



中期報告  
Interim Report  
2021



深圳控股有限公司  
SHENZHEN INVESTMENT LIMITED

股份代號 Stock Code: 00604



# Contents

2	Corporate Information
3	Chairman's Statement
10	Management Discussion and Analysis
27	Report on Review of Interim Financial Information
29	Condensed Consolidated Statement of Profit or Loss
30	Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
31	Condensed Consolidated Statement of Financial Position
33	Condensed Consolidated Statement of Changes in Equity
35	Condensed Consolidated Cash Flow Statement
37	Notes to Interim Financial Information
79	Disclosure of Interests
82	Other Information



## Corporate Information

### Executive Directors

Dr. LU Hua, *Chairman*

Mr. HUANG Wei, *President*

Ms. CAI Xun

Mr. DONG Fang

Ms. SHI Xiaomei

### 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

### Auditor

PricewaterhouseCoopers, *Certified Public Accountants*

Hong Kong

*Registered Public Interest Entity Auditor*

### Registered Office

8th Floor, New East Ocean Centre,

9 Science Museum Road, Tsim Sha Tsui,

Kowloon, 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

### 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](http://www.shenzheninvestment.com)

## Chairman's Statement

The global situation of the COVID-19 pandemic diverged in the first half of 2021, showing an ever-evolving trend in the United States and Europe and a worsening trend in the emerging markets. Remarkable achievements were made in the overall prevention and control of pandemic in China, though with minor fluctuations in some areas. Due to regular precise prevention and control, combined with emergency response measures, the economic and social development of China went well and achieved restorative growth. However, the global pandemic situation continues to evolve, the external environment is complicated, the recovery of domestic economy remains unstable and uneven, and uncertainties and risk factors still exist.

The overall real estate market operated in a stable manner underpinned by the principal real estate policy of "stabilizing land prices, housing prices and expectations". Under the centralized model of land supply, the divergence between cities and businesses was intensifying. The real estate regulation was tightening further in popular cities. In Shenzhen, under multiple controls, such as the price guidance mechanism for second-hand housing, household registration conditions and strict investigation of business loans, dealings in the second-hand housing cooled down, while new housing dealings remained relatively active due to short supply, increasing by 56% over the same period of last year. Attributable to the economic recovery, the occupancy rate and rent level of Shenzhen office building market picked up.

In adapting to a complex economic environment, the Group actively promoted the progress of various businesses, expanded land resources as appropriate, adopted an innovative marketing model, ensured our projects were completed, and achieved satisfactory results in the first half of the year.

### 2021 Interim Results

During the period, the Group achieved a turnover of HK\$19.40 billion, representing an increase of 371% over the same period of last year. Gross profit was HK\$7.30 billion, representing an increase of 366% over the same period of last year. Profit attributable to equity shareholders of the Company was HK\$1.39 billion, representing an increase of 332% over the same period of last year. If excluding the net effect of changes in fair value of investment properties attributable to the Group and fair value of financial assets, profit attributable to equity shareholders of the Company was HK\$2.14 billion, representing an increase of 112% over the same period of last year. Basic earnings per share were HK15.65 cents, representing an increase of 329% over the same period of last year. The Board has resolved to pay an interim dividend of HK7.00 cents per share for 2021 in cash during the period.

## Chairman's Statement

### Steady Contracted Sales with Significant Increase in Revenue

In the context of tightening real estate regulations and increasing reliance on channels, the Group strengthened marketing innovation and actively conducted online and offline sales and realized contracted sales of approximately RMB7.2 billion in the first half of the year, representing 40% of the annual sales target. Project sales in the Greater Bay Area was approximately RMB3.4 billion; project sales in second-tier cities, such as Changsha, Nanjing and Chengdu, exceeded expectations due to the expansion of new marketing channels; and sales third-tier and fourth-tier cities, such as Ma'anshan and Taizhou, performed well as projects were sold out as soon as they were launched for sale.

During the period, the Group accelerated the progress of projects to ensure Terra Licheng, Parkview Bay, Shum Yip Zhongcheng, Ma'anshan Shum Yip Huaifu and other projects were successfully completed and realized real estate development and sales revenue of approximately HK\$16.90 billion, representing a significant increase of 679% over the same period of last year. The profitability maintained at a high level, posting gross profit margin of real estate development of approximately 39% and contributing considerable returns to shareholders.

### Outstanding Performance Achieved in the Operation of Property Investment Segment

Due to effective pandemic prevention and control, various economic activities gradually returned to normal and the office leasing market in Shenzhen picked up in the first half of the year. According to DTZ Research, the vacancy rate of Grade A office buildings in Shenzhen market dropped to 22.3% in the first half of the year and the rent rose from the end of last year, ending two-year decline. The overall operation level of the Group's investment properties continued to outperform the market and the overall vacancy rate of existing properties was approximately 11%. Furthermore, the Group actively promoted upgrading for its current shopping malls and solicited businesses for its new projects. Through proactive adjustment to brand portfolio and active marketing, foot traffic in UpperHills increased by 180% as compared with the same period of last year, with the rent from new merchants increasing significantly. The operation of other shopping malls rose steadily. The Group realized property investment income of approximately HK\$690 million in the first half of the year, representing an increase of 22% over the same period of last year.

## Chairman's Statement

### Expanding Quality Land Resources with Significant Achievements

The Group continues to focus on the Guangdong-Hong Kong-Macao Greater Bay Area and expand its presence into various key cities. It acquired quality land resources in Shenzhen, Zhongshan, Changsha and Ma'anshan, adding capacity building areas of land reserve of approximately 1.76 million square meters in the first half of the year with a total land premium of approximately RMB9.4 billion.

During the period, the Group made a great breakthrough in the Guangdong-Hong Kong-Macao Greater Bay Area. Shenzhen urban renewal projects progressed well and the project company has been identified for Bagualing Shanglinyuan project, which became the first launched urban renewal project in Bagualing. The Group, jointly with Vanke, won the bid for a complex plot in Cuiheng New District, Zhongshan at a total price of RMB8.19 billion, with a capacity building area of 1.55 million square meters and to be developed as the most influential large-scale complex on the west bank of the Greater Bay Area and a new urban landmark. In addition, the Group won the bid for a commercial and residential land plot of 84,000 square meters in Changsha and an industrial land plot of 80,000 square meters in Ma'anshan respectively. The acquisition of the above projects is an important step taken by the Company to implement the strategy of focusing on the Guangdong-Hong Kong-Macao Greater Bay Area and expanding presence in key cities, further optimizes the land bank structure of the Group, and lays a solid foundation for achieving the target of doubling the total economic output during the period of the "14th Five-Year Plan".

## Chairman's Statement

### Accelerated Development of Urban Operation Service Segment

The Group accelerated the development of operation service business to provide comprehensive services to various types of properties, including residential communities, industrial parks, shopping malls, hospitals, government buildings, neighborhoods and communities. Approximately 75% of the operation service income was generated from non-related external projects. During the period, the Group has 52 newly obtained projects with a newly signed area of more than 11 million square meters. The Group is committed to serving urban upgrades and developing the “property management city”, a new form of business, as an important driver for the rapid development of its operation service business. Huafu, Meilin, Futian and Xiangmihu, which were identified by the Group in applying the management form of “property management city” in 2020, were ranked among the tops in the evaluation of environmental performance of 74 communities in Shenzhen and received unanimous recognition from the government, citizens and the industry. In the first half of 2021, the Group newly obtained 7 “property management city” projects in Shenzhen, covering an area of approximately 8.5 million square meters. Meanwhile, with its experience-based management case and outstanding brand service, the Group successfully obtained a community-level project in Yushan District, Ma'anshan, demonstrating that the “property management city” operating model has been rolled out from Shenzhen and nationwide in China.

In addition, the Group's urban operation service segment is speeding up its internal integration and mixed-ownership reform to activate the system mechanism, providing intrinsic momentum for the rapid development of business.

### Maintaining a Sound Financial Position

Under the increasingly stringent financial regulation environment in real estate, the Group strengthened its integrated fund planning and financial management. By means of debt replacement and optimization of loan portfolio, the Group improved capital efficiency and reduced finance costs. The average comprehensive annualized interest rate of the Group's bank and other borrowings stood at 3.2%, representing a decrease of 0.5 percentage point from the whole of last year. As at 30 June 2021, net gearing ratio (inclusive of all interest-bearing liabilities) maintained at a low level of 43.7%. All indicators of the “Three Red Lines” fell into the green level. Furthermore, the Group innovated its financing methods by completing two issuance of commercial mortgage-backed securities (“CMBS”) with total size of the issuance amounting to RMB3.8 billion, thus expanding diversified financing channels.

## Chairman's Statement

### Excellent ESG Performance

The Group upholds high standards to promote corporate social responsibility and sustainable development, and has issued the Environmental, Social and Governance Report for six consecutive years. As of 30 June 2021, the Group was the first and only company receiving an A rating among real estate companies in Mainland China that were rated by MSCI-ESG, which not only represents the high recognition of the Company's ESG practice by the capital market, but also affirms the long-term investment value of the Company.

### Outlook

#### Market Outlook

With the establishment of China's normalized pandemic prevention and control system and the roll-out of taking the COVID-19 vaccines, the government is able to coordinate the pandemic prevention and control and the economic and social development in a better manner. In the new development pattern where domestic cycle dominates and the domestic cycle and international cycle mutually promote, the development of technological innovation and carbon neutral industries, the continuous expansion of domestic demands, supply-side structural reforms and other endogenous growth momentum will become the basic force for the development of the market economy in China and promote high-quality social and economic development.

Against the backdrop of the ever-increasing pursuit of fairness in the society, that "house is a place to live instead of a tool for speculation" will become the keynote of the real estate policy for a long time. In addition to the "Three Red Lines + Two Ceilings + Three Batches and Two Concentrations", this year, the government stepped up its efforts to prevent illegal inflows of consumer loans and business loans into the real estate market and further tightened market regulations. The real estate industry has entered the "era of management dividends", where the differentiation between companies will become more apparent, and business models and refined management may become the core driving force for the sustainable development of real estate companies.

## Chairman's Statement

### Accelerating Business Development in the First Year of the Period of “14th Five-Year Plan”

The year of 2021 marks the first year of the “14th five-year” plan. The Group will pay close attention to the changes of policies and markets and make every effort to promote the operation of the Group. In the second half of the year, a number of high-quality projects in the Greater Bay Area will be launched on the market, including Shum Yip UpperHills LOFT, Shum Yip Zhongcheng Residential, Dongguan Songshan Lake Residential, etc. It is expected that the contracted sales volume will increase significantly. In the first half of the year, the Group made a breakthrough in the land market and obtained a land reserve with a capacity building area of approximately 1.76 million square meters. In the second half of the year, the Group will continue to take opportunity to expand high-quality land resources in a proactive manner through cooperation with the parent company, urban renewal, cooperation with the government and enterprises, industrial land application, mergers and acquisitions, and open market auctions.

With the recovery of economic situation and the introduction of innovative industry, the commercial property and office building market in Shenzhen is expected to gradually pick up. The Group will continue to optimize the business structure of investment properties, enhance commercial operating ability, promote the investment attraction of Shum Yip UpperHills, Shum Yip Zhongcheng shopping mall, Shenzhen Women and Children Tower and other projects, and strive to achieve the target of 20%-30% growth in rental income. In terms of urban operation services, the Group will accelerate business expansion and mixed-ownership reform. Based on traditional operation services, the Group will offer multi-level value-added service, improve efficiency by utilizing an intelligent joint platform, develop a comprehensive urban operation business that covers residential, industrial parks, commerce, urban public facilities, property management cities and various other types and serves urban upgrading, and strive to achieve the target of more than 30% increase in income scale.

