligent park operation business. During the pandemic outbreak, all the operation and management companies persisted in performing responsibilities at the frontline by assisting the major commercial customers and residents in fighting the pandemic, which had received overwhelming recognition. During the period, the property management business contributed approximately HK$917.2 million to the revenue of the Group, representing a decrease of 2.0% over the same period of last year. Furthermore, its mixed-ownership reform was propelled orderly.

Since March, the commercial operation management companies had actively assisted all the major commercial tenants in the resumption of work and conducted online and offline campaigns to increase foot traffic, so as to boost sales. At present, operation of all the shopping malls runs well. More precisely, the occupancy rates of UpperHills, Tanglang City and Shum Yip Dongling are 84%, 83% and 60%, respectively, whereas the new commercial project of Taifu Square is available for leasing now.

Properties under the management of our property management companies exceed 37.53 million square meters, mainly in the Pearl River Delta, Yangtze River Delta and Central China, covering governmental authorities, offices, residence communities and villas. During the period, our property management companies acquired 31 new projects of 2.85 million square meters in Guangdong, Jiangxi, Jiangsu and other areas.

The intelligent park operation and management companies manage over 2.91 million square meters of properties in industrial park which are mainly located in the Guangdong-Hong Kong-Macao Greater Bay Area.

Our property management companies and intelligent park operation and management companies have actively explored "property management city" as a new urban management model to deliver a demonstration reform project in market-oriented and professionalized urban management and operation. Currently, efforts have been made in Futian District, Pingshan District, Dapeng District and other areas in Shenzhen to implement the development roadmap in serving the city.

Hotel Operation Business

The Group owns five hotels in operation and one hotel under construction. Those in operation are Suzhou Marriott Hotel (with 293 guest rooms), Chaohu Shum Yip Bantang Hot Spring Hotel (with 20 spring villas), Holiday Inn Resort Chaohu Hot Spring (with 203 guest rooms), Muji Hotel (with 79 guest rooms) in UpperHills, Shenzhen and Tanglang City Project Hotel in Shenzhen (with 200 guest rooms), which is co-developed with Shenzhen Metro Group. The hotel under construction is Mandarin Oriental Shenzhen (with 190 guest rooms planned).

During the period, the hotel industry achieved unsatisfactory results in business operation due to the severe impact from the pandemic. The Group's hotels recorded operating income (included under other operating segment) of approximately HK$30.0 million, representing a decrease of 69.8% over the same period of last year.

Manufacturing Business

The Group's manufacturing business mainly represents the LCD manufacturing and metal materials processing business held by the companies under the Group over the years. During the period, the manufacturing business recorded operating income of approximately HK$127.4 million, representing a decrease of 13.0% over the same period of last year.

Performance of Major Joint Ventures and Associates

During the period, Taizhou Shum Yip Investment Development Limited (a 51% owned company of the Group) made a loss contribution of HK$16.2 million to the Group. The principal activity of the company is to assist local government in primary land development. During the period, there was no land launched by the local government.

Shenzhen Langtong Property Development Company Limited (a 50% owned company of the Group) made a net profit contribution of HK$0.9 million, representing a decrease of 98.2% over the same period of last year. The company and Shenzhen Metro Group jointly developed Shenzhen's Tanglang City Project.

Shenzhen Tianan Cyber Park (Group) Co., Ltd. (a 37.5% owned company of the Group) made a net profit contribution of HK$37.3 million to the Group, representing a decrease of 68.8% over the same period of last year.

During the period, Road King Infrastructure Limited, a listed company in Hong Kong, made a net profit contribution of HK$116.1 million to the Group, representing a decrease of 50.5% over the same period of last year.

Other Income and Gains

During the period, the Group's other income and gains were HK$1,023.7 million, representing a significant increase of 339.5% over the same period of last year. During the period, other income was mainly attributable to the dividend for 2018 of approximately HK$869 million (equivalent to RMB790 million) paid by Hengda Real Estate to the Group in January 2020. No relevant dividend income was received for the same period of last year. The Group had received the dividend for 2019 of approximately HK$729 million (equivalent to RMB660 million) paid by Hengda Real Estate in July 2020, which will be accounted for in the second half of the year.

Other Operating Expense

During the period, other operating expense was HK$188.3 million, representing an increase of 79.3% over the same period of last year. During the period, the impairment loss recognised on fixed assets amounted to approximately HK$106.6 million, which was one-off and no relevant impairment loss was recognised for the same period of last year.

Significant Investment

On 31 May 2017, the Group, through Shenzhen Shum Yip Shenheng Investment Co., Ltd. (深圳市深業深恒投資有限公司) ("Shum Yip Shenheng", formerly known as 馬鞍山市茂文科技工業園有限公司 (Ma'anshan Maowen Technology Park Co. Ltd.)), a wholly owned subsidiary of the Company, entered into an investment agreement (as amended and supplemented by subsequent supplemental agreements, the "Investment Agreement") with Guangzhou Kailong Real Estate Company Limited ("Kailong Real Estate") and Hengda Real Estate Group Company Limited ("Hengda Real Estate") (both being subsidiaries of China Evergrande Group) to contribute an amount of RMB5.50 billion to the capital of Hengda Real Estate in exchange for 1.7626% equity interests in Hengda Real Estate. Hengda Real Estate is a company established in China with limited liabilities and principally engaged in property development in China.

According to the requirements under accounting standards, the equity interests held by the Group in Hengda Real Estate and the derivative financial instrument arising from the Investment Agreement 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 2020, the fair value of the financial asset arising from the Investment Agreement was HK$6,209.7 million, representing 4.7% of the total assets of the Group. During the period, losses arising from changes in fair value amounted to approximately HK$451.8 million.

Under the terms of the Investment Agreement, Kailong Real Estate and Hengda Real Estate have undertaken that the net profit of Hengda Real Estate for 2017, 2018 and 2019 shall not be less than RMB24.3 billion, RMB50.0 billion and RMB55.0 billion, respectively. Hengda Real Estate will distribute at least 68% of its net profit under the performance undertaking period to its shareholders in cash, till the entering into a reorganization agreement (i.e. the listing of Hengda Real Estate in China as an A-share company through reorganization of China Evergrande Group). Pursuant to the Investment Agreement, Hengda Real Estate has paid dividends of approximately RMB28.41 billion, RMB44.61 billion and RMB27.52 billion respectively for 2017, 2018 and 2019 to all shareholders. In the second half of 2018, the Group received dividends of approximately RMB0.5 billion for 2017, while in January and July 2020, the Group received dividends of approximately RMB0.79 billion for 2018 and approximately RMB0.66 billion for 2019, respectively.

Additionally, pursuant to the Investment Agreement, if the above-mentioned proposed reorganization is not completed by 31 January 2020, Shum Yip Shenheng will have the right to demand Kailong Real Estate or Mr. Hui Ka Yan, the controlling shareholder of China Evergrande Group, to buy back the entire equity interest in Hengda Real Estate held by it at its original investment cost, or demand Kailong Real Estate to transfer 50% of the equity interest then held by Shum Yip Shenheng in Hengda Real Estate (excluding any additional equity interest acquired by Shum Yip Shenheng subsequent to the date of the Investment Agreement) to Shum Yip Shenheng at nil consideration as compensation.

On 13 January 2020, Shum Yip Shenheng, Kailong Real Estate, Hengda Real Estate and Mr. Hui Ka Yan entered into a supplementary investment agreement in relation to the Investment Agreement to extend the original listing deadline of the above-mentioned proposed reorganization by one year (i.e. from 31 January 2020 to 31 January 2021) and, as a result of the extension of the original listing deadline, to extend the scope of performance undertaking and indemnity and the minimum dividend payment mechanism to cover the financial year of 2020 (i.e. one additional year). To this end, Kailong Real Estate and Hengda Real Estate further undertake to Shum Yip Shenheng that the amount of net profit of Hengda Real Estate for the financial year ending 31 December 2020 will not be less than RMB60 billion.

The net profit of Hengda Real Estate for 2017, 2018 and 2019 was RMB42.00 billion, RMB72.24 billion and RMB42.87 billion, respectively. Since its investment in Hengda Real Estate in June 2017, the Group, as a financial investor, received total dividends of RMB1.95 billion from Hengda Real Estate, representing accumulated return on investment of approximately 35.5%.

The Group's equity investment in Hengda Real Estate is an important part of the Group's effort in driving the reorganization plan of Hengda Real Estate with a domestic A-share company and shows the Group's support to the reorganization as a state-holding company.

The Group also considers choosing an appropriate opportunity to exit its investment in the capital market gradually upon the completion of the reorganization. Before the completion, pursuant to the Investment Agreement, the Group will be entitled to the dividends undertaken by Hengda Real Estate. In the event the reorganization is not completed in a specified time frame, pursuant to the Investment Agreement, the Group will require Hengda Real Estate and its effective controller to fulfill such exit undertakings.

Financing

As at 30 June 2020, the Group's total bank and other borrowings amounted to HK$26,095.4 million (31 December 2019: HK$24,297.9 million), of which HK$18,463.0 million were floating rate loans, and the remaining were fixed-rate loans. Long-term loans amounted to HK$16,741.4 million, representing approximately 64.2% of total borrowings, and short-term loans were HK$9,354.0 million, representing approximately 35.8% of total borrowings. Offshore borrowings amounted to HK$12,850.1 million, representing approximately 49.2% of total borrowings, and the remaining were onshore borrowings denominated in Renminbi, representing approximately 50.8% of total borrowings.

