



深圳控股有限公司
SHENZHEN INVESTMENT LIMITED

股份代號 Stock Code: 00604



2022 中期報告
Interim Report

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Corporate Information

Executive Directors

Dr. LU Hua, *Chairman*

Ms. CAI Xun

Ms. SHI Xiaomei

Non-executive Director

Mr. DONG Fang

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 Banks

Bank of China (Hong Kong) Limited

DBS Bank Ltd., Hong Kong Branch

Nanyang Commercial Bank Limited

OCBC Wing Hang Bank Limited

Shanghai Pudong Development Bank Co., Ltd.,

Hong Kong Branch

China Construction Bank (Asia) Corporation Limited

Chong Hing Bank Limited

The Hongkong and Shanghai Banking

Corporation Limited

The Bank of East Asia, Limited

Industrial and Commercial Bank of

China (Asia) Limited

Share Listing

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

Share Registrar

Tricor Standard Limited

17/F, Far East Finance Centre,

16 Harcourt Road, Hong Kong

Website

www.shenzheninvestment.com

Chairman's Statement

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

Results for the First Half of 2022

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

Chairman's Statement

Reinforcing Principal Business to Lay a Solid Foundation for Sound Performance

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

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

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

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

Chairman's Statement

Optimizing Investment to Support Sustainable Development

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

Attaching Importance to Operation and Improving Comprehensive Strength

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

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

Chairman's Statement

Promoting Development and Embracing Capital Market

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

Increasing Innovation and Exporting the Industry and City Mode

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

Controlling Risks to Achieve Efficient and Stable Finance

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

Chairman's Statement

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

Enhancing Overall Strength to Improve Management Quality and Efficiency

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

Chairman's Statement

Outlook

Market Outlook

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

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

Promoting Shenzhen and Hong Kong Development

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

Chairman's Statement

Overcoming Difficulties and Realizing Prudent Growth

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

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

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

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

Chairman's Statement

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

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

LU Hua

Chairman

26 August 2022

Management Discussion and Analysis

Overall Results

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

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

Property Development Business

Sales Revenue Booked

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

Management Discussion and Analysis

Property Sales Booked in the First Half of 2022

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

Management Discussion and Analysis

Contracted Sales

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

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

Management Discussion and Analysis

Contracted Sales in the First Half of 2022

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

* The sales of parking lots were included.

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

Management Discussion and Analysis

Project Development

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

New Construction Projects in the First Half of 2022

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

Completed Projects in the First Half of 2022

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

Management Discussion and Analysis

Expansion of Land Resources

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

Expansion of Land Resources in the First Half of 2022

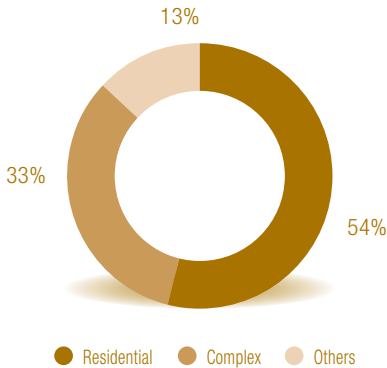
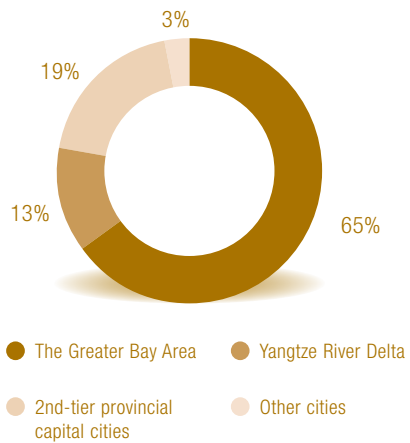
Property Name	City	Project Equity Ratio	Type	Land Price (RMB' 000)	Site Area (sq.m.)	Capacity Building Area (sq.m.)
Minzhi Street Project in Longhua District	Shenzhen	51%	Residential	3,780,000	26,114	135,790
International Automobile City Residential Project	Shanghai	100%	Residential	1,639,700	43,129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

Land Reserves

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

Management Discussion and Analysis

Distribution of Land Reserves (As at 30 June 2022)