## Chairman's Statement

In the coming five years, the Group will make comprehensive transformation and upgrading. Positioned as an “Innovative Constructor of Industrial Cities, Wealthy Livelihood Operator”, it will endeavor to transform into a technology-based industry group focusing on the development of urban complex and investment in technology industry, so as to assist the development of the innovative industry in the Greater Bay Area. The Group will continue to implement “transformation, optimization and improvement” based on its real estate business featuring deep root in the Greater Bay Area and serving city and industry. The Group will accelerate the expansion of comprehensive urban operation business that covers a variety of business forms and serves urban upgrading. The Group will continue to pay attention to the development of environmental, social and governance, seize the opportunity of carbon peak and neutrality to actively promote green building and green operation business, implement the concept of sustainable development, and explore a new model of green urban construction and operation. It will develop park business through industrial planning, space construction, industry introduction, intelligent operation, investment incubation etc., increase investment in such technology industries as high-tech agriculture, advanced manufacturing, life and health so as to build an industrial ecology and create a value cycle of industry and urban innovation, serve the needs of a happy life through cultivation of diversified industries and promote business transformation and upgrading. After transformation and optimization in five years, the Group is expected to form a diversified business portfolio and empower different business segment by capital market means, such as injection, cultivation and spin-off, to build a group of listed companies for maximized values.

Through continuous efforts, the Group will seize the development opportunities, realize corporate transformation, steadily improve our capabilities for city service, industrial concentration, resource acquisition and professional operation and achieve sustainable quality development to create more satisfactory returns for our shareholders.

**LU Hua**

*Chairman*

27 August 2021

## Management Discussion and Analysis

### Overall Results

In the first half of 2021, the overall real estate market operated in a stable manner underpinned by the principal policy of “stabilizing land prices, housing prices and expectations”. Against such a backdrop, various related policies were released in many places and regulations continued to intensify in popular cities. In Shenzhen, under multiple controls, such as the price guidance mechanism for second-hand housing, household registration conditions and strict investigation of business loans, dealings in the second-hand housing cooled down, new housing dealings remained relatively active, and, attributable to the economic recovery, the occupancy rate and rent level of office building market picked up. Despite of the tightened policy environment, the Group achieved a satisfactory performance due to active business expansion and stable operation.

During the period, the Group achieved a turnover of approximately HK\$19,403.8 million, representing an increase of 371% over the same period of last year. The overall gross profit margin was 38%, same as the same period of last year. Gross profit was HK\$7,300.5 million, representing an increase of 366% over the last year. Profit attributable to equity shareholders of the Company was HK\$1,393.0 million, representing an increase of 332% over the last year. If excluding the net effect of changes in fair value of investment properties attributable to the Group and fair value of financial assets, profit attributable to equity shareholders was HK\$2,138.4 million, representing an increase of 112% over the same period of last year. Basic earnings per share were HK15.65 cents, representing an increase of 329% over the same period of last year.

### Property Development Business

#### Sales Revenue Booked

During the period, the Group recorded property sales booked of 373,000 square meters (excluding interests attributable to the major associates of the Group), representing an increase of 315% over the same period of last year, and achieved net revenue from property sales of approximately RMB14,107.0 million (equivalent to HK\$16,904.4 million (net of value-added tax)), representing a significant increase of 618% over the same period of last year. Gross profit margin of property development and sales was 39%, representing a decrease of 4.4 percentage points over the same period of last year. During the period, the percentage of Shenzhen projects over the sales revenue booked was 85%. During the period, the average gross profit margin of projects of the Group in Shenzhen was approximately 37%, whereas the average gross profit margin of projects in other cities was approximately 42%.

## Management Discussion and Analysis

## Property Sales Booked in the First Half of 2021

Property Name	Type	City	Booked Area (sq.m.)	Net Sales (RMB'000)	Unit Price (RMB/sq.m.)
Shum Yip Dongling	Residential	Shenzhen	9,896	699,375	70,674
Shum Yip Taifu Square	Office/apartment	Shenzhen	11,676	693,240	59,373
Shum Yip Zhongcheng	Apartment	Shenzhen	42,638	3,310,639	77,645
Parkview Bay	Residential	Shenzhen	49,432	4,976,270	100,669
Terra Licheng	Innovative industrial housing	Shenzhen	48,557	2,361,501	48,634
Shum Yip City	Residential	Foshan	4,659	92,378	19,828
Garden Hills	Residential/shop	Huizhou	24,976	201,644	8,073
Wanlin Lake	Residential/shop	Huizhou	1,197	11,776	9,835
Gaobangshan Garden	Shop	Huizhou	29,035	305,818	10,533
Yihu Rose Garden	Residential	Chengdu	6,677	49,032	7,343
Nanhu Rose Bay	Residential/villa	Wuhan	297	14,770	49,674
Shum Yip Rui Cheng	Residential/shop	Changsha	8,729	59,254	6,788
Royal Spring Garden	Villa	Chaohu	1,283	25,405	19,793
Ma'anshan Shum Yip Huafu	Residential	Ma'anshan	132,360	1,247,506	9,425
Other	–	–	1,952	10,593	5,427
Parking space sales	Parking space		–	47,814	–
<b>Total</b>			<b>373,364</b>	<b>14,107,015</b>	<b>–</b>

## Management Discussion and Analysis

### Contracted Sales

During the period, the Group realized contracted sales area of approximately 347,000 square meters and contracted sales income of approximately RMB7.20 billion. The average price per square meter was RMB20,759. The contracted sales were mainly attributable to Qinglong Mansion in Nanjing which realized contracted sales of approximately RMB1.37 billion, Shum Yip Dongling in Shenzhen which realized contracted sales of RMB0.87 billion and Shum Yip Huafu in Ma'anshan which realized contracted sales of RMB0.73 billion. Sales of the Group's projects in the second-tier and third-tier cities beat the expectations.

By geographical location, projects in the Greater Bay Area accounted for 47% of the realized contracted sales, 38% was contributed by projects in the second-tier cities, and the rest 15% was in the third-tier and fourth-tier cities. By the types of products, residential products accounted for 67% of the realized contracted sales, and non-residential products (including office building, apartment and industrial park) accounted for 33%.

## Management Discussion and Analysis

## Contracted Sales in the First Half of 2021

	City	Type	Sales Area (sq.m.)	Sales* (RMB'000)
Shum Yip Dongling	Shenzhen	Complex	11,770	870,866
Shum Yip Zhongcheng	Shenzhen	Complex	6,188	676,365
Shum Yip Taifu Square	Shenzhen	Commercial	6,558	401,977
Terra Licheng	Shenzhen	Industrial	5,752	384,490
Parkview Bay	Shenzhen	Residential	504	61,174
Tanglang City**	Shenzhen	Commercial	86	5,658
Shum Yip Qishan Yayuan	Foshan	Residential	6,031	122,809
Jiangyue Bay	Guangzhou	Residential	133	1,860
Saina Bay	Heyuan	Residential	114	1,347
Gaobangshan No. 1	Huizhou	Residential	29,126	312,757
Garden Hills	Huizhou	Residential	19,116	173,621
Wanlin Lake	Huizhou	Residential	3,209	26,867
Shum Yip City	Shunde	Residential	20,897	370,741
Shum Yip Upper Life	Nanjing	Residential	17,588	457,516
Shum Yip Qinglong Mansion	Nanjing	Residential	44,941	1,366,505
Jing Yuan	Chengdu	Residential	2,270	18,270
Long Yuan	Chengdu	Residential	3,074	25,830
Shum Yip Huating	Chengdu	Residential	18,915	371,733
Yihu Rose Garden	Chengdu	Residential	883	13,620
Nanhu Rose Bay	Wuhan	Residential	297	16,638
Shum Yip Heron Mansion	Changsha	Residential	28,726	400,481
Shum Yip Rui Cheng	Changsha	Residential	4,093	30,269
Shum Yip Xihui	Changsha	Residential	595	7,575
Changzhou Shum Yip Huafu	Changzhou	Residential	727	1,720
Ma'anshan Shum Yip Huafu	Ma'anshan	Residential	65,897	734,068
Splendid City	Taizhou	Residential	49,173	341,718
<b>Total</b>			<b>346,663</b>	<b>7,196,475</b>

\* 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.

## Management Discussion and Analysis

### Project Development

During the period, the Group had a new construction area of approximately 1,069,000 square meters and a completed area of approximately 157,000 square meters.

#### New Construction Projects in the First Half of 2021

Property Name	City	Type	Total GFA (sq.m.)	Saleable Area (sq.m.)
Shum Yip Chuangzhi Building	Shenzhen	Industrial	51,120	—
Taifu Square Phase 3	Shenzhen	Complex	130,781	91,045
Shum Yip Yunzhu	Shenzhen	Residential	327,089	118,645
Shum Yip Garden Hills Plot 1	Huizhou	Residential	145,564	109,088
Qingbaijiang Taifu Square	Chengdu	Complex	284,000	137,863
Nanhu Rose Bay Phase 1.3	Wuhan	Residential	130,883	85,699
<b>Total</b>			<b>1,069,437</b>	<b>542,340</b>

#### Completed Projects in the First Half of 2021

Property Name	City	Type	Total GFA (sq.m.)	Saleable Area (sq.m.)
Qianhai Project 19-06-06	Shenzhen	Residential	54,360	49,890
Qinglong Subway Town	Nanjing	Residential	102,469	71,456
<b>Total</b>			<b>156,829</b>	<b>121,346</b>

## Management Discussion and Analysis

### Expansion of Land Resources

The Group continues to focus on the Guangdong-Hong Kong-Macao Greater Bay Area, intensify its development in Shenzhen and plan for its business presence in key first-tier and second-tier cities. Further, the Group has made a significant breakthrough in resources acquisition. In the first half of the year, the Group acquired four land plots in Ma'anshan, Changsha, Zhongshan and Shenzhen, aggregately with a site area of approximately 800,000 square meters and a capacity building area of approximately 1,760,000 square meters.

In April 2021, the Group won the bid for the industrial land plot no.2021-12 (Ci Shan) in Yushan Economic Development Zone, Ma'anshan at a base price of RMB22.22 million, representing an average floor area price of approximately RMB296 per square meter. The project has a site area of approximately 62,600 square meters and a capacity building area of approximately 80,000 square meters, and is intended to be built into a comprehensive park focusing on electronic information, intelligent manufacturing and high-end equipment.

In June 2021, the Group won the bid for the land plot No. 041 in Yuelu District, Changsha at a consideration of RMB920 million plus a property held for rental of 16,018 square meters. The project has a site area of approximately 61,300 square meters and a capacity building area of approximately 83,900 square meters, of which 56,500 square meters are intended for residential purpose and 25,500 square meters for commercial purpose respectively.

In June 2021, the Group, jointly with Vanke, won the bid for Dongwuwei land plot in Qibu Sub-District, Cuiheng New District, Zhongshan at a consideration of RMB8.19 billion. The Group owns 50% interests in the project. The project has a site area of approximately 669,000 square meters and a capacity building area of approximately 1,550,000 square meters aboveground. It is intended to be built into the most influential large-scale complex on the west coast of the Greater Bay Area and a new urban landmark.

In July 2021, the urban renewal projects in Shenzhen progressed well. The project company has been identified and a land contract entered into for Bagualing Shanglinyuan project. The project has a site area of approximately 6,015 square meters and a capacity building area of approximately 42,000 square meters.

## Management Discussion and Analysis

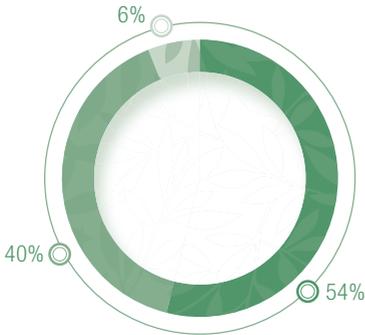
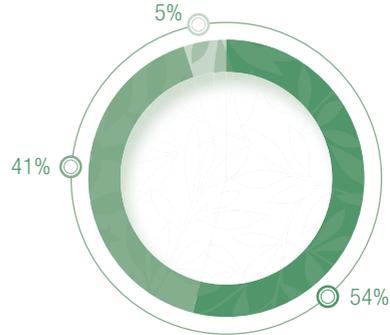
### Land Reserves

By the end of June 2021, the Group had land reserves with an aggregate planned gross floor area (GFA) of approximately 6.52 million square meters (interested in 4.94 million square meters), and a capacity building area of 4.90 million square meters (interested in 3.76 million square meters), of which, the projects under construction had a total planned GFA of approximately 2.86 million square meters and a capacity building area of 2.17 million square meters. The GFA and the capacity building area of land reserves in the Greater Bay Area accounted for 67% and 64% respectively. Besides, the value of completed properties in stock amounted to approximately HK\$17,291.3 million.