During the period, the Group implemented financing innovation, and the CMBN issuance with Times Technology Tower, a property owned by the Group, as the underlying asset was completed with an issue amount of RMB1.9 billion, among which, the coupon rate of the senior notes was 3.28%. During the period, the average comprehensive interest rate of the Group in respect of its bank and other borrowings was approximately 4.37% per annum, representing a decrease of 0.33 percentage point from the whole of last year.

As at 30 June 2020, the Group's cash balance (including restricted cash) was HK$18,713.6 million (31 December 2019: HK$12,372.8 million), of which approximately 93.3% and 6.7% were denominated in Renminbi and HK$ respectively.

As at 30 June 2020, the Group had net assets (excluding non-controlling interests) of HK$42,744.9 million (31 December 2019: HK$44,474.7 million). The net gearing ratio with the liabilities including bank loans and other borrowings only was 17.3% and the net gearing ratio with the liabilities including loan from shareholders of the parent company and all other interest-bearing liabilities was 36.7%, representing a decrease of 4.0 percentage points over the end of last year.

Key Financial Position

HK$ million	**As at 30 June 2020**	As at 31 December 2019
Bank and other borrowings	**26,095.4**	24,297.9
– Long-term borrowings	**16,741.4**	15,891.7
– Short-term borrowings	**9,354.0**	8,406.2
Due the immediate holding company	**1,276.2**	1,263.8
Due to the ultimate holding company	**4,553.5**	1,936.5
Cash (including restricted cash)	**18,713.6**	12,372.8
Net gearing ratio with the liabilities including bank and other borrowings only	**17.3%**	26.8%
Net gearing ratio with the liabilities including all interest-bearing liabilities	**36.7%**	40.7%

Effect of Exchange Rate Fluctuation

The Group's assets are mainly denominated in Renminbi. 50.8% of the bank and other borrowings are denominated in Renminbi, while 49.2% are denominated in HK$. HK$ is adopted as the reporting currency in the Group's financial statements. The effect of the decrease in RMB exchange rate on the Group's finance was mainly reflected in the depreciation of the asset and earnings denominated in Renminbi against HK$, the reporting currency. During the period, such fluctuations in the asset and earnings denominated in Renminbi against HK$, the reporting currency, resulted in a loss of HK$1,073.0 million in other comprehensive income. The Group will closely monitor and proactively avert foreign exchange risk through various ways.

Pledge of Assets and Contingent Liabilities

As at 30 June 2020, the Group had total bank and other borrowings of HK$2,434.1 million (31 December 2019: HK$383.2 million) that were pledged with assets (please refer to note 18 to the interim financial report for details).

As at 30 June 2020, the Group has given guarantees amounted to RMB1,083.6 million in respect of bank loans and other borrowings to Guangzhou Pik Sum Real Estate Development Company Limited and Taizhou Shum Yip Investment Development Limited, both are joint ventures of the Group (please refer to note 24 to the interim financial report for details).

Employees and Remuneration Policy

As at 30 June 2020, the Group employed 19,603 employees (30 June 2019: 18,950) of whom 22 were stationed in Hong Kong (mainly managerial and finance related personnel), and the rest were in mainland China. The total remuneration for the six months ended 30 June 2020 (excluding remuneration of the Directors) amounted to approximately HK$763.9 million (six months ended 30 June 2019: HK$810.7 million).

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

Report on Review of Interim Financial Report

KPMG

Review report to the board of directors of Shenzhen Investment Limited
(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 28 to 74 which comprises the consolidated statement of financial position of Shenzhen Investment Limited (the "Company") as of 30 June 2020 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2020 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

27 August 2020

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2020 – unaudited (Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2020	2019
	Note	**$'000**	$'000
Revenue	5	**4,121,596**	4,404,114
Cost of sales		**(2,555,737)**	(2,922,536)
Gross profit		**1,565,859**	1,481,578
Other income and gains	5	**1,023,699**	232,903
Decrease in fair value of financial assets at fair value through profit or loss, net	15	**(452,273)**	(236,765)
(Decrease)/increase in fair value of investment properties		**(462,759)**	66,595
(Decrease)/increase in fair value upon transfer to investment properties		**(1,516)**	26,552
Selling and distribution expenses		**(79,506)**	(97,750)
Administrative expenses		**(230,979)**	(377,805)
Other operating expenses		**(188,254)**	(105,010)
Finance costs	6	**(591,097)**	(366,915)
Share of profits less losses of joint ventures and associates		**140,029**	426,236
Profit before taxation	7	**723,203**	1,049,619
Income tax	8	**(354,693)**	(494,310)
Profit for the period		**368,510**	555,309
Attributable to:			
Equity shareholders of the Company		**322,590**	447,067
Non-controlling interests		**45,920**	108,242
		368,510	555,309

		Six months ended 30 June	
	Note	**2020**	2019
Earnings per share (HK cents)	9		
Basic		**3.65**	5.31
Diluted		**3.65**	5.31

The notes on pages 35 to 74 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 10.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020 – unaudited (Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2020	2019
	$'000	$'000
Profit for the period	**368,510**	555,309
Other comprehensive income for the period:		
Items that will not be reclassified subsequently to profit or loss:		
– Surplus on revaluation of investment property transferred from property, plant and equipment:		
– Changes in fair value	**–**	28,313
– Income tax effect	**–**	(7,078)
	–	21,235
Items that may be reclassified subsequently to profit or loss:		
– Share of changes of other comprehensive income of an associate	**(84,192)**	4,632
– Exchange differences on translation of foreign operations	**(1,073,018)**	(212,099)
	(1,157,210)	(207,467)
Other comprehensive income for the period, net of tax	**(1,157,210)**	(186,232)
Total comprehensive income for the period	**(788,700)**	369,077
Attributable to:		
Equity shareholders of the Company	**(764,749)**	274,512
Non-controlling interests	**(23,951)**	94,565
Total comprehensive income for the period	**(788,700)**	369,077

The notes on pages 35 to 74 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2020 – unaudited (Expressed in Hong Kong dollars)

	Note	At 30 June 2020 $'000	At 31 December 2019 $'000
Non-current assets			
Property, plant and equipment	11	**5,830,408**	6,103,243
Prepaid land lease payments		**31,403**	32,580
Goodwill		**351,980**	358,892
Investment properties	12	**32,955,285**	34,241,821
Interests in associates	13	**5,176,699**	5,319,511
Interests in joint ventures	14	**6,485,576**	6,811,843
Other financial assets	15	**7,695,253**	9,036,933
Deferred tax assets		**1,898,692**	1,802,630
		60,425,296	63,707,453
Current assets			
Biological assets		**1,804**	2,205
Completed properties held for sale		**20,421,326**	21,457,104
Properties under development		**23,558,920**	22,277,161
Inventories		**146,643**	195,177
Trade receivables	16	**677,811**	593,612
Prepayments, deposits and other receivables		**7,212,968**	4,636,375
Other financial assets	15	**1,469,601**	31,095
Restricted cash	17	**1,454,192**	2,719,521
Cash and cash equivalents	17	**17,259,360**	9,653,239
		72,202,625	61,565,489
Current liabilities			
Interest-bearing bank loans and other borrowings		**9,353,962**	8,406,211
Lease liabilities		**102,193**	103,476
Trade payables	19	**2,681,996**	2,625,609
Other payables and accruals		**12,199,444**	13,074,208
Contract liabilities		**24,064,201**	18,100,667
Due to the immediate holding company	25(a)(i)	**577,571**	562,926
Due to the ultimate holding company	25(a)(i)	**3,458,738**	1,936,473
Tax payable		**6,243,319**	6,247,561
		58,681,424	51,057,131

	Note	At 30 June 2020 $'000	At 31 December 2019 $'000
Net current assets		**13,521,201**	10,508,358
Total assets less current liabilities		**73,946,497**	74,215,811
Non-current liabilities			
Interest-bearing bank loans and other borrowings		**16,741,400**	15,891,707
Lease liabilities		**344,642**	401,541
Deferred income		**30,279**	28,193
Due to the immediate holding company	25(a)(i)	**698,663**	700,920
Due to the ultimate holding company	25(a)(i)	**1,094,800**	–
Deferred tax liabilities		**8,423,409**	8,821,155
		27,333,193	25,843,516
NET ASSETS		**46,613,304**	48,372,295
CAPITAL AND RESERVES	21		
Share capital		**21,910,268**	21,910,268
Reserves		**20,834,650**	22,564,388
Total equity attributable to equity shareholders of the Company		**42,744,918**	44,474,656
Non-controlling interests		**3,868,386**	3,897,639
TOTAL EQUITY		**46,613,304**	48,372,295