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

Property Investment Business

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

Management Discussion and Analysis

Urban Integrated Operation Business

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

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

Management Discussion and Analysis

Hotel Operation Business

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

Manufacturing Business

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

Performance of Major Joint Ventures and Associates

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

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

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

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

Management Discussion and Analysis

Financial Assets

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

Financing

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

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

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

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

Management Discussion and Analysis

Key Financial Indicators

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

Effect of Exchange Rate Fluctuation

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

Progress of the Litigation Involving Terra Companies

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

Management Discussion and Analysis

Pledge of Assets and Contingent Liabilities

As at 30 June 2022, the Group had total loans of HK\$10,247.76 million (31 December 2021: HK\$6,907.05 million) that were pledged with assets (please refer to note 22 to the interim financial information for details).

As at 30 June 2022, the Group has given guarantees amounted to HK\$1,847.47 million in respect of bank and other borrowings to three joint ventures of the Group (please refer to note 26 to the interim financial information for details).

Employees and Remuneration Policy

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

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

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 25 to 77, 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 2022 and the condensed consolidated statement of profit or loss, the condensed consolidated statement of 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 notes, comprising significant accounting policies and other explanatory information. 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, 26 August 2022

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2022

	Note	Unaudited	
		Six months ended 30 June	
		2022	2021
		HK\$'000	HK\$'000
Revenue	7	15,534,377	19,403,841
Cost of sales	8	(8,583,140)	(12,103,358)
Gross profit		6,951,237	7,300,483
Other income and other gains	7	244,922	115,486
Decrease in fair value of financial assets at fair value through profit or loss		(284,321)	(833,036)
Losses result from changes in fair value of and transfer to investment properties		(23,640)	(145,277)
Selling and distribution expenses	8	(162,658)	(171,156)
Administrative expenses	8	(659,657)	(584,122)
Other expenses	8	(25,159)	83,423
Net (impairment losses)/reversal of impairment losses on financial assets		(44,998)	11,457
Operating profit		5,995,726	5,777,258
Finance income	9	131,732	107,484
Finance costs	9	(469,412)	(398,034)
Finance costs – net	9	(337,680)	(290,550)
Share of results of joint ventures and associates	15,16	140,933	168,866
Profit before income tax		5,798,979	5,655,574
Income tax expenses	10	(3,335,836)	(3,800,727)
Profit for the period		2,463,143	1,854,847
Profit is attributable to:			
– Owners of the Company		2,360,778	1,393,043
– Non-controlling interests		102,365	461,804
		2,463,143	1,854,847
Earnings per share for profit attributable to the owners of the Company (HK cents)	11		
– Basic		26.53	15.65
– Diluted		26.53	15.65

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

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2022

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

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

Condensed Consolidated Statement of Financial Position

As at 30 June 2022

		Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment	13	6,205,013	6,347,209
Investment properties	13	35,663,065	37,327,911
Investments in joint ventures	15	8,727,255	8,887,001
Investments in associates	16	6,026,886	6,201,291
Intangible assets		593,473	518,112
Financial assets at fair value through profit or loss	17	193,435	489,639
Financial assets at fair value through other comprehensive income		5,774	4,256
Trade and other receivables	18	442,563	466,525
Deferred income tax assets		3,551,362	2,953,554
		61,408,826	63,195,498
Current assets			
Properties under development	19	70,276,298	51,176,858
Completed properties held for sale		13,626,259	18,235,085
Inventories		310,687	262,948
Trade and other receivables	18	6,968,449	7,114,269
Financial assets at fair value through profit or loss	17	1,619	1,807
Biological assets		4,625	3,799
Restricted bank deposits	20	2,703,080	2,858,351
Cash and cash equivalents	20	19,030,433	19,917,256
		112,921,450	99,570,373
Total assets		174,330,276	162,765,871