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 opportunities to invest in quality projects in the major first-tier and second-tier cities.

## Management Discussion and Analysis

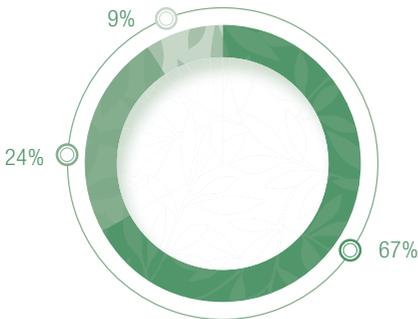
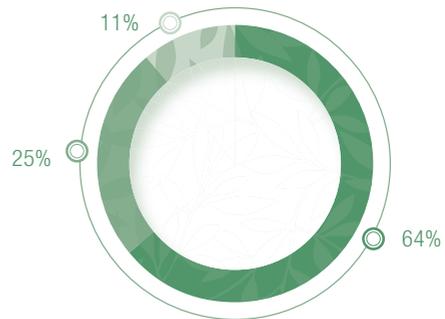
## Distribution of Land Reserves (As at 30 June 2021)

By type – Planned GFA <sup>Note 1</sup> (sq.m.)By type – Capacity Building Area <sup>Note 2</sup> (sq.m.)

Residential

Complex

Others (including industrial, commercial and other types of products)

By Region – Planned GFA <sup>Note 1</sup> (sq.m.)By Region – Capacity Building Area <sup>Note 2</sup> (sq.m.)

The Greater Bay Area

2nd-tier city

3rd-tier and 4th-tier cities

## Management Discussion and Analysis

### *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 Business

As at 30 June 2021, the Group has investment properties of approximately 1.29 million square meters, of which 82% are located in Shenzhen. During the period, the Group recorded an income from property investment of approximately HK\$685.3 million, representing an increase of approximately 22% over the same period of last year. The gross profit margin of property investment business was approximately 72%, representing a decrease of 8.2 percentage points over the same period of last year. The Group recorded a revaluation decrease in the fair value of its investment property portfolio of HK\$145.3 million during the period.

### Urban Integrated Operation Business

The urban integrated operation business of the Group includes commercial operation, property management, intelligent park operation and property management city business. During the period, the contracted area under management of the urban integrated operation business of the Group was approximately 57.00 million square meters, representing an increase of 21% over the end of last year. The urban integrated operation business contributed approximately HK\$1,211.6 million to the revenue of the Group, representing an increase of 32% over the same period of last year. During the first half of the year, the Group added approximately 52 projects, increasing area under management by more than 11.00 million square meters, of which, 7 property management city projects were added, covering an area of approximately 8.50 million square meters. Furthermore, the internal integration and mixed-ownership reform are progressing in an orderly manner.

## Management Discussion and Analysis

For commercial operation, the Group actively analyzed its positioning strategy and adjusted its brand portfolio based on its core customer base and positioning, and conducted online creative interaction and offline thematic campaigns to increase foot traffic to boost sales. At present, operation of all the shopping malls runs well, with foot traffic and rental income increasing. The occupancy rates of UpperHills and Tanglang City are 88% and 91%, respectively, whereas Shum Yip Zhongcheng, Shum Yip Dongling and Shenzhen Women and Children Tower are leased out more than half.

For property management, properties under management of the Group were approximately 43.00 million square meters, mainly in the Pearl River Delta, Yangtze River Delta and Central China, covering governmental authorities, offices, residential communities and villas. During the period, the Group newly obtained 42 traditional property management projects of approximately 1.85 million square meters in Guangdong, Jiangxi, Jiangsu and other areas.

For park operation, the Group managed properties of approximately 5.50 million square meters in industrial parks which are mainly located in the Guangdong-Hong Kong-Macao Greater Bay Area and spread over China. During the period, the Group obtained 3 projects including Changping Jewelry Culture Industrial Park and Shenzhen Hengming Industrial Park, with a new area under management of approximately 1.05 million square meters.

In addition, the Group participated in the research of the “property management city” model and the drafting, preparation and review of the relevant standards. In May, the expert evaluation of the “National Group Standards for Property Management Cities” (物管城市全國團體標準) was finalized, providing rules to be followed in relation to the property management city model. Huafu, Meilin, Futian and Xiangmihu, which were identified by the Group in applying the management model of “property management city” in 2020, were ranked among the tops in the evaluation of environmental performance of 74 communities in Shenzhen and received unanimous recognition from the government, citizens and the industry. In the first half of 2021, the Group added six major projects to its service portfolio, namely the urban butler service in Baolong Community, Longgang District, the city appearance inspection service in Xiangmihu Community, the environmental sanitation index evaluation and improvement project in Futian Community, the special supervision service for the environmental sanitation evaluation sample point in the villages in Meilin Community, the city appearance inspection service in Meilin Community and the operation service for the exhibition hall at the core activation zone in the Baguang International Biology Valley (壩光國際生物谷). At the same time, the Group seized the opportunity and successfully obtained the An'min Community project in Yushan District, Ma'anshan relying on its outstanding management model and case, demonstrating that the Group's development route of serving the city has been rolled out from Shenzhen and nationwide in China.

## Management Discussion and Analysis

### 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. Mandarin Oriental Shenzhen (with 190 guest rooms planned) is under construction.

During the period, the Group's hotels recorded operating income (included under other operating segment) of approximately HK\$71.4 million, representing an increase of 138% 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\$192.4 million, representing an increase of 51% over the same period of last year.

### Performance of Major Joint Ventures and Associates

During the period, Taizhou Shum Yip Investment Development Limited (a 51% owned company of the Group) made a loss of HK\$9.6 million to the Group. The principal activity of the company is to assist local government in primary land development. During the period, the local government did not arrange the launch of the relevant land.

Shenzhen Langtong Property Development Company Limited (a 50% owned company of the Group) made a net profit contribution of HK\$6.1 million, representing an increase of 578% over the same period of last year. The company and Shenzhen Metro Group jointly developed Shenzhen's Tanglang City Project.

## Management Discussion and Analysis

Shenzhen Tianan Cyber Park (Group) Co., Ltd. (a 37.5% owned company of the Group) made a net profit contribution of HK\$6.3 million to the Group, representing a decrease of 83% over the same period of last year.

During the period, the associates invested by the Group performed as expected. Road King Infrastructure Limited, a listed company in Hong Kong, made a net profit contribution of HK\$174.6 million to the Group, representing an increase of 50% over the same period of last year.

### Financial Assets

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 (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.

On 22 November 2020, Shum Yip Shenheng, Kailong Real Estate, Hengda Real Estate and Mr. Hui Ka Yan entered into the fifth supplementary agreement to the Investment Agreement in view of the termination of the proposed reorganization before the listing deadline. Shum Yip Shenheng agreed to hold Hengda Real Estate equity according to the terms stipulated in the Investment Agreement (as amended and supplemented by the subsequent supplementary agreements), and its shareholding ratio in Hengda Real Estate increased to 2.6439%.

## Management Discussion and Analysis

Pursuant to the terms of the Investment Agreement (as amended and supplemented by the subsequent supplementary agreements), since the investment in Hengda Real Estate in June 2017, the Group, as a financial investor, has received total dividends of RMB1.95 billion for 2017, 2018 and 2019 from Hengda Real Estate. Pursuant to the terms of the Investment Agreement, the Group is entitled to a dividend of approximately RMB720 million for 2020, such dividend was not accounted for during the period as Hengda Real Estate has not yet declared dividend for 2020.

According to the requirements under accounting standards, the equity interests held by the Group in Hengda Real Estate was included as financial assets through profit or loss in the financial statements and accounted for at fair value, with changes in fair value recognized in profit or loss for the period. As at 30 June 2021, the fair value of the said financial assets was HK\$5,979.0 million, representing 4% of the total assets of the Group. During the period, losses arising from changes in fair value amounted to approximately HK\$832.8 million due to the tightened real estate policy.

The Group has noted the market situation related to Hengda Real Estate. The Group will also closely follow the changes in the situation and actively respond accordingly.

## Financing

As at 30 June 2021, the Group's total bank and other borrowings amounted to HK\$34,642.2 million (31 December 2020: HK\$30,828.4 million), of which HK\$21,889.5 million were floating rate loans, and the remaining were fixed-rate loans. Long-term loans amounted to HK\$21,957.1 million, representing approximately 63% of total borrowings, and short-term loans were HK\$12,685.1 million, representing approximately 37% of total borrowings. Offshore borrowings amounted to HK\$17,780.0 million, representing approximately 51% of total borrowings, and Renminbi borrowings amounted to HK\$16,862.2 million, representing approximately 49% of total borrowings.

## Management Discussion and Analysis

With the gradual implementation of the “Three Red Lines” regulations, the external financing environment continues to tighten. The Group maintains a healthy financial position. As at 30 June 2021, the Group’s asset-liability ratio, excluding advance receipts, was 60.1%, the net gearing ratio was 43.7% (the liabilities including all interest-bearing liabilities) and the short-term cash debt ratio was 1.5 times (the liabilities only including bank loans and other borrowings), all indicators fell into the green level of the “Three Red Lines” (綠檔). In 2021, the Group will replace the short-term loans about to be due, and continue to improve the short-term cash debt ratio.

During the period, the Group promoted financing innovation proactively. On one hand, it completed the issuance of the Shum Yip Taifu Intelligent Transportation Industrial Park (深業泰富智慧出行產業園) commercial mortgage-backed securities (“CMBS”). The size of the issuance amounted to RMB1.8 billion. On the other hand, it completed the issuance of the industrial parks in pilot demonstration zones CMBS, with Tairan Jingu Industrial Park as the underlying asset. The size of issuance amounted to RMB2 billion. During the period, the average comprehensive interest rate of the Group’s bank and other borrowings was approximately 3.2% per annum, representing a decrease of 0.5 percentage point from the whole of last year.

As at 30 June 2021, the Group’s cash balance (including restricted cash) was HK\$21,562.1 million (31 December 2020: HK\$18,710.4 million), of which approximately 75% and 18% were denominated in Renminbi and USD respectively, and the remaining in Hong Kong dollars.

As at 30 June 2021, the Group had net assets (excluding non-controlling interests) of HK\$51,752.1 million (31 December 2020: HK\$50,624.3 million). The net gearing ratio with the liabilities including bank loans and other borrowings only was 25.3% and the net gearing ratio with the liabilities including loan from shareholders of the parent company and all other interest-bearing liabilities was 43.7%, representing an increase of 2.0 percentage point over the end of last year.

## Management Discussion and Analysis

### Key Financial Indicators

HK\$ million	As at 30 June 2021	As at 31 December 2020
Bank and other borrowings	<b>34,642.2</b>	30,828.4
– Long-term borrowings	<b>21,957.1</b>	18,088.6
– Short-term borrowings	<b>12,685.1</b>	12,739.8
Due to the immediate holding company	<b>1,869.4</b>	1,770.7
Due to the ultimate holding company	<b>9,533.2</b>	9,415.5
Cash (including restricted cash)	<b>21,562.1</b>	18,710.4
Net gearing ratio with the liabilities including bank and other borrowings only	<b>25.3%</b>	23.9%
Net gearing ratio with the liabilities including all interest-bearing liabilities	<b>43.7%</b>	41.7%

### Effect of Exchange Rate Fluctuation

The Group's assets are mainly denominated in Renminbi. 49% of the bank and other borrowings are denominated in Renminbi, 46% are offshore HK\$ borrowings, and 5% are US\$ borrowings. HK\$ is adopted as the reporting currency in the Group's financial statements. The effect of the increase in RMB exchange rate on the Group's finance was mainly reflected in the appreciation 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 gain of HK\$584.6 million in other comprehensive income. The Group will closely monitor and proactively avert foreign exchange risk through various ways.