The notes on pages 35 to 74 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020 – unaudited (Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company											
	Note	Share capital $'000	Other reserve $'000	Share option reserve $'000	Capital reserve $'000	Asset revaluation reserve $'000	Statutory reserve $'000	Fair value reserve (recycling) $'000	Exchange fluctuation reserve $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2020		21,910,268	(184,386)	95,498	59,019	610,127	3,608,120	-	(2,258,754)	20,634,764	44,474,656	3,897,639	48,372,295
Changes in equity for the six months ended 30 June 2020:													
Profit for the period		-	-	-	-	-	-	-	-	322,590	322,590	45,920	368,510
Other comprehensive income:													
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	(1,003,147)	-	(1,003,147)	(69,871)	(1,073,018)
Share of changes of other comprehensive income of an associate		-	-	-	-	-	-	(25,766)	(58,426)	-	(84,192)	-	(84,192)
Total comprehensive income for the period		-	-	-	-	-	-	(25,766)	(1,061,573)	322,590	(764,749)	(23,951)	(788,700)
Equity-settled share option expense	20	-	-	6,689	-	-	-	-	-	-	6,689	-	6,689
Dividends declared to equity shareholders	10	-	-	-	-	-	-	-	-	(971,678)	(971,678)	-	(971,678)
Dividends declared to non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	(5,302)	(5,302)
Balance at 30 June 2020		21,910,268	(184,386)	102,187	59,019	610,127	3,608,120	(25,766)	(3,320,327)	19,985,676	42,744,918	3,868,386	46,613,304

		Attributable to equity shareholders of the Company										
	Note	Share capital $'000	Other reserve $'000	Share option reserve $'000	Capital reserve $'000	Asset revaluation reserve $'000	Statutory reserve $'000	Exchange fluctuation reserve $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2019		20,688,259	(132,447)	89,087	59,019	219,851	3,375,004	(925,421)	18,330,623	41,703,975	3,739,721	45,443,696
Changes in equity for the six months ended 30 June 2019:												
Profit for the period		–	–	–	–	–	–	–	447,067	447,067	108,242	555,309
Other comprehensive income:												
Exchange differences on translation of foreign operations		–	–	–	–	–	–	(197,019)	–	(197,019)	(15,080)	(212,099)
Surplus on revaluation of investment property transferred from property, plant and equipment		–	–	–	–	19,832	–	–	–	19,832	1,403	21,235
Share of changes of other comprehensive income of an associate		–	–	–	–	–	–	4,632	–	4,632	–	4,632
Total comprehensive income for the period		–	–	–	–	19,832	–	(192,387)	447,067	274,512	94,565	369,077
Change in non-controlling interests arising from increase of the Group's shareholding in a subsidiary		–	(51,939)	–	–	–	–	–	–	(51,939)	51,939	–
Exercise of share options		67,825	–	(10,096)	–	–	–	–	–	57,729	–	57,729
Lapse of share options		–	–	(9,161)	–	–	–	–	9,161	–	–	–
Equity-settled share option expense	20	–	–	15,054	–	–	–	–	–	15,054	–	15,054
Dividends declared to equity shareholders	10	–	–	–	–	–	–	–	(928,407)	(928,407)	–	(928,407)
Dividends declared to non-controlling shareholders		–	–	–	–	–	–	–	–	–	(79,129)	(79,129)
Balance at 30 June 2019		20,756,084	(184,386)	84,884	59,019	239,683	3,375,004	(1,117,808)	17,858,444	41,070,924	3,807,096	44,878,020

The notes on pages 35 to 74 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2020 - unaudited (Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2020 $'000	2019 $'000
Operating activities			
Cash generated from operations		**6,195,616**	5,165,142
Interest paid		**(598,465)**	(629,142)
Tax paid		**(1,550,366)**	(2,432,836)
Net cash generated from operating activities		**4,046,785**	2,103,164
Investing activities			
Payment for the purchase of property, plant and equipment		**(94,872)**	(107,721)
Other cash flows arising from investing activities		**(406,489)**	987,666
Net cash (used in)/generated from investing activities		**(501,361)**	879,945
Financing activities			
Proceeds from bank and other borrowings		**7,150,595**	3,936,569
Repayments of bank and other borrowings		**(5,110,857)**	(3,929,733)
Capital element of lease rentals paid		**(63,145)**	(53,743)
Dividends paid to non-controlling shareholders		**(5,302)**	(79,129)
Other cash flows arising from financing activities		**2,243,277**	(3,103,475)
Net cash generated from/(used in) financing activities		**4,214,568**	(3,229,511)
Net increase/(decrease) in cash and cash equivalents		**7,759,992**	(246,402)
Cash and cash equivalents at 1 January		**9,653,239**	9,832,226
Effect of changes in foreign exchange rate		**(153,871)**	(39,485)
Cash and cash equivalents at 30 June	17	**17,259,360**	9,546,339

The notes on pages 35 to 74 form part of this interim financial report.

1 Corporate information

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

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

2 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue on 27 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

2 Basis of preparation (Continued)

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on pages 26 to 27.

The financial information relating to the financial year ended 31 December 2019 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 financial statements for the year ended 31 December 2019 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 Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKFRS 3, *Definition of a Business*
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7, *Interest Rate Benchmark Reform*
- Amendments to HKAS 1 and HKAS 8, *Definition of material*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period except for the amendment to HKFRS 16, Covid-19-Related Rent Concessions, which provides a practical expedient that allows lessees not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and, instead, account for those rent concessions as if they were not lease modifications. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

3 Changes in accounting policies (Continued)

Amendment to HKFRS 16, *Covid-19-Related Rent Concessions* (Continued)

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the interim reporting period. Consequently, rent concessions received have been accounted for as negative variable lease payments with amounts of $3,462,000 credited to profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.

4 Segment reporting

The Group manages its businesses by business units, which are organised based on their products and services. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following five reportable segments:

(a) the property development segment engages in the development of residential and commercial properties;

(b) the property investment segment invests in commercial properties for their rental income potential;

(c) the property management segment engages in the management of both properties developed by the Group and external parties;

4 Segment reporting (Continued)

(d) the manufacture segment engages in the manufacture and sale of industrial and commercial products; and

(e) the "others" segment comprises, principally, the hotel operations, manufacture and sale of aluminum alloy products and agricultural products, provision of construction services and other businesses.

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before taxation from continuing operations. The adjusted profit before taxation from continuing operations is measured consistently with the Group's profit before taxation except that other income and gains, finance costs, net fair value loss on financial assets measured at fair value through profit or loss as well as head office and corporate expenses are excluded from such measurement.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2020 and 2019 is set out below:

4 Segment reporting (Continued)

For the six months ended 30 June 2020	Property development $'000	Property investment $'000	Property management $'000	Manufacturing $'000	Others $'000	Total $'000
Segment revenue:						
Sales to customers	2,170,216	560,609	917,155	127,397	346,219	4,121,596
Intersegment sales	–	8,278	23,789	–	54,196	86,263
	2,170,216	568,887	940,944	127,397	400,415	4,207,859
Reconciliation						
Elimination of intersegment sales						(86,263)
Revenue						4,121,596
Segment results before decrease in fair value of investment properties	891,269	448,913	19,231	7,816	(74,919)	1,292,310
Decrease in fair value of investment properties	–	(462,759)	–	–	–	(462,759)
Decrease in fair value upon transfer to investment properties	–	(1,516)	–	–	–	(1,516)
Segment results after decrease in fair value of investment properties	891,269	(15,362)	19,231	7,816	(74,919)	828,035
Reconciliation						
Elimination of intersegment results						(19,730)
Other income and gains						1,023,699
Fair value loss of financial assets measured at fair value through profit or loss, net						(452,273)
Corporate and other unallocated expenses						(65,431)
Finance costs						(591,097)
Profit before taxation						723,203

4 Segment reporting (Continued)

For the six months ended 30 June 2019	Property development $'000	Property investment $'000	Property management $'000	Manufacturing $'000	Others $'000	Total $'000
Segment revenue:						
Sales to customers	2,372,145	504,391	935,532	146,359	445,687	4,404,114
Intersegment sales	–	5,404	50,133	–	8,178	63,715
	2,372,145	509,795	985,665	146,359	453,865	4,467,829
Reconciliation						
Elimination of intersegment sales						(63,715)
Revenue						4,404,114
Segment results before increase in fair value of investment properties	908,378	441,261	16,272	12,819	81,482	1,460,212
Increase in fair value of investment properties	–	66,595	–	–	–	66,595
Increase in fair value upon transfer to investment properties	–	26,552	–	–	–	26,552
Segment results after increase in fair value of investment properties	908,378	534,408	16,272	12,819	81,482	1,553,359
Reconciliation						
Elimination of intersegment results						(56,527)
Other income and gains						232,903
Fair value loss on financial assets measured at fair value through profit or loss, net						(236,765)
Corporate and other unallocated expenses						(76,436)
Finance costs						(366,915)
Profit before taxation						1,049,619

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

5 Revenue, other income and gains

Revenue, represents sale of completed properties, commercial and industrial goods, rental income, property management fee income and others. All of the revenue of the Group is recognised at a point in time except for property management fee income, which is recognised over time.

Disaggregation of revenue from contracts with customers by major products and service lines is as follows:

	Six months ended 30 June	
	2020	2019
	$'000	$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of completed properties	**2,170,216**	2,372,145
Property management fee income	**917,155**	935,532
Sales of commercial and industrial goods	**127,397**	146,359
Others	**346,219**	445,687
	3,560,987	3,899,723
Revenue from other sources		
Gross rentals from investment properties (note(a))	**560,609**	504,391
	4,121,596	4,404,114
Other income and gains		
Interest income	**120,058**	103,096
Dividend income (note(b))	**868,554**	–
Others	**35,087**	129,807
	1,023,699	232,903

5 Revenue, other income and gains (Continued)

Notes:

(a) During the period, the Group offered rent concessions to certain tenants as a direct consequence of COVID-19. These rent concessions amounted to $174,576,000 are accounted for as lease modifications, of which $64,224,000 has been recognised as a deduction to the gross rental income during the interim period.