Condensed Consolidated Statement of Financial Position

As at 30 June 2022

	Note	Unaudited 30 June 2022 HK\$'000	Audited 31 December 2021 HK\$'000
EQUITY			
Equity attributable to owners of the Company	21		
Share capital		22,071,756	22,071,756
Capital reserve		59,019	59,019
Other reserves		5,885,211	8,913,918
Retained earnings		19,886,237	18,130,233
		47,902,223	49,174,926
Non-controlling interests		5,071,416	5,194,954
Total equity		52,973,639	54,369,880
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	22	30,584,553	26,138,203
Lease liabilities	14	100,788	254,873
Deferred income		27,177	22,148
Due to the ultimate holding company	27	1,169,300	3,057,750
Deferred income tax liabilities		8,637,713	9,421,630
		40,519,531	38,894,604
Current liabilities			
Bank and other borrowings	22	13,412,563	11,959,031
Contract liabilities		9,005,120	13,892,262
Trade and other payables	23	24,196,958	17,100,876
Lease liabilities	14	104,987	140,842
Due to the immediate holding company	27	2,490,593	2,477,415
Due to the ultimate holding company	27	17,973,590	11,121,061
Tax payable		13,653,295	12,809,900
		80,837,106	69,501,387
Total liabilities		121,356,637	108,395,991
Total equity and liabilities		174,330,276	162,765,871

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

The interim financial information on page 25 to 77 was approved by the Board of Directors on 26 August 2022 and was signed on its behalf.

Dr. LU Hua
Director

Ms. SHI Xiaomei
Director

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	Unaudited							
	Attributable to the owners of the Company						Non-controlling interests	Total equity
	Share capital	Capital reserve	Other reserves	Retained earnings	Total	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 1 January 2022	22,071,756	59,019	8,913,918	18,130,233	49,174,926	5,194,954	54,369,880	
Comprehensive income for the six months ended 30 June 2022								
Profit for the period	-	-	-	2,360,778	2,360,778	102,365	2,463,143	
Other comprehensive income:								
Exchange differences on translation of foreign operations	-	-	(2,782,442)	-	(2,782,442)	(231,812)	(3,014,254)	
Share of other comprehensive income of a joint venture and an associate	-	-	(137,673)	-	(137,673)	-	(137,673)	
Total comprehensive income for the period	-	-	(2,920,115)	2,360,778	(559,337)	(129,447)	(688,784)	
Transactions with owners in their capacity as owners								
Capital injections from non-controlling interests	-	-	-	-	-	5,909	5,909	
Dividends declared for shareholders	-	-	-	(711,903)	(711,903)	-	(711,903)	
Equity-settled share option expense	-	-	392	-	392	-	392	
Transfer of reserves upon lapse of share options	-	-	(108,984)	108,984	-	-	-	
Share Repurchase	-	-	-	(1,855)	(1,855)	-	(1,855)	
Total transactions with owners	-	-	(108,592)	(604,774)	(713,366)	5,909	(707,457)	
Balance at 30 June 2022	22,071,756	59,019	5,885,211	19,886,237	47,902,223	5,071,416	52,973,639	

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	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	
Balance at 1 January 2021	22,071,756	59,019	6,074,395	22,419,115	50,624,285	4,781,563	55,405,848
Comprehensive income for the six months ended 30 June 2021							
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
Total comprehensive income for the period	-	-	710,835	1,393,043	2,103,878	538,553	2,642,431
Transactions with owners in their capacity as owners							
Capital injections from non-controlling interests	-	-	-	-	-	2,936	2,936
Dividends declared for 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	-	-	-
Total transactions with owners	-	-	(32,024)	(944,003)	(976,027)	(1,737)	(977,764)
Balance at 30 June 2021	22,071,756	59,019	6,753,206	22,868,155	51,752,136	5,318,379	57,070,515

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 2022

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Cash flows from operating activities		
Cash (used in)/generated from operations	(16,325,292)	2,571,822
Interest paid	(569,442)	(463,762)
Interest received	131,732	107,484
Income tax paid	(2,641,369)	(2,648,435)
Net cash used in operating activities	(19,404,371)	(432,891)
Cash flows from investing activities		
Loans to joint ventures	(482,440)	(748,938)
Repayments of loans by joint ventures	–	509,278
Payments for investments in associates and joint ventures	(47,898)	–
Purchases of property, plant and equipment	(77,699)	(65,549)
Net cash outflow of disposal of a subsidiary	–	(11,834)
Disposals of property, plant and equipment	19	42
Interest received from loans to related parties	1,743	47,932
Dividend income from joint ventures and associates	92,925	140,000
Dividends received from financial assets at fair value through profit or loss	108	103
Dividends received from financial assets at fair value through other comprehensive income	–	1,551
Net decrease in loans to non-controlling interests	241,220	69,244
Net cash used in investing activities	(272,022)	(58,171)