## Management Discussion and Analysis

### Progress of the Litigation Involving Terra Companies

On 26 May 2021 and 31 May 2021, Wuhan Shum Yip Terra Property Development Company Limited (“Wuhan Terra Company”) and Shum Yip Terra (Holdings) Company Limited (“Shum Yip Terra Company”, together with Wuhan Terra Company, the “Terra Companies”), both being non-wholly-owned subsidiaries of the Company, respectively received a statement of claim (民事起訴狀) from the Intermediate People’s Court of Wuhan City (武漢市中級人民法院) (the “Court”) regarding the claims by Hubei Province Livestock and Poultry Breeding Center\* (湖北省畜禽育種中心) (the “Claimant”) against the Terra Companies (the “Litigation”) regarding the contractual disputes under the four agreements entered into by Terra Companies with the Claimant (collectively, the “Agreements”) in respect of the development of Nanhu Rose Bay (南湖玫瑰灣) in Wuhan (the “Project”), with a total claims amount of approximately RMB900 million.

In connection with the Litigation, the Court ordered for the bank accounts and other assets of the Terra Companies to be frozen to the extent of RMB640 million. As at the date of this report, certain bank accounts of the Terra Companies with an aggregate balance of approximately RMB640 million have been frozen by the Court.

The Terra Companies have engaged legal advisers to handle the Litigation and rigorously defended the Litigation to protect its legitimate interest, including having submitted a counter-claim to the Court requesting it to confirm that the Agreements are void and request the Claimant to return the expected income of RMB60 million paid to the Claimant together with the interest thereon, and applied to the Court to group the frozen assets into certain individual accounts so as to unlock the other accounts. The Court has now unlocked the frozen accounts other than five bank accounts. Based on the current assessment, the Litigation has no material impact on the daily operation of the Group as a whole, and the Group has taken appropriate precautionary measures to minimise any disruptions to the operation of the two companies and the development of the Project.

\* *For identification purpose only*

## Management Discussion and Analysis

### Pledge of Assets and Contingent Liabilities

As at 30 June 2021, the Group had total loans of HK\$6,894.5 million (31 December 2020: HK\$2,592.3 million) that were pledged with assets (please refer to note 17 to the interim financial information for details).

As at 30 June 2021, the Group has given guarantees amounted to HK\$1,440.0 million in respect of bank loans and other borrowings to two joint ventures of the Group (please refer to note 26 to the interim financial information for details).

### Employees and Remuneration Policy

As at 30 June 2021, the Group employed 21,225 employees (30 June 2020: 19,603) of whom 20 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 2021 (excluding remuneration of the Directors) amounted to approximately HK\$1,328.1 million (six months ended 30 June 2020: HK\$763.9 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 Information

## To the Board of Directors of Shenzhen Investment Limited

(incorporated in Hong Kong with limited liability)

### Introduction

We have reviewed the interim financial information set out on pages 29 to 78, which comprises the condensed consolidated statement of financial position of Shenzhen Investment Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2021 and the condensed consolidated statement of profit or loss, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information 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 of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review 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 interim financial information consists of making inquiries, 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.

## Report On Review of Interim Financial Information

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

### **PricewaterhouseCoopers**

Certified Public Accountants

Hong Kong, 27 August 2021

## Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2021

	Note	Unaudited	
		Six months ended 30 June	
		2021	2020
		HK\$'000	HK\$'000
<b>Revenue</b>	7	<b>19,403,841</b>	4,121,596
Cost of sales	19	<b>(12,103,358)</b>	(2,555,737)
<b>Gross profit</b>		<b>7,300,483</b>	1,565,859
Other income and gains – net	7	<b>222,970</b>	1,023,699
Decrease in fair value of financial assets at fair value through profit or loss		<b>(833,036)</b>	(452,273)
Losses result from changes in fair value of and transfer to investment properties		<b>(145,277)</b>	(464,275)
Selling and distribution expenses	19	<b>(171,156)</b>	(79,506)
Administrative expenses	19	<b>(584,122)</b>	(230,979)
Other operating gains/(expenses)	19	<b>94,880</b>	(188,254)
<b>Operating profit</b>		<b>5,884,742</b>	1,174,271
Financial costs – net	20	<b>(398,034)</b>	(591,097)
Share of results of joint ventures and associates	10, 11	<b>168,866</b>	140,029
<b>Profit before income tax</b>		<b>5,655,574</b>	723,203
Income tax expenses	21	<b>(3,800,727)</b>	(354,693)
<b>Profit for the period</b>		<b>1,854,847</b>	368,510
<b>Profit is attributable to:</b>			
– Owners of the Company		<b>1,393,043</b>	322,590
– Non-controlling interests		<b>461,804</b>	45,920
		<b>1,854,847</b>	368,510
<b>Earnings per share for profit attributable to the owners of the Company (HK cents)</b>	22		
– Basic		<b>15.65</b>	3.65
– Diluted		<b>15.65</b>	3.65

The above condensed consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

## Condensed Consolidated Statement of Profit or loss and Other Comprehensive Income

For the six months ended 30 June 2021

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
<b>Profit for the period</b>	<b>1,854,847</b>	368,510
<i>Items that may be reclassified subsequently to profit or loss:</i>		
– Share of changes of other comprehensive income of an associate	<b>202,967</b>	(84,192)
– Exchange differences on translation of foreign operation	<b>584,617</b>	(1,073,018)
<b>Total comprehensive income for the period</b>	<b>2,642,431</b>	(788,700)
<b>Total comprehensive income attributable to:</b>		
– Owners of the Company	<b>2,103,878</b>	(764,749)
– Non-controlling interests	<b>538,553</b>	(23,951)
	<b>2,642,431</b>	(788,700)

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

# Condensed Consolidated Statement of Financial Position

As at 30 June 2021

		Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
	Note		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	6,398,363	6,307,594
Investment properties	9	35,821,046	35,650,870
Prepaid land lease payments		33,317	33,486
Investments in joint ventures	10	7,969,400	8,060,608
Investments in associates	11	6,145,675	5,836,961
Goodwill		382,037	381,982
Financial asset at fair value through profit or loss	12	6,006,198	6,763,935
Financial assets at fair value through other comprehensive income		4,035	3,989
Other financial assets		730,284	838,324
Deferred income tax assets		2,591,061	2,632,401
		<b>66,081,416</b>	<b>66,510,150</b>
<b>Current assets</b>			
Properties under development	14	35,682,606	40,746,833
Completed properties held for sale		17,291,341	17,562,192
Trade and other receivables	13	10,831,465	8,529,448
Inventories		243,435	176,558
Financial asset at fair value through profit or loss	12	1,763	1,982
Biological assets		3,011	2,939
Other financial assets		8,680	35,284
Restricted bank deposits	15	2,537,234	2,543,969
Cash and cash equivalents	15	19,024,911	16,166,471
		<b>85,624,446</b>	<b>85,765,676</b>
<b>Total assets</b>		<b>151,705,862</b>	<b>152,275,826</b>

## Condensed Consolidated Statement of Financial Position

As at 30 June 2021

	Note	Unaudited 30 June 2021 HK\$'000	Audited 31 December 2020 HK\$'000
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	16	22,071,756	22,071,756
Other reserves		6,812,225	6,133,414
Retained earnings		22,868,155	22,419,115
		<b>51,752,136</b>	50,624,285
<b>Non-controlling interests</b>		<b>5,318,379</b>	4,781,563
<b>Total equity</b>		<b>57,070,515</b>	55,405,848
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank and other borrowings	17	21,957,064	18,088,589
Lease liabilities		200,534	340,587
Deferred income		74,897	29,114
Due to the immediate holding company		789,545	698,963
Due to the ultimate holding company		3,048,382	1,208,557
Deferred income tax liabilities		8,835,800	9,491,481
		<b>34,906,222</b>	29,857,291
<b>Current liabilities</b>			
Bank and other borrowings	17	12,685,127	12,739,824
Contract liabilities		9,908,815	19,718,224
Trade and other payables	18	17,101,328	14,829,595
Lease liabilities		105,036	115,046
Due to the immediate holding company	27	1,079,832	1,071,781
Due to the ultimate holding company	27	6,484,776	8,206,911
Tax payable		12,364,211	10,331,306
		<b>59,729,125</b>	67,012,687
<b>Total liabilities</b>		<b>94,635,347</b>	96,869,978
<b>Total equity and liabilities</b>		<b>151,705,862</b>	152,275,826

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

**Mr. Lu Hua**  
Director

**Ms. Cai Xun**  
Director

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Unaudited						
	Attributable to the owners of the Company					Non-controlling interests	Total equity
	Share capital	Capital reserve	Other reserves	Retained earnings	Total		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>Balance at 1 January 2021</b>	<b>22,071,756</b>	<b>59,019</b>	<b>6,074,395</b>	<b>22,419,115</b>	<b>50,624,285</b>	<b>4,781,563</b>	<b>55,405,848</b>
<b>Comprehensive income for the six months ended 30 June 2021</b>							
Profit for the period	-	-	-	1,393,043	1,393,043	461,804	1,854,847
Other comprehensive income:							
Exchange differences on translation of foreign operations	-	-	507,868	-	507,868	76,749	584,617
Share of other comprehensive income of joint ventures and associates	-	-	202,967	-	202,967	-	202,967
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>710,835</b>	<b>1,393,043</b>	<b>2,103,878</b>	<b>538,553</b>	<b>2,642,431</b>
<b>Transactions with owners in their capacity as owners</b>							
Capital injections from non-controlling interests	-	-	-	-	-	2,936	2,936
Dividends declared to equity shareholders	-	-	-	(978,988)	(978,988)	-	(978,988)
Dividends declared to non-controlling shareholders	-	-	-	-	-	(4,673)	(4,673)
Equity-settled share option expense	-	-	2,961	-	2,961	-	2,961
Disposals of a subsidiary	-	-	(34,985)	34,985	-	-	-
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>(32,024)</b>	<b>(944,003)</b>	<b>(976,027)</b>	<b>(1,737)</b>	<b>(977,764)</b>
<b>Balance at 30 June 2021</b>	<b>22,071,756</b>	<b>59,019</b>	<b>6,753,206</b>	<b>22,868,155</b>	<b>51,752,136</b>	<b>5,318,379</b>	<b>57,070,515</b>

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Unaudited						
	Attributable to the owners of the Company					Non-controlling interests	Total equity
	Share capital	Capital reserve	Other reserve	Retained earnings	Total		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>Balance at 1 January 2020</b>	21,910,268	59,019	1,870,605	20,634,764	44,474,656	3,897,639	48,372,295
<b>Comprehensive income for the six months ended 30 June 2020</b>							
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 other comprehensive income of joint ventures and associates	-	-	(84,192)	-	(84,192)	-	(84,192)
<b>Total comprehensive income for the period</b>	-	-	(1,087,339)	322,590	(764,749)	(23,951)	(788,700)
<b>Transactions with owners in their capacity as owners</b>							
Dividends declared to equity shareholders	-	-	-	(971,678)	(971,678)	-	(971,678)
Dividends declared to non-controlling shareholders	-	-	-	-	-	(5,302)	(5,302)
Equity-settled share option expense	-	-	6,689	-	6,689	-	6,689
<b>Total transactions with owners</b>	-	-	6,689	(971,678)	(964,989)	(5,302)	(970,291)
<b>Balance at 30 June 2020</b>	21,910,268	59,019	789,955	19,985,676	42,744,918	3,868,386	46,613,304