(b) Pursuant to the investment agreements disclosed in note 15 to the interim financial report, the Group received a dividend from Hengda Real Estate Group Company Limited ("Hengda Real Estate") of HK$868,455,000 during the six months ended 30 June 2020. No such dividend was received from Hengda Real Estate during the six months ended 30 June 2019.

6 Finance costs

	Six months ended 30 June	
	2020	2019
	$'000	$'000
Interest on:		
Bank loans	**459,565**	484,621
Other borrowings	**100,059**	114,270
Lease liabilities	**8,700**	12,216
Loans from the ultimate holding company	**33,395**	61,343
Loans from the immediate holding company	**11,079**	19,791
Loans from fellow subsidiaries	**78,073**	52,497
Loans from a joint venture	**2,643**	17,798
Loans from an other related company	**3,503**	3,792
Loans from non-controlling shareholders	**–**	4,036
Total interest expense on financial liabilities not stated at fair value through profit or loss	**697,017**	770,364
Interest accrued on contract liabilities	**329,068**	179,763
Less: Interest capitalised into properties under development	**(434,988)**	(583,212)
	591,097	366,915

7 Profit before taxation

The Group's profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2020	2019
	$'000	$'000
Amortisation of prepaid land lease payments	**549**	580
Depreciation		
– owned property, plant and equipment	**76,161**	90,971
– right-of-use assets	**21,585**	15,270
Impairment losses on property, plant and equipment (note)	**106,584**	–
Impairment losses/(reversal of impairment losses)		
– trade receivables	**4,007**	5,647
– prepayments, deposits and other receivables	**55,237**	10,169
– other financial assets	**(8,020)**	(2,069)

Note: During the six months ended 30 June 2020, the Group's hotel operations in mainland China was adversely affected by the outbreak of COVID-19 and certain assets related to those operations have indications of impairment. With the assistance of Jones Lang LaSalle Corporate Appraisal Limited ("JLL"), an independent firm of professionally qualified property valuers, the Group assessed the recoverable amounts of those assets based on their value in use. Impairment losses of $106,584,000 (six months ended 30 June 2019: $nil) were recognised in "Other operating expenses".

8 Income tax

The provision for Hong Kong Profits Tax for the six months ended 30 June 2020 is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the interim period, except for those qualifying corporations which the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. No provision for Hong Kong Profits Tax was made as the Group has no assessable profits arising in or derived from Hong Kong for the interim period (2019: nil).

Pursuant to the rules and regulations of the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the BVI.

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

PRC 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.

	Six months ended 30 June	
	2020	2019
	$'000	$'000
Current tax:		
Mainland China CIT	**342,675**	275,019
Withholding tax on dividend	**16,528**	–
LAT in mainland China	**357,178**	192,537
Deferred tax:		
Mainland China CIT	**(372,352)**	7,943
Withholding tax on dividend	**28,557**	42,871
LAT in mainland China	**(17,893)**	(24,060)
Total tax charge for the period	**354,693**	494,310

9 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of $322,590,000 (six months ended 30 June 2019: $447,067,000) and the weighted average of 8,833,437,048 ordinary shares (six months ended 30 June 2019: 8,425,838,699 shares) in issue during the interim period.

(b) Diluted earnings per share

For the six months ended 30 June 2020, the effect of conversion of share option scheme (note 20) was anti-dilutive and the diluted earnings per share for the period is therefore equal to the basic earnings per share. For the six months ended 30 June 2019, the diluted earnings per share was based on 8,425,983,678 shares which is the weighted average number of shares in issue during the period plus the weighted average number of 144,979 shares deemed to be issued at no consideration if all outstanding options had been exercised.

10 Dividends

	Six months ended 30 June	
	2020	2019
	$'000	$'000
Dividends recognised as distribution during the period:		
Final dividend declared for 2019 – HK11.00 cents per share (six months ended 30 June 2019: declared for 2018 – HK11.00 cents per share) (i)/(ii)		
Scrip shares	**161,488**	675,777
Cash	**810,190**	252,630
	971,678	928,407
Dividend declared in respect of current period:		
Interim dividend for 2020 – HK7.00 cents per share (Interim dividend for 2019: HK7.00 cents per share) (iii)	**622,993**	607,461

10 Dividends (Continued)

Notes:

(i) The shareholders are given the option of receiving these dividends wholly in cash, or wholly in new fully paid share(s) of the Company in lieu of cash, or partly in cash and partly in the form of scrip shares.

(ii) The Company declared a final dividend of HK11.00 cents per share in respect of year ended 31 December 2019 amounted to $971,678,000, of which $810,190,000 were paid in cash and the remaining balance of $161,488,000 were settled in the form of 66,456,067 scrip shares on 17 August 2020.

The Company declared a final dividend of HK11.00 cents per share in respect of year ended 31 December 2018 amounted to $928,407,000, of which $252,630,000 were paid in cash and the remaining balance of $675,777,000 were settled in the form of 237,949,329 scrip shares on 15 August 2019.

(iii) On 27 August 2020, the board of directors has declared an interim dividend of HK7.00 cents per share for the six months ended 30 June 2020 (interim dividend for 2019: HK7.00 cents per share) amounted to $622,993,000.

The amount of the interim dividend for 2020 was calculated on the basis of 8,899,893,115 shares in issue as at 27 August 2020.

11 Property, plant and equipment

Owned assets

During the six months ended 30 June 2020, the Group acquired items of property, plant and equipment with a cost of $49,630,000 (six months ended 30 June 2019: $122,127,000). Items of property, plant and equipment with a net book value of $220,000 were disposed of during the six months ended 30 June 2020 (six months ended 30 June 2019: $nil), resulting in a loss on disposal of $151,000 (six months ended 30 June 2019: $nil).

As at 30 June 2020, the Group has not yet obtained the ownership certificates in respect of the buildings with a net carrying value of $206,095,000 (31 December 2019: $538,288,000).

12 Investment properties

The Group's investment properties are situated in mainland China and are held under medium lease terms. The directors of the Company have determined that the investment properties are categorised as commercial based on the nature, characteristics and risks of each property. The Group's investment properties were revalued at 30 June 2020 based on valuation performed by JLL, an independent firm of professionally qualified property valuers who have among their staff Fellow of the Hong Kong Institute of Surveyors with recent experience in location and category of property being valued, at approximately $32,955,285,000 (31 December 2019: $34,241,821,000) across the three levels of the inputs to the revaluation methodologies in accordance with HKFRS 13, Fair value measurement ("HKFRS 13"). The levels are defined in note 22(a)(i).

None of the Group's investment properties measured at fair value are categorised as Level 1 and Level 2 input. The Group's investment properties are at Level 3 valuation.

(Expressed in Hong Kong dollars unless otherwise indicated)

12 Investment properties (Continued)

The Group's property manager and the General Manager of Financial Management Department have discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation technique	Significant unobservable inputs	Range
Commercial properties	Income capitalisation method	Vacancy rate	3% – 25% (31 December 2019: 2% – 25%)
		Capitalisation rate	3% – 7% (31 December 2019: 2% – 7%)

The fair value of the Group's investment properties in the mainland China is determined using income capitalisation method.

Income capitalisation method determines fair values by discounting the projected cash flows associated with the properties using capitalisation rates. The valuation takes into account expected market rental growth and vacancy rate of the respective properties. The discount rates used have been adjusted for the quality and location of the buildings and the tenant credit quality. The fair value measurement is positively correlated to the expected market rental growth, and negatively correlated to the vacancy rate and the capitalisation rates.

Certificates of ownership in respect of certain investment properties of the Group with a net carrying amount of approximately $1,688,065,000 as at 30 June 2020 (31 December 2019: $1,702,440,000) have not yet been issued by the relevant PRC authorities. The Group is in the process of obtaining the relevant certificates.

13 Interests in associates

	At 30 June 2020 $'000	At 31 December 2019 $'000
Unlisted	**210,033**	206,708
Listed in Hong Kong	**5,782,666**	5,928,803
Provision for impairment*	**(816,000)**	(816,000)
	5,176,699	5,319,511

* The provision for impairment is related to the Company's interest in Coastal Greenland Limited ("Coastal Greenland"). In respect of the Group's interest in Road King Infrastructure Ltd. ("Road King"), the board of directors consider there is no impairment after considering the fact that there was no significant or prolonged decline in its fair value below its cost.

Particulars of the material associates, which is accounted for using the equity method in the consolidated financial statements, are as follows:

Name	Business structure	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of ownership interest attributable to the Group		Principal activities
				30 June 2020	31 December 2019	
Coastal Greenland*	Corporate	Bermuda/ mainland China	4,146,020,285 ordinary shares of $0.1 each	**15.22**	15.22	Property development and investment
Road King**	Corporate	Bermuda/ mainland China	749,336,566 ordinary shares of $0.1 each	**27.00**	27.00	Development, operation and management of toll roads and property development and investment

13 Interests in associates (Continued)

None of the associates are audited by KPMG, Hong Kong or another member firm of the KPMG global network.