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2022

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Cash flows from financing activities		
Proceeds from bank and other borrowings	14,957,007	10,629,538
Repayments of bank and other borrowings	(8,048,305)	(7,152,677)
Proceeds from loans from immediate holding company	–	100,000
Proceeds from loans from ultimate holding company	17,358,541	15,738,726
Repayments of loans from ultimate holding company	(7,076,460)	(15,716,903)
Repayments of loans from fellow subsidiaries	(326,166)	(444,569)
Proceeds from loans from joint ventures	120,610	–
Principal elements of lease payments	(59,307)	(42,318)
Capital contributions by non-controlling interests	10,227	2,936
Share repurchase	(1,855)	–
Net increase in loans from non-controlling interests	2,766,153	–
Dividends paid to non-controlling interests	–	(4,780)
Net cash generated from financing activities	19,700,445	3,109,953
Net increase in cash and cash equivalents	24,052	2,618,891
Cash and cash equivalents at beginning of the period	19,917,256	16,166,471
Exchange difference on cash and cash equivalents	(910,875)	239,549
Cash and cash equivalents at end of the period	19,030,433	19,024,911

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 26 August 2022 and has not been audited.

2 Basis of preparation

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

Notes to the Interim Financial Information

2 Basis of preparation (Continued)

(a) (Continued)

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

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

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

(b) Going concern basis

Due to the volatility of the property market in the PRC and the unfavourable impact on the presale performance during the period and subsequent to the period end date, and the Group recorded net cash outflow from operating activities of approximately HK\$19,404 million for the six months ended 30 June 2022, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern for at least of 12 months from 30 June 2022.

Certain borrowings of the Group are subject to restrictive financial covenants. The management of the Company will continue to monitor its compliance with such covenant requirements. Should the Group be unable to comply with the covenant requirements, the management of the Company will discuss and negotiate with the respective bank and seek to revise the terms and covenant requirements or obtain a waiver of compliance with the covenant requirements from the bank, if needed. The Directors of the Group considered that the relevant bank borrowings will continue to be available to the Group.

Notes to the Interim Financial Information

2 Basis of preparation (Continued)

(b) Going concern basis (Continued)

The directors of the Company have reviewed the Group's cash flow projections, which covers a period of twelve months from 30 June 2022. The directors of the Company are of the opinion that, taking into account the anticipated cash flows generated from the Group's operations as well as the possible changes in its operating performance, the Group's plan of land acquisitions, and the continued availability of the Group's bank and other borrowings as well as the Group's ability to raise new financing under the prevailing rules and regulations, and the financial support from the ultimate holding company, the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the coming twelve months from 30 June 2022. Accordingly, the Interim financial Information has been prepared on a going concern basis.

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
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 and HKFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023
Amendments to HKAS 8	Definition of accounting estimates	1 January 2023
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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

Notes to the Interim Financial Information

3 Significant accounting policies (Continued)

(c) Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation. There is no impact on net profit, net assets or net cash flows as a result of the reclassification.

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 does 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 2021 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 2022					
	Less than	Between	Between	Over	Total	Carrying amount of liabilities
	1 year	1 and 2	2 and 3	3 years		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank and other borrowings	14,781,125	8,594,191	11,712,657	11,873,040	46,961,013	43,997,116
Trade payables	4,642,267	-	-	-	4,642,267	4,642,267
Other payables	6,272,699	-	-	-	6,272,699	6,272,699
Lease liabilities	117,027	61,368	39,873	36,943	255,211	205,775
Due to the immediate holding company	2,505,610	-	-	-	2,505,610	2,490,593
Due to the ultimate holding company	18,232,510	1,170,601	-	-	19,403,111	19,142,890
Loans from fellow subsidiaries	2,319,645	-	-	-	2,319,645	2,283,825
Loans from a joint venture	246,847	-	-	-	246,847	239,048
Loans from another related company	182,978	-	-	-	182,978	179,083
Loans from non-controlling shareholders	5,440,954	341,988	341,988	5,798,156	11,923,086	10,221,821
	54,741,662	10,168,148	12,094,518	17,708,139	94,712,467	89,675,117