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

## Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2021

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
<b>Cash flows from operating activities</b>		
Cash generated from operations	2,571,822	6,195,616
Interest paid	(356,278)	(598,465)
Income tax paid	(2,648,435)	(1,550,366)
<b>Net cash (used in)/generated from operating activities</b>	<b>(432,891)</b>	4,046,785
<b>Cash flows from investing activities</b>		
Loans to joint ventures	(748,938)	(24,000)
Repayments of loans by joint ventures	509,278	70,982
Purchases of property, plant and equipment	(65,549)	(94,872)
Payments for investment properties	–	(33,569)
Net cash outflow on disposals of a subsidiary	(11,834)	–
Disposal of property, plant and equipment	42	70
Interest received	47,932	81,820
Dividend income from joint ventures and associates	140,000	397,014
Dividends received from financial assets at fair value through profit or loss	103	868,554
Dividends received from financial assets at fair value through other comprehensive income	1,551	–
Payments for financial assets at fair value through profit or loss	–	(883,680)
Net increase/(decrease) in loans to non-controlling interests	69,244	(883,680)
<b>Net cash used in investing activities</b>	<b>(58,171)</b>	(501,361)

**Condensed Consolidated Cash Flow Statement**

For the six months ended 30 June 2021

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Cash flows from financing activities</b>		
Proceeds from bank and other borrowings	<b>10,629,538</b>	7,150,595
Repayments of bank and other borrowings	<b>(7,152,677)</b>	(5,110,857)
Proceeds from loans from immediate holding company	<b>100,000</b>	–
Proceeds from loans from ultimate holding company	<b>15,738,726</b>	6,618,763
Repayments of loans from ultimate holding company	<b>(15,716,903)</b>	(3,931,271)
Proceeds from loans from fellow subsidiaries	–	358,995
Repayments of loans from fellow subsidiaries	<b>(444,569)</b>	(582,290)
Principal elements of lease payments	<b>(42,318)</b>	(63,145)
Capital contributions by non-controlling interests	<b>2,936</b>	–
Repayment of loans from a joint venture	–	(220,920)
Dividends paid to non-controlling interests	<b>(4,780)</b>	(5,302)
<b>Net cash generated from financing activities</b>	<b>3,109,953</b>	4,214,568
<b>Net increase in cash and cash equivalents</b>	<b>2,618,891</b>	7,759,992
<b>Cash and cash equivalents at beginning of the period</b>	<b>16,166,471</b>	9,653,239
<b>Exchange difference on cash and cash equivalents</b>	<b>239,549</b>	(153,871)
<b>Cash and cash equivalents at end of the period</b>	<b>19,024,911</b>	17,259,360

The above condensed consolidated cash flow statement should be read in conjunction with the accompanying notes.

# Notes to the Interim Financial Information

## 1 General information

Shenzhen Investment Limited (the “Company”) is a limited liability company incorporated in Hong Kong. The address of the Company’s registered office is located at 8th Floor, New East Ocean Centre, 9 Science Museum Road, Kowloon, Hong Kong. The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are described in note 6.

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

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

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

This interim financial information was approved for issue by the board of directors of the Company on 27 August 2021 and has not been audited.

## 2 Basis of preparation

This interim financial information for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, ‘Interim Financial Reporting’. This interim financial information should be read in conjunction with the annual consolidated financial statements of the Company for the year ended 31 December 2020 (“2020 Financial Statements”), which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) and disclosure requirements under the Hong Kong Companies Ordinance, and any public announcements made by the Company during the interim reporting period.

## Notes to the Interim Financial Information

### 2 Basis of preparation (Continued)

The financial information relating to the financial year ended 31 December 2020 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 2020 financial statements to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

### 3 Significant accounting policies

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

(a) New and amended standard adopted by the Group

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

## Notes to the Interim Financial Information

## 3 Significant accounting policies (Continued)

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

		Effective for annual periods beginning on or after
Amendment to HKFRS 16	Covid-19 Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendment to HKFRS 3	Reference to the conceptual framework	1 January 2022
Amendments to HKAS 16	Proceeds before intended use	1 January 2022
Amendments to HKAS 37	Cost of fulfilling a contract	1 January 2022
Annual improvement project	Annual improvements 2018-2020 Cycle	1 January 2022
Accounting Guideline 5 (Revised)	Merger accounting for common control combinations	1 January 2022
HK Interpretation 5	Presentation of financial statements-classification by the borrower of a term loan that contains a repayment on demand clause	1 January 2022
HKFRS 17	Insurance contracts	1 January 2023
Amendments to HKAS 1	Classification for liabilities as current or non-current	1 January 2023
Amendments to HKAS 1	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

## Notes to the Interim Financial Information

### 3 Significant accounting policies (Continued)

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

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

### 4 Accounting estimates

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

### 5 Financial risk management

#### 5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's 2020 Financial Statements.

There have been no significant changes in the risk management department, policies and procedures since the last year end.

## Notes to the Interim Financial Information

## 5 Financial risk management (Continued)

## 5.2 Liquidity risk

The table below analyses the Group's financial liabilities into relevant maturity grouping based on the remaining period at the date of statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows and include interest.

	As at 30 June 2021				
	Less than	Between	Between	Over	Total
	1 year	1 and	2 and	3 years	
	HK\$'000	2 years	3 years	HK\$'000	
Bank and other borrowings	12,867,955	7,934,124	7,728,457	8,055,279	36,585,815
Trade and other payables (excluding other taxes payables, advances and salaries payables)	10,879,698	–	–	–	10,879,698
Lease liabilities	113,685	91,286	60,965	97,648	363,584
Due to the immediate holding company	1,250,276	726,569	–	–	1,976,845
Due to the ultimate holding company	5,684,300	1,349,075	1,875,289	655,253	9,563,917
Loans from fellow subsidiaries	3,005,416	–	–	–	3,005,416
Loans from a joint venture	129,542	–	–	–	129,542
Loans from associates	16,546	–	–	–	16,546
Loans from other related company	188,004	–	–	–	188,004
Loans from non-controlling shareholders	261,147	–	–	–	261,147
	34,396,569	10,101,054	9,664,711	8,808,180	62,970,514

## Notes to the Interim Financial Information

## 5 Financial risk management (Continued)

## 5.2 Liquidity risk (Continued)

	As at 31 December 2020				
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank and other borrowings	13,578,116	6,358,157	8,537,702	4,274,326	32,748,301
Trade and other payables (excluding other taxes payables, advances and salaries payables)	11,103,137	–	–	–	11,103,137
Lease liabilities	134,017	116,250	103,121	165,169	518,557
Due to the immediate holding company	1,046,261	28,930	698,963	–	1,774,154
Due to the ultimate holding company	8,661,023	1,144,743	–	–	9,805,766
Loans from fellow subsidiaries	3,206,631	–	–	–	3,206,631
Loans from a joint venture	123,866	–	–	–	123,866
Loans from associates	20,660	–	–	–	20,660
Loans from other related company	40,000	148,184	–	–	188,184
Loans from non-controlling shareholders	186,352	–	–	–	186,352
	38,100,063	7,796,264	9,339,786	4,439,495	59,675,608

The Group had adequate financial resources to repay these debts when they become due and payable.

## Notes to the Interim Financial Information

## 5 Financial risk management (Continued)

## 5.3 Fair value estimation

The table below analyses financial instruments carried or presented at fair value, by level of the inputs to valuation techniques used to measure fair value.

	As at 30 June 2021			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets at fair value through profit or loss ("FVPL")				
– Listed equity investments in Hong Kong	1,763	–	–	1,763
– Listed equity investments in Mainland China*	27,243	–	–	27,243
– Unlisted equity investments in Mainland China	–	–	5,978,955	5,978,955
Financial assets at fair value through other comprehensive income ("FVOCI")				
– Unlisted equity investments in Mainland China	–	–	4,035	4,035
	<b>29,006</b>	<b>–</b>	<b>5,982,990</b>	<b>6,011,996</b>

## Notes to the Interim Financial Information

## 5 Financial risk management (Continued)

## 5.3 Fair value estimation (Continued)

	As at 31 December 2020			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets at FVPL				
– Listed equity investments in Hong Kong	1,982	–	–	1,982
– Listed equity investments in Mainland China	26,935	–	–	26,935
– Unlisted equity investments in Mainland China	–	–	6,737,000	6,737,000
Financial assets at FVOCI				
– Unlisted equity investments in Mainland China	–	–	3,989	3,989
	28,917	–	6,740,989	6,769,906

There were no transfers between the levels of the fair value hierarchy in the six months to 30 June 2021.

- \* Mainland China: the People's Republic of China, for the purpose of this interim report, excluding Hong Kong, Macau and Taiwan.

## Notes to the Interim Financial Information

## 5 Financial risk management (Continued)

### 5.3 Fair value estimation (Continued)

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.

The fair values of unlisted equity investments categorised under “Financial asset at fair value through profit or loss” are measured using level 3 fair value hierarchy and are determined based on Market Approach.

Information about level 3 fair value measurements

	<b>Valuation techniques</b>	<b>Significant unobservable inputs</b>	<b>Weighted average</b>
Unlisted equity investment in Hengda Real Estate Group Company Limited (“Hengda Real Estate”)	Market Approach	Discount for lack of marketability	12% (31 December 2020: 24%)

The fair value of the unlisted equity instruments in Hengda Real Estate (“Hengda Investments”) amounting to HK\$5,978,955,000 is determined using market approach, which uses the price/book ratios of comparable listed companies as benchmark and adjusted discount for lack of marketability. 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 2021, 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 HK\$51,163,000.

## Notes to the Interim Financial Information

## 5 Financial risk management (Continued)

### 5.3 Fair value estimation (Continued)

The following table presents the changes in level 3 instruments for the period ended 30 June 2021 and 2020 :

	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
At 1 January	<b>6,740,989</b>	6,791,969
Fair value changes	<b>(832,819)</b>	(451,781)
Exchange differences	<b>74,820</b>	(126,806)
At 30 June	<b>5,982,990</b>	6,213,382

### 5.4 Group's valuation processes

The Group's finance department performs the valuations of financial assets required for financial reporting purpose, including Level 3 fair values. The financial department reports directly to the executive directors. Discussions of valuation results are held between the executive directors and the financial department at least once every six months, in line with the Group's interim and annual reporting dates. As at 30 June 2021, Hengda Investments were revalued based on valuation performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent, professionally qualified valuation firm.

## Notes to the Interim Financial Information

### 6 Segment information

The executive directors (chief operating decision-maker) assess the performance of the operating segments based on a measurement of operating profit. Information of segment assets and liabilities are not included in the reports reviewed by the executive directors. Other information provided to the executive directors is measured in a manner consistent with that in the 2020 financial statements. There has been no change in the basis of the segmentation or in the basis of the measurement of the segment profit or loss for the six months ended 30 June 2021 compared to 2020.

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

Capital expenditure comprises additions to right-of-use assets, property, plant and equipment and investment properties.