* Coastal Greenland is a limited liability Company incorporated in Bermuda and its ordinary shares with a nominal value of $0.10 each are listed on the Main Board of the Stock Exchange of Hong Kong Limited. The principal location of Coastal Greenland's business is mainland China. Although the Group holds less than 20% of the ownership interest and voting control of Coastal Greenland, the Group considers that it has the ability to exercise significant influence over Coastal Greenland through both its shareholding and its nominated directors' participation on Coastal Greenland's board of directors.

** Road King is a limited liability Company incorporated in Bermuda and its ordinary shares with a nominal value of $0.10 each are listed on the Main Board of the Stock Exchange of Hong Kong Limited. The principal location of Road King's business is mainland China.

The Group's shareholdings in the associates comprise equity shares held by the Company, except for Road King, the shareholdings of which are held through a wholly-owned subsidiary of the Company.

The financial years of the Group's associates are coterminous with that of the Group, except for Coastal Greenland which has a financial year ending 31 March.

14 Interests in joint ventures

	At 30 June 2020 $'000	At 31 December 2019 $'000
Unlisted (note)	**6,485,576**	6,811,843

Note: The balance includes loans to joint ventures of $1,387,711,000. In accordance with the terms of the joint venture agreements, the loans are either unsecured, interest free and subordinated to the other financing obtained by the joint venture or require both parties to the joint venture to provide loan capital to the joint venture in proportion to their shareholdings and under equal terms. Accordingly, these loans form an integral part of the Group's equity investment in the joint venture and is recognised as such.

(Expressed in Hong Kong dollars unless otherwise indicated)

14 Interests in joint ventures (Continued)

Particulars of the Group's material joint ventures, which is accounted for using the equity method in the consolidated financial statements, are as follows:

Name	Nominal value of registered capital	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Shenzhen Langtong Property Development Company Limited	RMB100,000,000	PRC/mainland China	50	50	50	Property development and property investment
Shenzhen Tianan Cyber Park (Group) Company Limited* ("Tianan")	US$120,000,000	PRC/mainland China	37.53*	50	37.53*	Property investment and development
Taizhou Shum Yip Investment Development Limited ("Taizhou Shum Yip")	RMB100,000,000	PRC/mainland China	51	50	51	Provision of land development service
Shum King Company Limited ("Shum King")	$2	Hong Kong	50	50	50	Property development and property investment
Guangzhou Pik Sum Real Estate Development Company Limited** ("Pik Sum")	RMB69,832,402	PRC/mainland China	14.28	14.28	14.28	Property development and property investment

* The 50% ownership interest in Tianan is held by Shum Yip Terra (Holdings) Company Limited, a 75.05% non-wholly owned subsidiary of the Group. Therefore, the Group's effective ownership interest and profit sharing is 37.53%.

** Although the Group's effective ownership interests in Pik Sum was only 14.28%, all the decisions about significant operating, financing and investing activities of Pik Sum require the unanimous consent of the parties sharing control and as such, Pik Sum is accounted for as a joint venture of the Group.

15 Other financial assets

	At 30 June 2020 $'000	At 31 December 2019 $'000
Current:		
Financial assets measured at fair value through profit or loss (FVPL)		
– Listed equity investments in Hong Kong	**2,150**	2,367
– Derivative financial instrument (note(a))	**558,348**	–
– Wealth management product (note(b))	**878,338**	–
	1,438,836	2,367
Financial assets measured at amortised cost		
– Finance lease receivables due within one year	**31,373**	29,296
Less: Loss allowance	**(608)**	(568)
	30,765	28,728
	1,469,601	31,095
Non-current:		
Financial assets measured at FVPL		
– Listed equity investments in mainland China	**28,419**	31,801
– Unlisted equity investments in mainland China (note(a))	**5,651,358**	6,191,000
– Derivative financial instrument (note(a))	**–**	597,221
	5,679,777	6,820,022
Equity securities designated at fair value through other comprehensive income (FVOCI) (non-recycling)		
– Unlisted equity investments in mainland China	**3,676**	3,748
Financial assets measured at amortised cost		
– Finance lease receivables	**130,517**	144,210
– Other long-term assets	**1,960,300**	2,157,680
Less: Loss allowance	**(79,017)**	(88,727)
	2,011,800	2,213,163
	7,695,253	9,036,933

15 Other financial assets (Continued)

Notes:

(a) On 31 May 2017, 28 June 2017 and 6 November 2017, the Group entered into investment agreements ("Investment Agreements") with Guangzhou Kailong Real Estate Company Limited ("Kailong Real Estate"), Hengda Real Estate Group Company Limited ("Hengda Real Estate"), both of which are subsidiaries of China Evergrande Group, and Mr. Hui Ka Yan ("Mr. Hui", a director and controlling shareholder of China Evergrande Group). Pursuant to the Investment Agreements, the Group agreed to contribute RMB5,500,000,000 (equivalent to $6,337,100,000) to the capital of Hengda Real Estate for acquisition of approximately 2.0522% of the enlarged equity interest of Hengda Real Estate at the date of contribution, which was subsequently diluted to 1.7626% of the enlarged equity interest of Hengda Real Estate after the capital contributions from other investors in November 2017.

Hengda Real Estate is undergoing a major assets reorganisation such that Kailong Real Estate, as the holding company of Hengda Real Estate, will become the controlling shareholder of Shenzhen Special Economic Zone Real Estate & Properties (Group) Co. Ltd., a company listed on the Shenzhen Stock Exchange, after the major assets reorganisation ("Proposed Reorganisation"). If the Proposed Reorganisation of Hengda Real Estate is not completed by 31 January 2020 ("Listing Deadline") and the failure to complete is not caused by reasons attributable to the Group, the Group is entitled to have the right ("Hengda Option Right") within two months of the expiry of the Listing Deadline to demand Kailong Real Estate to either:

(i) buy back the entire equity interest in Hengda Real Estate held by the Group at the original amount of capital contributed by it, provided that Kailong Real Estate may choose not to buy back such equity interest from the Group, in which case, the Group will have the right to request Mr. Hui to buy back the entire equity interest held by the Group at the original amount of capital contributed by it; or

(ii) transfer additional shares, which are equivalent to 50% of the equity interest held by the Group in Hengda Real Estate on the signing of the compensation agreement (excluding any additional equity interest acquired by the Group after the date of the Investment Agreements), to the Group at nil consideration.

In addition, under the terms of the Investment Agreements, Kailong Real Estate and Hengda Real Estate have undertaken to the Group that the net profit of Hengda Real Estate for the three financial years of 2017, 2018 and 2019 ("Performing Undertaking Period") shall not be less than RMB24.3 billion, RMB50 billion and RMB55 billion, respectively. If the net profit of Hengda Real Estate for any financial year in the Performance Undertaking Period is less than the amount for that financial year, the proportional dividend to be paid by Hengda Real Estate to the Group will be adjusted upward in accordance with the formulae specified in the Investment Agreements (the "Minimum Dividend Payment Mechanism").

15 Other financial assets (Continued)

Notes: (Continued)

(a) (Continued)

The Group has undertaken to Hengda Real Estate and its holding company, Kailong Real Estate, that it will not transfer its interests in Hengda Real Estate or create any encumbrances over such interests without the consent of Kailong Real Estate for a period of three years from completion of the capital contribution.

On 13 January 2020, the Group, Kailong Real Estate, Hengda Real Estate and Mr. Hui entered into a supplemental investment agreement pursuant to which the parties thereto have agreed to amend certain terms of the Investment Agreements as follows:

(i) Original Listing Deadline has been extended from 31 January 2020 to 31 January 2021;

(ii) Kailong Real Estate and Hengda Real Estate have further undertaken to the Group that the amount of net profit of Hengda Real Estate for financial year 2020 will not be less than RMB60 billion; and

(iii) the same Minimum Dividend Payment Mechanism provided for in the Investment Agreements in respect of the financial years of 2017, 2018 and 2019 will also apply to the financial year of 2020.

The Group's equity investment and derivative financial instruments arising from the Investment Agreements are collectively known as Hengda Investments, which amounted to $6,209,706,000 at 30 June 2020 (31 December 2019: $6,788,221,000).

During the period ended 30 June 2020, there was a decrease in fair value in respect of Hengda Investments of $451,781,000, which was recognised in the consolidated statement of profit or loss.

(b) Wealth management product is a principal guaranteed investment with its investment return linked to 3 months United States dollar London Interbank Offered Rate.

16 Trade receivables

	At 30 June 2020 $'000	At 31 December 2019 $'000
Trade receivables	**811,407**	725,876
Less: loss allowance account	**(133,596)**	(132,264)
	677,811	593,612

Under normal circumstances, the Group does not grant any credit terms to its customers for the sale of properties. In respect of the remaining trade receivables, the credit terms range from 30 to 180 days from the date of billing. The Group seeks to maintain strict control over its outstanding receivables and to minimise credit risk. 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.