Notes to the Interim Financial Information

5 Financial risk management (Continued)

5.2 Liquidity risk (Continued)

	As at 31 December 2021					
	Less than	Between	Between	Over	Total	Carrying amount of liabilities
	1 year	1 and 2	2 and 3	3 years		
	HK\$'000	years	years	years	HK\$'000	HK\$'000
Bank and other borrowings	12,785,121	8,873,962	8,983,129	9,219,646	39,861,858	38,097,234
Trade payables	4,408,200	-	-	-	4,408,200	4,408,200
Other payables	8,745,771	-	-	-	8,745,771	8,745,771
Lease liabilities	148,573	120,604	155,049	75,900	500,126	395,715
Due to the immediate holding company	2,518,679	-	-	-	2,518,679	2,477,415
Due to the ultimate holding company	11,680,224	1,504,780	1,871,733	-	15,056,737	14,178,811
Loans from fellow subsidiaries	2,751,651	-	-	-	2,751,651	2,683,482
Loans from a joint venture	127,151	-	-	-	127,151	124,757
Loans from an other related company	192,015	-	-	-	192,015	191,401
Loans from non-controlling shareholders	634,272	-	-	-	634,272	612,556
	43,991,657	10,499,346	11,009,911	9,295,546	74,796,460	71,915,342

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

(a) Fair value hierarchy

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. The different levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs) (level 3)

Notes to the Interim Financial Information

5 Financial risk management (Continued)

5.3 Fair value estimation (Continued)

(a) Fair value hierarchy (Continued)

	At 30 June 2022			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets at fair value through profit or loss ("FVTPL")				
– Listed equity investments in Hong Kong	1,619	–	–	1,619
– Listed equity investments in Mainland China*	27,394	–	–	27,394
– Unlisted equity investments in Mainland China	–	–	166,041	166,041
Financial assets at fair value through other comprehensive income ("FVOCI")				
– Unlisted equity investments in Mainland China	–	–	5,774	5,774
	29,013	–	171,815	200,828

Notes to the Interim Financial Information

5 Financial risk management (Continued)

5.3 Fair value estimation (Continued)

(a) Fair value hierarchy (Continued)

	At 31 December 2021			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets at FVTPL				
– Listed equity investments in Hong Kong	1,807	–	–	1,807
– Listed equity investments in Mainland China	28,530	–	–	28,530
– Unlisted equity investments in Mainland China	–	–	461,109	461,109
Financial assets at FVOCI				
– Unlisted equity investments in Mainland China	–	–	4,256	4,256
	30,337	–	465,365	495,702

* 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)

(b) Fair value measurements using significant unobservable inputs

The following table presents the changes in level 3 instruments for the period ended 30 June 2022 and 2021 :

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
At 1 January	465,365	6,740,989
Fair value changes of financial assets	(283,434)	(832,819)
Exchange differences	(10,116)	74,820
At 30 June	171,815	5,982,990

There were no transfers between the levels of the fair value hierarchy in the six months to 30 June 2022. There were also no changes made to any of the valuation techniques applied as of 31 December 2021.

Notes to the Interim Financial Information

5 Financial risk management (Continued)

5.3 Fair value estimation (Continued)

(b) Fair value measurements using significant unobservable inputs (Continued)

The following table summarises the quantitative information about the significant unobservable inputs used in unlisted equity investment in Hengda Real Estate Group Company Limited (“Hengda Real Estate”):

	Valuation techniques	Significant unobservable inputs	Significant unobservable inputs
Unlisted equity investment in Hengda Real Estate (“Hengda Investment”)	Market Approach	Discount for lack of marketability	45% (31 December 2021: 30%)
		Price-to-book ratio	0.04 (31 December 2021: 0.09)

The fair value of Hengda Investment amounting to HK\$166,041,000 (31 December 2021: HK\$461,109,000) is determined using market approach, which uses the price-to-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-to-book ratios and negatively correlated to the discount for lack of marketability.