## Notes to the Interim Financial Information

## 6 Segment information (Continued)

The segment information provided to executive directors for the reportable segments for the six months ended 30 June 2021 and 2020 are as follows:

	Six months ended 30 June 2021					
	Property development HK\$'000	Property investment HK\$'000	Property management HK\$'000	Manufacturing HK\$'000	Others HK\$'000	Total HK\$'000
Revenue from contracts with customers						
Recognised at a point of time	16,904,437	-	-	192,436	167,388	17,264,261
Recognised over time	-	-	1,227,118	-	257,206	1,484,324
Revenue from other sources						
Rental income	-	713,423	-	-	-	713,423
Total segment revenue	16,904,437	713,423	1,227,118	192,436	424,594	19,462,008
Inter-segment revenue	-	(28,104)	(15,516)	-	(14,547)	(58,167)
<b>Revenue from external customers</b>	16,904,437	685,319	1,211,602	192,436	410,047	19,403,841
Segment results before decrease in fair value of investment properties	6,309,488	298,821	99,231	42,090	(32,247)	6,717,383
Losses result from changes in fair value of and transfer to investment properties	-	(145,277)	-	-	-	(145,277)
<b>Segment results after decrease in fair value of investment properties</b>	6,309,488	153,544	99,231	42,090	(32,247)	6,572,106
Share of results of joint ventures and associates						168,866
Other income and gains						222,970
Fair value loss of financial assets measured at fair value through profit or loss, net						(833,036)
Corporate and other unallocated expenses						(77,298)
Finance costs						(398,034)
<b>Profit before taxation</b>						<b>5,655,574</b>



## Notes to the Interim Financial Information

**6 Segment information (Continued)**

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

**7 Revenue, other income and gains – net**

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

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

	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
<b>Revenue from contracts with customers</b>		
Sales of completed properties	<b>16,904,437</b>	2,170,216
Property management fee income	<b>1,211,602</b>	917,155
Sales of commercial and industrial goods	<b>192,436</b>	127,397
Others	<b>410,047</b>	346,219
	<b>18,718,522</b>	3,560,987
<b>Revenue from other sources</b>		
Rentals income	<b>685,319</b>	560,609
	<b>19,403,841</b>	4,121,596
<b>Other income and gains – net</b>		
Interest income	<b>162,218</b>	120,058
Dividend income (a)	<b>1,654</b>	868,554
Others	<b>59,098</b>	35,087
	<b>222,970</b>	1,023,699

- (a) Pursuant to the investment agreements disclosed in note 12 to the interim financial information, the Group received a dividend from Hengda Real Estate of HK\$868,455,000 during the six months ended 30 June 2020.

## Notes to the Interim Financial Information

**8 Profit before taxation**

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

	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Decrease in fair value of financial assets at fair value through profit or loss	<b>833,036</b>	452,273
Losses result from changes in fair value of and transfer to investment properties	<b>145,277</b>	464,275
Gain on disposal of a subsidiary (note(27))	<b>(32,881)</b>	–
	<b>945,432</b>	916,548

**9 Property, plant and equipment and investment properties**

	Property, plant and equipment HK\$'000	Investment properties HK\$'000
<b>Six months ended 30 June 2021</b>		
At 1 January 2021	<b>6,307,594</b>	<b>35,650,870</b>
Other additions	<b>155,040</b>	<b>6,589</b>
Transfers	<b>20,216</b>	<b>(20,216)</b>
Transfer from completed properties held for sale	–	<b>47,233</b>
Revaluation gains upon transfers	–	<b>46,252</b>
Fair value changes	–	<b>(191,529)</b>
Disposal of subsidiaries	<b>(1,178)</b>	<b>(119,098)</b>
Other disposals	<b>(11,544)</b>	–
Depreciation	<b>(134,368)</b>	–
Exchange differences	<b>62,603</b>	<b>400,945</b>
At 30 June 2021	<b>6,398,363</b>	<b>35,821,046</b>

## Notes to the Interim Financial Information

## 9 Property, plant and equipment and investment properties (Continued)

The Group's investment properties are located in Mainland China and are held under medium lease terms. The Group's investment properties were revalued at 30 June 2021 based on valuation performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent, professionally qualified property valuation firm.

The Group's investment properties are all at Level 3 valuation.

The Group's property managers 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 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	2% – 60% (31 December 2020: 3% – 60%)
		Capitalisation rate	3% – 7% (31 December 2020: 3% – 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.

## Notes to the Interim Financial Information

## 9 Property, plant and equipment and investment properties (Continued)

Certificates of ownership in respect of certain investment properties of the Group with a net carrying amount of approximately HK\$1,747,657,560 as at 30 June 2021 (31 December 2020: HK\$2,432,494,000) have not yet been issued by the relevant PRC authorities. The Group is in the process of obtaining the relevant certificates.

As at 30 June 2021, the Group's plant, property and equipment and investment properties with a net carrying amount of nil and HK\$8,143,156,000 respectively (31 December 2020: HK\$261,040,000 and HK\$2,438,662,000) were pledged to secure bank loans granted to the Group (note 17(b)).

## 10 Investments in joint ventures

	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
<b>At 1 January</b>	<b>8,060,608</b>	6,811,843
Dividends	<b>(124,497)</b>	(237,759)
Share of results	<b>10,523</b>	23,056
Exchange differences	<b>22,766</b>	(111,564)
<b>At 30 June</b>	<b>7,969,400</b>	6,485,576

The balance includes loans to joint ventures of HK\$1,473,621,000. In accordance with the terms of the joint venture agreements, both parties 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.

## Notes to the Interim Financial Information

## 11 Investments in associates

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
<b>At 1 January</b>	<b>5,836,961</b>	5,319,511
Dividends	(126,780)	(178,054)
Share of results	361,310	32,781
Exchange differences	74,184	2,461
<b>At 30 June</b>	<b>6,145,675</b>	5,176,699

## 12 Financial asset at fair value through profit or loss

	30 June	31 December
	2021	2020
	HK\$'000	HK\$'000
<b>Non-current:</b>		
<b>Financial assets measured at FVPL</b>		
– Listed equity investments in Mainland China	27,243	26,935
– Unlisted equity investments in Mainland China (note (a))	5,978,955	6,737,000
	<b>6,006,198</b>	6,763,935
<b>Current:</b>		
<b>Financial assets measured at FVPL</b>		
– Listed equity investments in Hong Kong	1,763	1,982

## Notes to the Interim Financial Information

## 12 Financial asset at fair value through profit or loss (Continued)

- (a) The balance mainly represented the Hengda Investments of HK\$5,978,955,000 (2020: HK\$6,737,000,000), the details of Hengda Investments are set out below:

In 2017, the Group entered into investment agreements ("Investment Agreements") with Guangzhou Kailong Real Estate Company Limited ("Kailong Real Estate"), and Hengda Real Estate, both of which are subsidiaries of China Evergrande Group, and Mr. Hui Ka Yan ("Mr. Hui", a director and the controlling shareholder of China Evergrande Group). Pursuant to the Investment Agreements, the Group agreed to contribute RMB5,500,000,000 (equivalent to HK\$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 2017. Based on the Investment Agreements, Hengda Real Estate would undergo a major assets reorganisation ("Proposed 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 Proposed Reorganisation.

In addition, if the Proposed Reorganisation of Hengda Real Estate was 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 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 that the Listing Deadline has been extended from 31 January 2020 to 31 January 2021.

## Notes to the Interim Financial Information

## 12 Financial asset at fair value through profit or loss (Continued)

(a) (Continued)

In November 2020, the Group, Kailong Real Estate, Hengda Real Estate and Mr. Hui entered into a supplemental investment arrangement pursuant to which the Group has exercised the Hengda Option Right under the Investment Agreements, and as the Proposed Reorganisation has been terminated before the Listing Deadline, the parties thereto have further agreed to make a few clarification and supplemental changes to the terms of the Investment Agreements as follows:

- (i) The Group will continue to hold the equity interest of Hengda Real Estate and its equity interest was increased to 2.6439% in accordance with the supplemental investment agreement.
- (ii) Kailong Real Estate (or its designated third party) may propose to the Group to buy back the equity interest in Hengda Real Estate held by the Group at RMB5.5 billion ("Share Buy-back") before 31 December 2023, which is subject to the Company's review and approval in accordance with relevant regulatory requirements including those applicable to state-owned assets and listed companies. And, in the case the application is being approved, the Group and Kailong Real Estate will proceed to process the Share Buy-back in accordance with the prescribed procedures.

As of the date of this report, Kailong Real Estate did not propose such Share Buy-back.

During the period ended 30 June 2021, there was a decrease in fair value in respect of Hengda Investments of HK\$832,818,500, which was recognised in the consolidated statement of profit or loss.

## 13 Trade and other receivables

	<b>30 June 2021 HK\$'000</b>	31 December 2020 HK\$'000
Trade receivables — net (note (a))	<b>953,488</b>	875,138
Other receivables — net (note (b))	<b>4,069,228</b>	4,098,767
Deposit for land (note (c))	<b>3,217,087</b>	203,270
Prepayments (note (d))	<b>2,591,662</b>	3,352,273
	<b>10,831,465</b>	8,529,448

## Notes to the Interim Financial Information

## 13 Trade and other receivables (Continued)

## (a) Trade receivables

	<b>30 June 2021 HK\$'000</b>	31 December 2020 HK\$'000
Trade receivables	<b>1,126,218</b>	1,037,538
Less: provision for loss allowance	<b>(172,730)</b>	(162,400)
	<b>953,488</b>	875,138

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

As at 30 June 2021, the Group's trade receivables with a net carrying value of approximately HK\$13,716,000 (31 December 2020: HK\$3,785,000) was pledged to secure other borrowings granted to the Group (note 17(b)).

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

	<b>30 June 2021 HK\$'000</b>	31 December 2020 HK\$'000
Within 1 year	<b>915,789</b>	701,438
1 to 2 years	<b>28,528</b>	136,539
2 to 3 years	<b>9,171</b>	37,161
	<b>953,488</b>	875,138

None of whom contributed 10% or more of the Group's total revenue during the six months ended 30 June 2021 and 2020.

## Notes to the Interim Financial Information

## 13 Trade and other receivables (Continued)

## (b) Other receivables

	<b>30 June 2021 HK\$'000</b>	31 December 2020 HK\$'000
Due from the ultimate holding company	<b>26,471</b>	14,274
Due from the immediate holding company	<b>1,273</b>	1,739
Due from non-controlling shareholders	<b>2,158,545</b>	2,053,150
Loans to joint ventures	<b>788,915</b>	707,541
Loans to associates	<b>677</b>	1,857
Others (i)	<b>1,283,311</b>	1,531,957
	<b>4,259,192</b>	4,310,518
Less: allowance for impairment	<b>(189,964)</b>	(211,751)
Other receivables — net	<b>4,069,228</b>	4,098,767

(i) Others mainly included land refund due from the local government and water and electricity fees paid for the construction parties.

- (c) Deposit for land are related to prepaid land acquisition costs while relevant land use right certificates have not been obtained as at 30 June 2021.
- (d) Prepayments mainly included prepaid value-added taxes and prepayments for purchases of construction materials and services.

## Notes to the Interim Financial Information

## 14 Properties under development

	<b>30 June 2021 HK\$'000</b>	31 December 2020 HK\$'000
Construction costs	<b>8,148,754</b>	10,606,818
Land costs	<b>27,711,392</b>	30,315,546
Less: write-down of properties under development	<b>(177,540)</b>	(175,531)
	<b>35,682,606</b>	40,746,833

As at 30 June 2021, the Group's properties under development with a net carrying amount of HK\$405,147,000 (31 December 2020: HK\$2,972,440,000) were pledged to secure bank loans granted to the Group (note 17(b)).

The capitalisation rate used to determine the amount of interest on general borrowings incurred eligible for capitalisation for the six months ended 30 June 2021 was 1.98% per annum (six months ended 30 June 2020: 2.73% per annum). Most of the properties under development are located in Mainland China.

## 15 Cash and cash equivalents

	<b>30 June 2021 HK\$'000</b>	31 December 2020 HK\$'000
Cash and bank balances	<b>16,739,199</b>	13,434,561
Non-pledged time deposits with original maturity of less than three months	<b>4,822,946</b>	5,275,879
	<b>21,562,145</b>	18,710,440
Less: restricted bank deposits	<b>(2,537,234)</b>	(2,543,969)
Cash and cash equivalents	<b>19,024,911</b>	16,166,471

## Notes to the Interim Financial Information

## 16 Equity attributable to owners of the Company

## (a) Share capital

	<b>30 June 2021 HK\$'000</b>	31 December 2020 HK\$'000
Issued and fully paid: 8,899,893,115 ordinary shares (31 December 2020: 8,899,893,115)	<b>22,071,756</b>	22,071,756

## (b) Reserves

The amounts of the Group's reserves and the movements therein for the current period are set out in the condensed consolidated statement of changes in equity.