An aging analysis of the trade receivables as at the end of the reporting period, based on the contract date and net of provision, is as follows:

	At 30 June 2020 $'000	At 31 December 2019 $'000
Within one year	**554,849**	438,893
One to two years	**92,962**	122,226
Two to three years	**30,000**	32,493
	677,811	593,612

17 Cash and cash equivalents and restricted cash

	At 30 June 2020 $'000	At 31 December 2019 $'000
Cash and bank balances	**17,639,985**	11,312,887
Non-pledged time deposits with original maturity of less than three months when acquired	**1,073,567**	1,059,873
	18,713,552	12,372,760
Less: Restricted cash	**(1,454,192)**	(2,719,521)
Cash and cash equivalents	**17,259,360**	9,653,239

18 Pledge of assets

Bank loans amounting to $463,412,000 (31 December 2019: $383,208,000) were secured by certain of the Group's assets with carrying amounts as below:

(i) properties under development with a carrying amount value of approximately $2,379,801,000 (31 December 2019: $1,086,976,000) was used to secure banking facilities amounting to $2,408,560,000 (31 December 2019: $1,562,820,000), of which $333,284,000 had been drawn down at 30 June 2020 (31 December 2019: $250,525,000);

(ii) land and buildings and investment properties in mainland China with net carrying amounts of approximately $568,749,000 and $400,587,000 respectively (31 December 2019: $605,816,000 and $498,181,000) were used to secure banking facilities amounting to $273,700,000 (31 December 2019: $279,075,000), of which $130,128,000 (31 December 2019: $132,683,000) had been drawn down at 30 June 2020 (notes 11 and 12).

In addition to the above, other borrowings included Senior Commercial Mortgage-backed Notes of RMB1,800,000,000 issued in China Interbank Bond Market on 16 June 2020, which were secured by trade receivables and investment properties in mainland China with net carrying amounts of approximately $9,419,000 and $2,263,390,000 respectively (31 December 2019: $nil and $nil).

19 Trade payables

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

	At 30 June 2020 $'000	At 31 December 2019 $'000
Within one year	**2,113,936**	2,026,082
One to two years	**119,161**	124,859
Two to three years	**81,763**	106,228
Over three years	**367,136**	368,440
	2,681,996	2,625,609

20 Share option scheme

The Company operated a share option scheme (the "Scheme") which was approved and adopted on 22 June 2012 for the purpose of providing incentives and rewards to directors and employees of the Group who contribute to the success of the Group's operations. The Scheme became effective on 22 June 2012 and, unless otherwise cancelled or amended, shall be valid and effective for a period of 10 years from that date, after which period no further options will be issued but in all other respects the provisions of the Scheme shall remain in full force and effect.

(Expressed in Hong Kong dollars unless otherwise indicated)

20 Share option scheme (Continued)

(a) Share options outstanding at the end of the reporting period

The terms and conditions of the share options outstanding as at the end of the reporting period are as follows:

	Number of instruments	Exercise price	Vesting date	Expiry date	Contractual life of options
At 30 June 2020					
Options granted to directors and employees:					
– on 20 June 2017	49,496,109	3.036	20/06/2019	19/06/2022	5.00
– on 20 June 2017	37,122,071	3.036	20/06/2020	19/06/2022	5.00
– on 20 June 2017	37,122,117	3.036	20/06/2021	19/06/2022	5.00
Options granted to directors and employees					
– on 8 February 2018	9,232,599	3.001	20/06/2019	19/06/2022	4.36
– on 8 February 2018	6,924,451	3.001	20/06/2020	19/06/2022	4.36
– on 8 February 2018	6,924,464	3.001	20/06/2021	19/06/2022	4.36
Total share options outstanding	146,821,811				

At the end of the reporting period, the Company had 146,821,811 share options outstanding under the Scheme, representing approximately 1.66% of the Company's shares in issue as at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 146,821,811 additional ordinary shares of the Company and an increase in share capital of $547,130,000 (before issue expenses).

(Expressed in Hong Kong dollars unless otherwise indicated)

20 Share option scheme (Continued)

(b) Share options movement during the period

The number and weighted average exercise price of share options under the Scheme are as follows:

	At 30 June 2020		At 30 June 2019	
	Weighted average exercise price $ per share	**Number of options**	Weighted average exercise price $ per share	Number of options
At 1 January	**3.029**	**146,821,811**	3.041	219,017,280
Granted during the period (i)	**–**	**–**	–	–
Exercised during the period (i)	**–**	**–**	2.191	(26,348,178)
Forfeited during the period (i)	**–**	**–**	–	–
Lapsed during the period (i)	**–**	**–**	2.542	(17,923,159)
At 30 June	**3.029**	**146,821,811**	3.220	174,745,943
Exercisable at the end of the period	**3.030**	**102,775,230**	3.221	69,898,308

The options outstanding at 30 June 2020 had an exercise price of $3.001 – $3.036 (30 June 2019: $3.188 – $3.226) and a weighted average remaining contractual life of 1.93 years (30 June 2019: 2.82 years).

(i) No share options were granted, exercised, forfeited and lapsed during the reporting period.

(ii) The Group recognised a share option expense of $6,689,000 during the six months ended 30 June 2020 (six months ended 30 June 2019: $15,054,000).

21 Capital and reserves

(a) Capital

	At 30 June 2020 $'000	At 31 December 2019 $'000
Issued and fully paid:		
8,833,437,048 (31 December 2019: 8,833,437,048) ordinary shares	**21,910,268**	21,910,268

(b) Reserves

The amounts of the Group's reserves and the movements therein for the current period are set out in the consolidated statement of changes in equity on pages 32 to 33.

(c) Capital management

The objectives of the Group's capital management policy are to ensure the financing capabilities of the Company in running its operation on a going concern basis, to maintain an optimal capital structure, to reduce capital cost and to maximise shareholders value.

The Group manages and adjusts its capital structure appropriately according to the specific features of the risks of its assets and the changes in various economic conditions. Through adjustments in dividend distribution, injections and repayments of capital by shareholders or issuance of new shares, the Group is able to maintain an optimal capital structure of the Company.

The Group monitors capital using a gearing ratio, which is net debt divided by equity attributable to equity shareholders of the Company. The Group's policy is to keep the gearing ratio at a reasonable level. Net debt is interest-bearing bank loans and other borrowings less cash and cash equivalents and restricted cash.

22 Fair value and fair value hierarchy of financial instruments

(a) Financial assets measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group's Financial Management Department headed by the General Manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The Financial Management Department reports directly to the Directors and the audit committee. At each reporting date, the Financial Management Department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the Directors. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

22 Fair value and fair value hierarchy of financial instruments (Continued)

(a) Financial assets measured at fair value (Continued)

(ii) The Group's financial assets measured at fair value are set out below:

	Fair value measurement as at 30 June 2020 using			
	Unadjusted quoted prices in active markets (Level 1) $'000	Observable inputs (Level 2) $'000	Significant unobservable inputs (Level 3) $'000	Total $'000
Listed equity investments in Hong Kong	2,150	–	–	2,150
Listed equity investments in mainland China	28,419	–	–	28,419
Unlisted equity investments in mainland China	–	–	5,655,034	5,655,034
Derivative financial instrument	–	–	558,348	558,348
Wealth management product	–	878,338	–	878,338
	30,569	878,338	6,213,382	7,122,289

22 Fair value and fair value hierarchy of financial instruments (Continued)

(a) Financial assets measured at fair value (Continued)

(ii) The Group's financial assets measured at fair value are set out below: (Continued)

	Fair value measurement as at 31 December 2019 using			
	Unadjusted quoted prices in active markets (Level 1) $'000	Observable inputs (Level 2) $'000	Significant unobservable inputs (Level 3) $'000	Total $'000
Listed equity investments in Hong Kong	2,367	–	–	2,367
Listed equity investments in mainland China	31,801	–	–	31,801
Unlisted equity investments in mainland China	–	–	6,194,748	6,194,748
Derivative financial instrument	–	–	597,221	597,221
	34,168	–	6,791,969	6,826,137

22 Fair value and fair value hierarchy of financial instruments (Continued)

(a) Financial assets measured at fair value (Continued)

(ii) The Group's financial assets measured at fair value are set out below: (Continued)

During the period, there were no transfers of fair value measurements between Level 1 and Level 2, or transfers into or out of Level 3.

(i) The fair values of listed equity investments categorised under "financial assets measured at FVPL" is measured using level 1 fair value hierarchy and is determined based on quoted market prices.

(ii) The fair value of wealth management product categorised under "financial assets measured at FVPL" is measured using level 2 fair value hierarchy and is determined based on discounted cash flow method.

(iii) The fair values of unlisted equity investments and derivative financial instrument categorised under "Other financial assets" are measured using level 3 fair value hierarchy and are determined based on Guideline Public Company Method and Binomial Option Pricing Model respectively.

(Expressed in Hong Kong dollars unless otherwise indicated)

22 Fair value and fair value hierarchy of financial instruments (Continued)

(a) Financial assets measured at fair value (Continued)

(ii) The Group's financial assets measured at fair value are set out below: (Continued)

Information about level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Weighted average
Unlisted equity investment in Hengda Real Estate	Guideline Public Company Method	Discount for lack of marketability	24% (31 December 2019: 24%)
Derivative financial instrument	Binomial Option Pricing Model	Expected probability of entitling to the Hengda Option Right	20% (31 December 2019: 20%)

The fair value of the unlisted equity instruments in Hengda Real Estate amounting to $5,651,358,000 is determined using Guideline Public Company Method, which uses the price/book ratios of comparable listed companies as benchmark and adjusted for lack of marketability discount. The fair value measurement is positively correlated to the price/book ratios and negatively correlated to the discount for lack of marketability. As at 30 June 2020, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 1% would have increased/decreased the Group's profit after tax and retained profits by $13,138,000 (six months ended 30 June 2019: $14,233,000).