As at 30 June 2022, 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\$2,412,000 (six months ended 30 June 2021: HK\$51,163,000).

Notes to the Interim Financial Information

5 Financial risk management (Continued)

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 2022, Hengda Investment were revalued based on valuation performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"), an independent, professionally qualified valuation firm.

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 2021 financial statements. There has been no change in the basis of the segmentation or in the basis of the measurement of the segment profit or loss for the six months ended 30 June 2022 compared to 2021.

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

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 2022 and 2021 are as follows:

	Six months ended 30 June 2022					
	Property development	Property investment	Property management	Manufacturing	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from contracts with customers						
Recognised at a point of time	12,939,870	-	-	249,769	214,141	13,403,780
Recognised over time	-	-	1,362,412	-	337,424	1,699,836
Revenue from other sources						
Rental income	-	571,551	-	-	-	571,551
Total segment revenue	12,939,870	571,551	1,362,412	249,769	551,565	15,675,167
Inter-segment revenue	-	(15,820)	(79,380)	-	(45,590)	(140,790)
Revenue from external customers	12,939,870	555,731	1,283,032	249,769	505,975	15,534,377
Segment results before decrease in fair value of investment properties	5,933,883	219,634	53,912	14,001	(116,798)	6,104,632
Losses result from changes in fair value of and transfer to investment properties	-	(23,640)	-	-	-	(23,640)
Segment results after decrease in fair value of investment properties	5,933,883	195,994	53,912	14,001	(116,798)	6,080,992
Share of results of joint ventures and associates	133,438	-	7,495	-	-	140,933
Other income and other gains						244,922
Fair value loss of financial assets measured at fair value through profit or loss						(284,321)
Corporate and other unallocated expenses						(45,867)
Finance costs, net						(337,680)
Profit before taxation						5,798,979

Notes to the Interim Financial Information

6 Segment information (Continued)

	Six months ended 30 June 2021					
	Property development	Property investment	Property management	Manufacturing	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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)
Revenue from external customers	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)
Segment results after decrease in fair value of investment properties	6,309,488	153,544	99,231	42,090	(32,247)	6,572,106
Share of results of joint ventures and associates	168,813	–	53	–	–	168,866
Other income and other gains						115,486
Fair value loss of financial assets measured at fair value through profit or loss						(833,036)
Corporate and other unallocated expenses						(77,298)
Finance costs, net						(290,550)
Profit before taxation						5,655,574

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 other gains

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

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

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

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

Notes to the Interim Financial Information

8 Expenses by nature

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Cost of properties and inventories sold	6,530,616	10,300,504
Cost of services provided	2,052,524	1,802,854
Employee benefit expenses	472,669	436,786
Advertising and promotion costs	55,898	82,460
Depreciation of:		
– Property, plant and equipment	65,594	25,382
– Right-of-use assets	48,629	24,802
Other taxes and levies	12,583	31,761
Others	192,101	70,664
Total cost of sales, selling and distribution expenses, administrative expenses and other expenses	9,430,614	12,775,213

Notes to the Interim Financial Information

9 Finance costs – net

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

Finance costs have been capitalised on qualifying assets at average rate of 3.87% for the six months ended 30 June 2022 (six months ended 30 June 2021: 1.98%)

Notes to the Interim Financial Information

10 Income tax expenses

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

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

Notes to the Interim Financial Information

10 Income tax expenses (Continued)

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

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

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

Dividend withholding income tax

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

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

Notes to the Interim Financial Information

11 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	
	2022	2021
Profit attributable to the owners of the Company (HK\$'000)	2,360,778	1,393,043
Weighted average number of ordinary shares in issue during the period	8,899,424,054	8,899,893,115

For the six months ended 30 June 2022 and 2021, 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.