## (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.

## Notes to the Interim Financial Information

## 17 Bank and other borrowings

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
<b>Non-current</b>		
Bank loans — secured (note(b))	48,072	108,126
Bank loans — unsecured	15,245,131	15,842,891
Other borrowings-secured CMBS (note(a),note(b))	6,663,861	2,137,572
	<b>21,957,064</b>	18,088,589
<b>Current</b>		
Bank loans — secured (note(b))	72,108	337,954
Bank loans — unsecured	12,502,567	10,610,971
Other borrowings — secured CMBS (note(a),note(b))	110,452	8,599
Other borrowings — unsecured	—	1,782,300
	<b>12,685,127</b>	12,739,824
	<b>34,642,191</b>	30,828,413

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

## Notes to the Interim Financial Information

### 17 Bank and other borrowings (Continued)

- (a) At 30 June 2021, other borrowings included Commercial Mortgage-backed Securities("CMBS") as below:

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

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

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

## Notes to the Interim Financial Information

## 17 Bank and other borrowings (Continued)

- (b) At 30 June 2021, loans amounting to approximately HK\$6,894,493,000 (31 December 2020: HK\$2,592,251,000) were secured by certain of the Group's assets with carrying amounts as below:

	Carrying Amount Value		Amount of Banking Facilities	
	30 June	31 December	30 June	31 December
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Plant, property and equipment	–	261,040	–	118,860
Properties under development	<b>405,147</b>	2,972,440	<b>631,402</b>	2,359,533
Trade receivables and investment properties	<b>8,156,872</b>	2,442,447	<b>6,731,428</b>	2,138,760
	<b>8,562,019</b>	5,675,927	<b>7,362,830</b>	4,617,153

- (c) At 30 June 2021, bank borrowing of approximately HK\$21,889,534,000 (31 December 2020: HK\$30,828,413,000) was bearing the floating rate.
- (d) Except for the bank loans equivalent to approximately HK\$15,803,296,000 (31 December 2020: HK\$17,410,480,000), which are denominated in Hong Kong dollars, and the bank loans equivalent to approximately HK\$1,976,663,000 (31 December 2020: nil), which are denominated in US dollars, all other borrowings as at 30 June 2021 are denominated in RMB.
- (e) At 30 June 2021, the average effective interest rate of the bank and other borrowings was 3.20%, (30 June 2020: 4.37%).

## Notes to the Interim Financial Information

## 18 Trade and other payables

	<b>30 June 2021 HK\$'000</b>	31 December 2020 HK\$'000
Trade payables (a)	<b>4,258,156</b>	3,863,062
Other payables and accruals (b)	<b>12,527,490</b>	10,555,929
Other taxes payable (c)	<b>315,682</b>	410,604
	<b>17,101,328</b>	14,829,595

## (a) Trade payables

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

	<b>30 June 2021 HK\$'000</b>	31 December 2020 HK\$'000
Within 1 year	<b>3,462,511</b>	3,065,646
1 to 2 years	<b>122,326</b>	136,725
2 to 3 years	<b>34,517</b>	107,048
Over 3 years	<b>638,802</b>	553,643
	<b>4,258,156</b>	3,863,062

## (b) Other payables and accruals

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

## (c) Other taxes payable

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

## Notes to the Interim Financial Information

## 19 Expenses by nature

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Cost of properties and inventories sold	<b>10,300,504</b>	1,227,885
Cost of services provided	<b>1,802,854</b>	1,327,852
Employee benefit expenses	<b>436,786</b>	152,757
Advertising and promotion costs	<b>82,460</b>	27,779
Depreciation of property, plant and equipment	<b>25,382</b>	18,477
Depreciation of right-of-use assets	<b>24,802</b>	13,892
(Reversal of impairment losses)/Impairment losses of assets	<b>(18,614)</b>	163,188
Other taxes and levies	<b>31,761</b>	24,662
Others	<b>77,821</b>	97,984
Total cost of sales, selling and marketing costs, administrative expenses and research and development expenses	<b>12,763,756</b>	3,054,476

## Notes to the Interim Financial Information

## 20 Finance costs – net

	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Interest on:		
Bank loans	<b>438,065</b>	459,565
Other borrowings	<b>95,655</b>	100,059
Lease liabilities	<b>10,416</b>	8,700
Loans from the ultimate holding company	<b>82,744</b>	33,395
Loans from the immediate holding company	<b>12,988</b>	11,079
Loans from fellow subsidiaries	<b>51,633</b>	78,073
Loans from a joint venture	<b>2,359</b>	2,643
Loans from other related company	<b>3,931</b>	3,503
	<b>697,791</b>	697,017
Interest accrued on contract liabilities	<b>131,410</b>	329,068
	<b>829,201</b>	1,026,085
Less: Interest capitalised into properties under development	<b>(431,167)</b>	(434,988)
	<b>398,034</b>	591,097

## Notes to the Interim Financial Information

## 21 Income tax expenses

	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Current income tax		
– Mainland China CIT	<b>1,602,793</b>	342,675
– Withholding tax on dividend	–	16,528
– LAT in Mainland China	<b>2,872,384</b>	357,178
	<b>4,475,177</b>	716,381
Deferred income tax		
– Mainland China CIT	<b>(315,972)</b>	(372,352)
– Withholding tax on dividend	<b>240,291</b>	28,557
– LAT in Mainland China	<b>(598,769)</b>	(17,893)
	<b>(674,450)</b>	(361,688)
	<b>3,800,727</b>	354,693

The provision for Hong Kong Profits Tax for the six months ended 30 June 2021 is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the interim period. No provision for Hong Kong Profits Tax was made as the Group has no assessable profits arising in or derived from Hong Kong for the interim period (2020: nil).

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

## Notes to the Interim Financial Information

### 21 Income tax expenses (Continued)

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

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

### 22 Earnings per share

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

	Six months ended 30 June	
	2021	2020
Profit attributable to the owners of the Company (HK\$'000)	<b>1,393,043</b>	322,590
Weighted average number of ordinary shares in issue during the period	<b>8,899,893,115</b>	8,833,437,048

For the six months ended 30 June 2021 and 2020, the effect of conversion of share option scheme (note 24) were anti-dilutive and the diluted earnings per share for the period is therefore equal to the basic earnings per share.

## Notes to the Interim Financial Information

## 23 Dividends

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Dividends recognised as distribution during the period:		
Final dividend declared for 2020 – HK\$11 cents per share (six months ended 30 June 2020: declared for 2019 – HK\$11 cents per share) (a)		
Scrip shares	–	161,488
Cash	<b>978,988</b>	810,190
	<b>978,988</b>	971,678
Dividend declared in respect of current period:		
Interim dividend for 2021 – HK\$7 cents per share (Interim dividend for 2020: HK\$7 cents per share) (b)	<b>622,993</b>	622,993

- (a) The Company declared a final dividend of HK\$11.00 cents per share in respect of year ended 31 December 2020 amounted to approximately HK\$978,988,000. The final dividend has been paid in the cash on 8 July 2021.

The Company declared a final dividend of HK\$11.00 cents per share in respect of year ended 31 December 2019 amounted to HK\$971,678,000, of which HK\$810,190,000 were paid in cash and the remaining balance of HK\$161,488,000 were settled in the form of 66,456,067 scrip shares on 17 August 2020.

- (b) On 27 August 2021, the board has recommended an interim dividend of HK\$7.00 cents per share. This interim dividend, amounting to HK\$622,993,000 has not been recognised as liabilities in this interim financial information (six months ended 30 June 2020: HK\$622,993,000).

## Notes to the Interim Financial Information

**24 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.

**(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
<b>At 30 June 2021</b>					
Options granted to directors and employees:					
– on 20 June 2017	51,782,827	2.902	6/20/2019	6/19/2022	5.00
– on 20 June 2017	38,837,107	2.902	6/20/2020	6/19/2022	5.00
– on 20 June 2017	38,837,153	2.902	6/20/2021	6/19/2022	5.00
Options granted to directors and employees:					
– on 8 February 2018	9,659,143	2.869	6/20/2019	6/19/2022	4.36
– on 8 February 2018	7,244,358	2.869	6/20/2020	6/19/2022	4.36
– on 8 February 2018	7,244,370	2.869	6/20/2021	6/19/2022	4.36
Total share options outstanding	153,604,958				

## Notes to the Interim Financial Information

## 24 Share option scheme (Continued)

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

At the end of the reporting period, the Company had 153,604,958 share options outstanding under the Scheme, representing approximately 1.73% 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 153,604,958 additional ordinary shares of the Company and an increase in share capital of HK\$553,949,000 (before issue expenses).

## (b) Share options movement during the period

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

	30 June 2021		30 June 2020	
	Weighted average exercise price HK\$ per share	Number of options	Weighted average exercise price HK\$ per share	Number of options
At 1 January	2.895	153,604,958	3.029	146,821,811
At 30 June	2.895	153,604,958	3.029	146,821,811
Exercisable at the end of the period	2.897	153,604,958	3.030	102,775,230

The options outstanding at 30 June 2021 had an exercise price of HK\$2.869 – HK\$2.902 (30 June 2020: HK\$3.001 – HK\$3.036) and a weighted average remaining contractual life of 0.97 years (30 June 2020: 1.93 years).

- (i) No share options were granted, exercised, forfeited and lapsed during the reporting period.
- (ii) The Group recognised a share option expense of HK\$2,961,000 during the six months ended 30 June 2021 (six months ended 30 June 2020: HK\$6,689,000).

## Notes to the Interim Financial Information

## 25 Commitments

Capital commitments outstanding at 30 June 2021 not provided for in the interim financial report:

	<b>30 June 2021 HK\$'000</b>	31 December 2020 HK\$'000
Commitments in respect of the acquisition of land and buildings, and development costs attributable to properties under development:		
Contracted, but not provided for	<b>8,035,715</b>	4,974,251

As disclosed in the Company's announcement dated 14 July 2017, the Group agreed a maximum capital contribution to a related party, Shum King Company Limited, of HK\$3,000,000,000 for its development of a piece of land in Hong Kong. As at 30 June 2021, the Group had an outstanding capital commitment to Shum King of HK\$1,906,000,000 (31 December 2020: HK\$1,906,000,000).

As disclosed in the Company's announcement dated 27 June 2021, the Group and Hefei Vanke Ruixiang Real Estate Company Limited (an indirect wholly owned subsidiary of China Vanke Co., Ltd) won the bid for the land use rights of the mixed-use land offered for sale by Zhongshan Natural Resources Bureau at the bid price of RMB8,191,000,000 (equivalent to HK\$9,843,000,000) through the public bidding process held by Zhongshan Public Resources Transaction Centre. As at 30 June 2021, the Group had an outstanding capital commitment of HK\$3,501,000,000.

## Notes to the Interim Financial Information

## 26 Financial guarantees

	<b>30 June 2021 HK\$'000</b>	31 December 2020 HK\$'000
Financial guarantees to purchasers of the Group's properties (a)	<b>6,545,268</b>	9,122,402
Financial guarantees to related parties of the Group (b)	<b>1,439,983</b>	1,606,057

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

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

- (b) As at 30 June 2021, the Group has given guarantees amounted to HK\$1,439,983,000 (31 December 2020: HK\$1,606,057,000) 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 of which are joint ventures of the Group.

## Notes to the Interim Financial Information

**27 Related-party transactions**

In addition to the financial guarantees provided to joint ventures disclosed in note 26(b) and the capital commitments provided to a joint venture disclosed in note 10, the Group had the following related party transactions:

**(a) Financing arrangements**

- (i) The Group entered certain financing arrangements with its related parties.

	<b>30 June 2021 HK\$'000</b>	31 December 2020 HK\$'000
Loans from the ultimate holding company	<b>9,533,158</b>	9,415,468
Loans from the immediate holding company	<b>1,869,377</b>	1,770,744
Loans from fellow subsidiaries	<b>2,780,078</b>	3,137,121
Loans from associates	<b>21,251</b>	20,660
Loans from joint ventures	<b>124,837</b>	123,435
Loans from other related company	<b>184,060</b>	185,961
Loans from non-controlling shareholders	<b>232,891</b>	186,352
	<b>14,745,652</b>	14,839,741

Except for balances of HK\$4,680,130,000 which are interest-free, the remaining balances bear interests at rates ranging from 1.94% to 3.92% per annum. The relevant interest expenses for the period are disclosed in note 20.