22 Fair value and fair value hierarchy of financial instruments (Continued)

(a) Financial assets measured at fair value (Continued)

(ii) The Group's financial assets measured at fair value are set out below: (Continued)

The fair value of the derivative financial instrument amounting to $558,348,000 is determined based on the estimated amount that the Group would receive from the Hengda Option Right, taking into account the Group's expected probability of entitling to the Hengda Option Right. The fair value measurement is positively correlated to the probability of entitling to the Hengda Option Right. As at 30 June 2020, it is estimated that with all other variables held constant, an increase/decrease in expected probability of entitling to the Hengda Option Right by 1% would have increased/decreased the Group's profit after tax and retained profits by $20,938,000 (six months ended 30 June 2019: $22,396,000).

(b) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 30 June 2020 and 31 December 2019.

23 Commitments

Capital commitments outstanding at 30 June 2020 not provided for in the interim financial report:

	At 30 June 2020 $'000	At 31 December 2019 $'000
Commitments in respect of the acquisition of land and buildings, and development costs attributable to properties under development:		
Contracted, but not provided for	**6,627,973**	4,600,678

In addition to this, as disclosed in the Company's announcement dated 14 July 2017, the Group agreed a maximum capital contribution to a related party, Shum King, of $3,000,000,000 for its development of a piece of land in Hong Kong. As at 30 June 2020, the Group had an outstanding capital commitment to Shum King of $1,947,500,000 (31 December 2019: $1,971,500,000).

24 Contingent liabilities

(a) Financial guarantees to purchasers of the Group's properties

As at 30 June 2020, the Group has given guarantees to a maximum extent of approximately $7,885,289,000 (31 December 2019: $5,144,838,000) to banks for housing loans extended by the banks to the purchasers of the Group's properties.

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 realisable 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) Financial guarantees to related parties of the Group

As at 30 June 2020, the Group has given guarantees amounted to RMB1,083,571,000 in respect of bank loans and other borrowings to Pik Sum and Taizhou Shum Yip, both of which are joint ventures of the Group (see note 14).

25 Related party transactions

In addition to the financial guarantees provided to joint ventures disclosed in note 24(b) and the capital commitments provided to a joint venture disclosed in note 23, the Group had the following related party transactions:

(a) Financing arrangements

(i) The Group entered into certain financing arrangements with its related parties. At 30 June 2020, the amounts due to the ultimate holding company, immediate holding company, fellow subsidiaries, associates, joint ventures and an other related company were $4,553,538,000 (31 December 2019: $1,936,473,000), $1,276,234,000 (31 December 2019: $1,263,846,000), $3,642,019,000 (31 December 2019: $3,874,355,000), $45,038,000 (31 December 2019: $45,922,000), $112,081,000 (31 December 2019: $342,239,000) and $167,693,000 (31 December 2019: $175,529,000) respectively. Except for balances of $1,494,664,000 (31 December 2019: $1,443,848,000) which are interest-free, the remaining balances bear interests at rates ranging from 1.80% to 4.35% per annum. The related interest expenses for the period are disclosed in note 6.

(ii) The Group also provides loans to its related parties. As at 30 June 2020, the Group's loans to joint ventures and associates were $3,029,559,000 (31 December 2019: $3,032,524,000) and $14,211,000 (31 December 2019: $14,076,000) respectively. Except for balances of $377,204,000 (31 December 2019: $185,814,000) which are interest-free, the remaining balances bear interests at rates ranging from 4.35% to 8% per annum. The related interest income from the joint ventures and associates for the six months ended 30 June 2020 were $27,568,000 (six months ended 30 June 2019: $33,061,000) and $340,000 (six months ended 30 June 2019: $137,000) respectively.

25 Related party transactions (Continued)

(b) Leasing arrangements

(i) The Group entered into leases in respect of certain leasehold properties from its related parties, with lease terms ranging from 1 years to 5 years. During the six months ended 30 June 2020, the amounts of rent payable by the Group under these leases to its immediate holding company, fellow subsidiaries and associates were $5,636,000 (six months ended 30 June 2019: $5,566,000), $2,376,000 (six months ended 30 June 2019: $1,030,000) and $14,266,000 (six months ended 30 June 2019: $14,928,000) respectively. The related interest expenses from its immediate holding company, fellow subsidiaries and associates for the six months ended 30 June 2020 were $184,000 (six months ended 30 June 2019: $110,000), $1,278,000 (six months ended 30 June 2019: $501,000) and $2,209,000 (six months ended 30 June 2019: $2,883,000) respectively.

(ii) The Group also entered into a lease arrangement with its ultimate holding company as a lessor. For the six months ended 30 June 2020, the rental income in respect of the lease arrangement was $5,714,000 (six months ended 30 June 2019: $6,036,000).

(c) Guarantee provided by the ultimate holding company

A subsidiary of the Group in mainland China has entered into a fund arrangement with a financial institution (the "Trustee"), pursuant to which the Trustee has raised trust fund amounting to RMB1,500,000,000 (equivalent to $1,642,200,000) (31 December 2019:RMB2,500,000,000, equivalent to $2,790,750,000) which provided the fund to the subsidiary for financing a property development project of the subsidiary. The fund is guaranteed by Shum Yip Group, the Group's ultimate holding company.

25 Related party transactions (Continued)

(d) Other related party transactions

(i) The Group entered into arrangements with its ultimate holding company, an fellow subsidiary and an associate in which the Group provides management services on their behalf. For the six months ended 30 June 2020, the management fee income in respect of the management services provided to the ultimate holding company, the fellow subsidiary and the associate were $1,800,000, $1,005,000 and 8,655,000 respectively (six months ended 30 June 2019: $1,822,000, $1,052,000 and $9,056,000).

(ii) The Group entered into arrangement with its ultimate holding company in which the Group provides management services on its behalf in respect of certain agricultural lands and property development projects. For the six months ended 30 June 2020, the management fee income in respect of these management services was $340,000 (Six months ended 30 June 2019: $992,000).

(iii) During the six months ended 30 June 2020, the Group sold products to its joint ventures of $37,237,000 (six months ended 30 June 2019: $9,598,000).

(e) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2020	2019
	$'000	$'000
Short term employee benefits	**5,253**	7,969
Post-employment benefits	**1,400**	1,546
Share-based payments	**1,258**	3,765
Total compensation paid to key management personnel	**7,911**	13,280

26 Non-adjusting events after the reporting period

Subsequent to the end of the interim period, the board of the directors proposed an interim dividend. Further details are disclosed in note 10(iii).

27 Impacts of Covid-19 pandemic

The outbreak of COVID-19 since January 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position and performance.

As far as the Group's businesses are concerned, the outbreak has adversely affected the Group's property development and property investment segments, which are the Group's major sources of revenue. The outbreak of COVID-19 has caused delays in progress for certain projects in the property development segment during the first half of 2020. It also resulted in a reduction in rental income from the property investment segment as the Group has implemented measures to offer rental reliefs to certain tenants.

The Group has been closely monitoring the impact of the developments on the Group's businesses. The Group has also critically assessed the impact to its financial position, working capital and liquidity position. Various measures has been put in place to manage the risks evolved as a direct consequence of COVID-19, including as credit risk and liquidity risk.

Directors' Interests in Shares

As at 30 June 2020, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of SFO), or which were recorded in the register required to be kept under Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") adopted by the Company were as follows:–

Long positions in the shares ("Shares") and underlying shares of the Company:

Name of director	Capacity	Number of Shares	Underlying shares pursuant to share options	Aggregate interests	Percentage of Shares in issue *(Note 1)*
LU Hua	Beneficial owner	1,154,562	8,895,000	10,049,562	0.11
HUANG Wei	Beneficial owner	–	8,449,789	8,449,789	0.10
LIU Chong *(Note 2)*	Beneficial owner	–	5,960,757	5,960,757	0.07
WU Jiesi	Beneficial owner	3,400,000	–	3,400,000	0.04
LI Wai Keung	Beneficial owner	1,180,880	–	1,180,880	0.01
WONG Yau Kar, David	Beneficial owner	568,000	–	568,000	0.01

Notes:

1. The percentage was calculated based on 8,833,437,048 Shares in issue as at 30 June 2020.

2. Mr. LIU Chong has resigned as an executive director of the Company with effect from 23 July 2020.

Details of the directors' interests in share options granted by the Company are set out in the paragraph headed "Share Option Scheme" under the section headed "Other Information".

Save as disclosed above, none of the directors and chief executive of the Company had, as at 30 June 2020, any interests or short positions in any Shares and underlying shares or debentures of the Company or any of its associated corporations (which is the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of Shares in, or debt securities (including debentures) of, the Company or its associated corporations and none of the directors, or their spouse or children under the age of 18, had any rights to subscribe for equity or debt securities of the Company or its associated corporations, or had exercised any such rights.