## Notes to the Interim Financial Information

## 27 Related-party transactions (Continued)

## (a) Financing arrangements (Continued)

(ii) The Group also provides loans to its related parties.

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Loans to joint ventures	2,364,891	2,148,692
Loans to associates	10,816	1,188
	<b>2,375,707</b>	2,149,880

	30 June 2021 HK\$'000	30 June 2020 HK\$'000
Interest income from joint ventures	27,125	27,568
Interest income from associates	251	340
	<b>27,376</b>	27,908

The balances is interest bearing at rates ranging from 4.9% to 8.0% per annum.

## Notes to the Interim Financial Information

### 27 Related-party transactions (Continued)

#### (b) Leasing arrangements

- (i) The Group entered leases in respect of certain leasehold properties from its related parties, with lease terms ranging from 1 year to 3 years. During the six months ended 30 June 2021, the amounts of rent payable by the Group under these leases to its immediate holding company, fellow subsidiaries and associates were HK\$6,503,000 (six months ended 30 June 2020: HK\$5,636,000), HK\$1,944,300 (six months ended 30 June 2020: HK\$2,376,000) and HK\$15,002,000 (six months ended 30 June 2020: HK\$14,266,000) respectively. The related interest expenses from its immediate holding company, fellow subsidiaries and associates for the six months ended 30 June 2021 were HK\$66,000 (six months ended 30 June 2020: HK\$184,000), HK\$15,000 (six months ended 30 June 2020: HK\$1,278,000) and HK\$1,342,000 (six months ended 30 June 2020: HK\$2,209,000) 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 2021, the rental income in respect of the lease arrangement was HK\$4,246,000 (six months ended 30 June 2020: HK\$5,714,000).

#### (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 RMB2,500,000,000 (equivalent to HK\$3,004,500,000) and 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. The fund was repaid by the Group in two instalments, with RMB1,000,000,000 being repaid in May 2020 and the remaining balance of RMB1,500,000,000 being repaid in May 2021. The fund arrangement has ended by the end of May 2021. This transaction constitutes continuing connected transactions as defined in Chapter 14A of the Listing Rules but is exempt from the disclosure requirements under Chapter 14A as it is a financial assistance received by the Group which is conducted on normal commercial terms or better, and is not secured by the assets of the Group.

## Notes to the Interim Financial Information

## 27 Related-party transactions (Continued)

### (d) Other related party transactions

- (i) On 28 May 2021, an indirect wholly-owned subsidiary of the Company (“the Vendor”), and a non-wholly owned subsidiary of Shum Yip Group (“the Purchaser”), a fellow subsidiary of the Company, entered into the Equity Transfer Agreement pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Equity Interest, representing 100% equity interest of Shum Yip Land Investment, together with the Sale Loan at an aggregate consideration of RMB75,060,000 (equivalent to approximately HK\$91,224,000). The disposal was completed in June 2021.
- (ii) The Group entered arrangements with its ultimate holding company and a fellow subsidiary in which the Group provides management services on their behalf. For the six months ended 30 June 2021, the management fee income in respect of the management services provided to the ultimate holding company, and the fellow subsidiary were HK\$2,053,000, HK\$1,028,000 respectively (six months ended 30 June 2020: HK\$1,800,000 and HK\$1,005,000).
- (iii) The Group entered 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 2021, the management fee income in respect of these management services was HK\$340,000 (six months ended 30 June 2020: HK\$340,000).
- (iv) During the six months ended 30 June 2021, the Group sold products to its joint ventures of HK\$44,543,000 (six months ended 30 June 2020: HK\$37,237,000).

## Notes to the Interim Financial Information

**27 Related-party transactions (Continued)****(e) Compensation of key management personnel of the Group**

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
Short term employee benefits	<b>9,522</b>	5,253
Post-employment benefits	<b>2,034</b>	1,400
Share-based payments	<b>626</b>	1,258
Total compensation paid to key management personnel	<b>12,182</b>	7,911

**28 Subsequent 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 23.

## Disclosure of Interests

### Directors' Interests in Shares

As at 30 June 2021, 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 <i>(Note)</i>
LU Hua	Beneficial owner	1,154,562	9,305,948	10,460,510	0.12
HUANG Wei	Beneficial owner	—	8,840,169	8,840,169	0.10
DONG Fang	Beneficial owner	—	6,236,143	6,236,143	0.07
LI Wai Keung	Beneficial owner	1,180,880	—	1,180,880	0.01

Note: The percentage was calculated based on 8,899,893,115 Shares in issue as at 30 June 2021.

## Disclosure of Interests

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 2021, 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 2021, 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:

## Disclosure of Interests

## Interest in Shares:

Name	Capacity	Number of Shares		Percentage of Shares in issue
		Long Position	Short Position	
Shum Yip Group Limited* ("SYG")	Interest in controlled corporation	5,622,994,189 <i>(Note 2)</i>	—	63.18
Shum Yip Holdings Company Limited ("SYH")	Beneficial owner	5,546,307,730	—	62.32
	Interest in controlled corporation	76,686,459 <i>(Note 3)</i>	—	0.86
ALPHA-OMEGA CORPORATION	Beneficial owner	889,938,312	—	9.99

## Notes:

1. The percentage was calculated based on 8,899,893,115 Shares in issue as at 30 June 2021.
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 2021, 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.

## Other Information

### Share Option Scheme

The Company adopted a share option scheme on 22 June 2012 ("Share Option Scheme"). As at 30 June 2021, 153,604,958 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 30 June 2021	Date of grant of share options	Exercise period of share options	Exercise price of share options <i>HK\$ per share</i>
	At 1 January 2021	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Other changes during the period				
<b>Directors</b>										
LU Hua	9,305,948	—	—	—	—	—	9,305,948	20/6/2017	20/6/2019-19/6/2022*	2.902
HUANG Wei	8,840,169	—	—	—	—	—	8,840,169	20/6/2017	20/6/2019-19/6/2022*	2.902
DONG Fang	6,236,143	—	—	—	—	—	6,236,143	20/6/2017	20/6/2019-19/6/2022*	2.902
	24,382,260	—	—	—	—	—	24,382,260			
<b>Other participants</b>										
In aggregate	105,074,827	—	—	—	—	—	105,074,827	20/6/2017	20/6/2019-19/6/2022*	2.902
	24,147,871	—	—	—	—	—	24,147,871	8/2/2018	20/6/2019-19/6/2022*	2.869
	129,222,698	—	—	—	—	—	129,222,698			
	153,604,958	—	—	—	—	—	153,604,958			

\* 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

## Other Information

### Interim Dividend

The Board has declared an interim dividend of HK7.00 cents per Share for the six months ended 30 June 2021 (interim dividend for 2020: HK7.00 cents) payable on or about Friday, 15 October 2021 to shareholders whose names appear on the register of members of the Company on Tuesday, 14 September 2021.

### Closure of Register of Members

The Register of Members of the Company will be closed from Monday, 13 September 2021, to Tuesday, 14 September 2021 (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 Friday, 10 September 2021.

### 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 2021.

### 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 2021 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 2021 to 30 June 2021.

## Other Information

### Changes in directorships of the Company

Mr. LIU Shichao has resigned, and Ms. SHI Xiaomei has been appointed, as an executive director of the Company with effect from 27 August 2021.

### Update on Directors' Information

Mr. LI Wai Keung has resigned as the vice chairman of the Financial & Accounting Affairs Steering Committee of the Hong Kong Chinese Enterprises Association with effect from January 2021.

Dr. WONG Yau Kar, David has resigned as an independent non-executive director of Redco Properties Group Limited (1622.HK) with effect from 8 April 2021.

### 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 9 August 2017 entered into between the Company as borrower and a bank as lender, up to a principal amount of HK\$500,000,000 transferable term loan facility ("1st Facility") was provided to the Company. The term of the 1st Facility is 48 months commencing from the date of the 1st Facility Agreement.

On 16 August 2017, the Company as borrower accepted the facility letter ("2nd 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) ("2nd Facility") offered by a bank as lender. The Company shall repay in full to the lender each borrowing of a portion of the 2nd Facility on the date falling 48 months from the date such borrowing is made and all other sums (if any) then owing under the 2nd Facility Agreement on the date falling 54 months from 21 August 2017.

## Other Information

On 18 December 2017, the Company as borrower entered into a facility agreement (“3rd Facility Agreement”) relating to a transferable term loan facility of up to HK\$400,000,000 (“3rd Facility”) with a bank as lender. The term of the 3rd Facility is 48 months commencing from the date of the 3rd Facility Agreement.

On 26 February 2018, the Company as borrower accepted the facility letter (“4th Facility Agreement”) relating to a term loan facility of up to HK\$500,000,000 (“4th Facility”) offered by a bank as lender. The last repayment date of the 4th Facility is the day falling 3 years from the acceptance date of the 4th Facility Agreement.

On 11 April 2018, the Company as borrower accepted the facility letter (“5th Facility Agreement”) relating to a term loan facility of up to HK\$1,500,000,000 (“5th Facility”) offered by a bank as lender. The term of the 5th Facility is 4 years from the date the first drawdown under the 5th Facility is made.

On 26 June 2018, the Company as borrower entered into a facility agreement (“6th Facility Agreement”) relating to a transferrable term loan facility of up to a principal amount of HK\$10,000,000,000 (“6th Facility”) offered by certain banks as lenders. The Company shall repay the borrowings under the 6th Facility by five installments with all outstanding amounts under the 6th Facility fully repaid on the date falling 60 months from the date of the 6th Facility Agreement.

On 26 June 2019, the Company as borrower accepted the facility letter (“7th Facility Agreement”) relating to a revolving loan facility of up to RMB1,000,000,000 (“7th Facility”) offered by a bank as lender. The Facility is subject to annual review by the lender.

On 14 September 2020, the Company as borrower accepted the facility letter (“8th Facility Agreement”) relating to an uncommitted term loan facility of up to US\$185,000,000 (or its equivalent in Hong Kong dollars) offered by a bank as lender. The last repayment date of the borrowing under the 8th Facility is 48 months from the date of the first drawdown under the 8th Facility Agreement.

On 17 September 2020, the Company as borrower accepted the facility letter (“9th Facility Agreement”) relating to a term loan facility of up to HK\$800,000,000 (“9th Facility”) offered by a bank as lender. The term of the 9th Facility is 3 years from the date of the first drawdown under the 9th Facility Agreement.

## Other Information

On 7 April 2021, the Company as borrower accepted the facility letter (“10th Facility Agreement”) relating to a term loan facility of up to HK\$500,000,000 (“10th Facility”) offered by a bank as lender. The term of the 10th Facility is 3 years from the date of acceptance of the 10th Facility Agreement.

On 17 June 2021, the Company as borrower accepted the facility letter (“11th Facility Agreement”) relating to a term loan facility of up to HK\$500,000,000 (“11th Facility”) offered by a bank as lender. The term of the 11th Facility is 35 months commencing from the date of the first drawdown under the 11th Facility Agreement.

On 29 June 2021, the Company as borrower accepted the facility letter (“12th Facility Agreement”) relating to an uncommitted term loan facility of up to HK\$600,000,000 (or its equivalent in United States dollars)(“12th Facility”) offered by a bank as lender. The term of the 12th Facility is 3 years commencing from the signing date of the 12th Facility Agreement.

On 19 August 2021, the Company as borrower accepted the facility letter (“13th 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, 9th Facility Agreement, 10th Facility Agreement, 11th Facility Agreement and 12th Facility Agreement collectively referred to as the “Facility Agreements”) relating to a term loan facility of up to HK\$1,000,000,000 (“13th Facility”) offered by a bank as lender. The term of the 13th Facility is 36 months commencing from the date of acceptance of the 13th Facility Agreement.

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 2021, all advances made under the 4th Facility Agreement had been fully repaid.



深圳控股有限公司  
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