Interests of Substantial Shareholders

So far as is known to any director or chief executive of the Company, as at 30 June 2020, the interests and short positions of the shareholders (other than directors or chief executives of the Company) who had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:

Interest in Shares:

Name	Capacity	Number of Shares Long Position	Number of Shares Short Position	Percentage of Shares in issue *(Note 1)*
Shum Yip Group Limited* ("SYG")	Interest in controlled corporation	5,622,994,189 *(Note 2)*	–	63.66
Shum Yip Holdings Company Limited ("SYH")	Beneficial owner	5,546,307,730	–	62.79
	Interest in controlled corporation	76,686,459 *(Note 3)*	–	0.87
ALPHA-OMEGA CORPORATION	Beneficial owner	708,099,417	–	8.02

Notes:

1. The percentage was calculated based on 8,833,437,048 Shares in issue as at 30 June 2020.

2. SYG is deemed to be interested in the 5,622,994,189 Shares which SYH is interested in by virtue of SYH being its direct wholly-owned subsidiary.

3. These 76,686,459 Shares were held by Goldclass Industrial Limited, a wholly-owned subsidiary of Successful Years Holdings Limited, which in turn is wholly-owned by Shum Yip Finance Company Limited ("SYF"). SYF is a wholly-owned subsidiary of SYH and accordingly, SYH is deemed to be interested in these 76,686,459 Shares.

* The English translation is for identification purpose only

Save as disclosed above, as at 30 June 2020, the Company had not been notified by any person (other than directors and chief executives of the Company) who had interests or short positions in the Shares and underlying shares of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO.

Share Option Scheme

The Company adopted a share option scheme on 22 June 2012 ("Share Option Scheme"). As at 30 June 2020, 146,821,811 options granted under the Share Option Scheme were still outstanding.

The particulars of, and movements in, the share options outstanding under the Share Option Scheme during the period are set out below:

	Number of share options									
	At 1 January 2020	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Other changes during the period	At 30 June 2020	Date of grant of share options	Exercise period of share options	Exercise price of share options *HK$ per share*
Directors										
LU Hua	8,895,000	–	–	–	–	–	8,895,000	20/6/2017	20/6/2019-19/6/2022*	3.036
HUANG Wei	8,449,789	–	–	–	–	–	8,449,789	20/6/2017	20/6/2019-19/6/2022*	3.036
MOU Yong	5,960,757	–	–	–	–	(5,960,757) *(Note 1)*	–	20/6/2017	20/6/2019-19/6/2022*	3.036
LIU Chong *(Note 2)*	5,960,757	–	–	–	–	–	5,960,757	20/6/2017	20/6/2019-19/6/2022*	3.036
	29,266,303	–	–	–	–	(5,960,757)	23,305,546			
Other participants										
In aggregate	94,473,994	–	–	–	–	5,960,757 *(Note 1)*	100,434,751	20/6/2017	20/6/2019-19/6/2022*	3.036
	23,081,514	–	–	–	–	–	23,081,514	8/2/2018	20/6/2019-19/6/2022*	3.001
	117,555,508	–	–	–	–	5,960,757	123,516,265			
	146,821,811	–	–	–	–	–	146,821,811			

Notes:

1. Mr. MOU Yong has retired as an executive director of the Company with effect from 26 May 2020 and remains a participant of the Share Option Scheme.

2. Mr. LIU Chong has resigned as an executive director of the Company with effect from 23 July 2020.

* Options shall be exercisable in the following manner and subject to performance review:–

Maximum percentage of Share Option exercisable	Period for exercise of the relevant percentage of the Share Option
40%	at any time from 20 June 2019 to 19 June 2020
70%	at any time from 20 June 2020 to 19 June 2021
100%	at any time from 20 June 2021 to 19 June 2022

Interim Dividend

The Board has declared an interim dividend of HK7.00 cents per Share for the six months ended 30 June 2020 (interim dividend for 2019: HK7.00 cents) payable on or about Thursday, 15 October 2020 to shareholders whose names appear on the register of members of the Company on Monday, 14 September 2020.

Closure of Register of Members

The Register of Members of the Company will be closed from Friday, 11 September 2020, to Monday, 14 September 2020 (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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Thursday, 10 September 2020.

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 ("Listing Rules") throughout the six months ended 30 June 2020.

Audit Committee

The Audit Committee comprises three independent non-executive directors namely Mr. LI Wai Keung, Mr. WU Wai Chung, Michael and Dr. WONG Yau Kar, David. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters including the review of the unaudited interim results for the six months ended 30 June 2020 and this report.

Compliance with Model Code

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors. On specific enquiries made, all directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the period from 1 January 2020 to 30 June 2020.

Changes in directorships of the Company

Mr. MOU Yong has retired as an executive director of the Company with effect from 26 May 2020.

With effect from 23 July 2020, Mr. LIU Chong has resigned as an executive director of the Company, Mr. LIU Shichao has been re-designated from a non-executive director of the Company to an executive director of the Company and Mr. DONG Fang has been appointed as an executive director of the Company.

Ms. CAI Xun has been appointed as an executive director of the Company with effect from 27 August 2020.

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 period.

Continuing Disclosure Requirements Under Rule 13.21 of the Listing Rules

Banking facilities with covenants in relation to specific performance of the controlling shareholder:

By an agreement ("1st Facility Agreement") dated 29 May 2015 entered into between the Company as borrower and a bank, up to a principal amount of HK$200,000,000 term loan facility ("1st Facility") was provided to the Company. The 1st Facility shall be fully repaid by the Company in three instalments with the last repayment date falling 60 months from the date of the 1st Facility Agreement.

By an agreement ("2nd Facility Agreement") dated 9 August 2017 entered into between the Company as borrower and a bank, up to a principal amount of HK$500,000,000 transferable term loan facility ("2nd Facility") was provided to the Company. The term of the 2nd Facility is 48 months commencing from the date of the 2nd Facility Agreement.

On 16 August 2017, the Company as borrower accepted the facility letter ("3rd Facility Agreement") relating to a transferable term loan facility up to a principal amount of HK$600,000,000 (or its equivalent in United States dollars) ("3rd Facility") offered by a bank as lender. The Company shall repay in full to the lender each borrowing of a portion of the 3rd Facility on the date falling 48 months from the date such borrowing is made and all other sums (if any) then owing under the 3rd Facility Agreement on the date falling 54 months from 21 August 2017.

On 18 August 2017, the Company as borrower accepted the facility letter ("4th Facility Agreement") relating to a term loan facility of up to US$65,000,000 (or its equivalent in Hong Kong dollars) ("4th Facility") offered by a bank as lender. The 4th Facility shall be fully repaid by the Company in three installments with the last repayment date falling 36 months from the acceptance date of the 4th Facility Agreement.

On 18 December 2017, the Company as borrower entered into a facility agreement ("5th Facility Agreement") relating to a transferable term loan facility of up to HK$400,000,000 ("5th Facility") with a bank as lender. The term of the 5th Facility is 48 months commencing from the date of the 5th Facility Agreement.

On 26 February 2018, the Company as borrower accepted the facility letter ("6th Facility Agreement") relating to a term loan facility of up to HK$500,000,000 ("6th Facility") offered by a bank as lender. The last repayment date of the 6th Facility is the day falling 3 years from the acceptance date of the 6th Facility Agreement.

On 11 April 2018, the Company as borrower accepted the facility letter ("7th Facility Agreement") relating to a term loan facility of up to HK$1,500,000,000 ("7th Facility") offered by a bank as lender. The term of the 7th Facility is 4 years from the date the first drawdown under the 7th Facility is made.

On 26 June 2018, the Company as borrower entered into a facility agreement ("8th Facility Agreement") relating to a transferrable term loan facility of up to a principal amount of HK$10,000,000,000 ("8th Facility") offered by certain banks as lenders. The Company shall repay the borrowings under the 8th Facility by five installments with all outstanding amounts under the 8th Facility fully repaid on the date falling 60 months from the date of the 8th Facility Agreement.

On 14 September 2018, the Company as borrower accepted the facility letter ("9th Facility Agreement") relating to an uncommitted term loan facility of up to US$185,000,000 (or its equivalent in Hong Kong dollars) ("9th Facility") offered by a bank as lender. The last repayment date of the 9th Facility is the day falling 4 years from the acceptance date of the 9th Facility Agreement.

On 26 June 2019, the Company as borrower accepted the facility letter ("10th Facility Agreement", together with the 1st Facility Agreement, 2nd Facility Agreement, 3rd Facility Agreement, 4th Facility Agreement, 5th Facility Agreement, 6th Facility Agreement, 7th Facility Agreement, 8th Facility Agreement and 9th Facility Agreement collectively referred to as the "Facility Agreements") relating to a revolving loan facility of up to RMB1,000,000,000 ("10th Facility") offered by a bank as lender. The Facility is subject to annual review by the lender.

Under the Facility Agreements, it will be an event of default if Shum Yip Holdings Company Limited ceases to own beneficially at least 35% of the issued share capital of the Company, ceases to be the single largest shareholder of the Company, ceases to have management control of the Company, or ceases to remain beneficially owned as to at least 51% by the Shenzhen Municipal People's Government of the People's Republic of China and at any time after the happening of an event of default, all amounts due under the facilities may be declared to be immediately due and payable.

As at 30 June 2020, all advances made under the 1st Facility Agreement had been fully repaid.

深圳控股有限公司
SHENZHEN INVESTMENT LIMITED

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