12 Dividends

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Dividends recognised as distribution during the period:		
Final dividend declared for 2021 – HK8 cents per share (six months ended 30 June 2021: declared for 2020 – HK11 cents per share) (a)		
Cash	711,903	978,988
Dividend declared in respect of current period:		
Interim dividend for 2022 – HK3 cents per share (Interim dividend for 2021: HK7 cents per share) (b)	266,964	622,993

Notes to the Interim Financial Information

12 Dividends (Continued)

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

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

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

13 Property, plant and equipment and investment properties

	Property, plant and equipment HK\$'000	Investment properties HK\$'000
Six months ended 30 June 2022		
At 1 January 2022	6,347,209	37,327,911
Additions	150,763	-
Transfer from properties under development	364,581	-
Fair value changes	-	(23,640)
Disposals	(61,667)	-
Depreciation	(247,016)	-
Exchange differences	(348,857)	(1,641,206)
At 30 June 2022	6,205,013	35,663,065

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 2022 based on valuation performed by JLL.

Notes to the Interim Financial Information

13 Property, plant and equipment and investment properties (Continued)

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
Investment properties-commercial properties and others	Income capitalisation method	Vacancy rate	2% – 25% (31 December 2021: 2% – 60%)
		Capitalisation rate	3% – 7% (31 December 2021: 3% – 7%)
		Monthly rental (RMB/square meter/month)	15 – 497 (31 December 2021: 15 – 484)
Investment properties-car parking space	Income capitalisation method	Vacancy rate	3% – 25% (31 December 2021: 3% – 60%)
		Capitalisation rate	4% (31 December 2021: 4%)
		Monthly rental (RMB per car parking spaces per month)	250 – 850 (31 December 2021: 250 – 850)

Notes to the Interim Financial Information

13 Property, plant and equipment and investment properties (Continued)

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

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

Certificates of ownership in respect of certain investment properties of the Group with a net carrying amount of approximately HK\$9,090,873,000 as at 30 June 2022 (31 December 2021: HK\$2,227,999,000) 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 2022, the Group's plant, property and equipment and investment properties with a net carrying amount of HK\$24,489,000 and HK\$12,094,122,000 respectively (31 December 2021: HK\$20,445,000 and HK\$8,334,326,000) were pledged to secure bank loans granted to the Group (note 22(b)).

Notes to the Interim Financial Information

14 Leases

- (a) Amounts recognised in the condensed consolidated statement of financial position

The condensed consolidated statement of financial position shows the following amounts relating to leases:

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Right-of-use assets		
Buildings	176,099	307,633
Lease liabilities		
Current	104,987	140,842
Non-current	100,788	254,873
	205,775	395,715

Additions to the right-of-use assets during the period were HK\$25,863,000 (six months ended 30 June 2021: HK\$41,255,000).

- (b) Amounts recognised in the condensed consolidated statement of profit or loss

Depreciation charge of right-of-use assets during the period was HK\$48,629,000 (six months ended 30 June 2021: HK\$24,802,000). Expenses relating to short-term leases and low-value assets was HK\$7,445,000 (six months ended 30 June 2021: HK\$8,394,000) and HK\$185,000 (six months ended 30 June 2021: HK\$289,000) respectively.

The total cash outflow for leases during the period was HK\$59,307,000 (six months ended 30 June 2021: HK\$42,318,000).

Notes to the Interim Financial Information

15 Investments in joint ventures

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
At 1 January	8,887,001	8,060,608
Additions	86,223	–
Dividends	(31,015)	(124,497)
Share of results	120,316	10,523
Exchange differences	(335,270)	22,766
At 30 June	8,727,255	7,969,400

The balance includes loans to joint ventures of HK\$1,608,838,000 (six months ended 30 June 2021: 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.

16 Investments in associates

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
At 1 January	6,201,291	5,836,961
Additions	603	–
Dividends	(50,815)	(126,780)
Share of results	(117,056)	361,310
Exchange differences	(7,137)	74,184
At 30 June	6,026,886	6,145,675

Notes to the Interim Financial Information

17 Financial assets at fair value through profit or loss

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

- (a) The balance mainly represented the Hengda Investment of HK\$166,041,000 (31 December 2021: HK\$461,109,000). During the six months ended 30 June 2022, there was a decrease in fair value in respect of Hengda Investment of HK\$283,433,000 (six months ended 30 June 2021: HK\$832,819,000), which was recognised in the condensed consolidated statement of profit or loss.

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

Notes to the Interim Financial Information

18 Trade and other receivables

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

(a) Trade receivables

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

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.

Notes to the Interim Financial Information

18 Trade and other receivables (Continued)

(a) Trade receivables (Continued)

As at 30 June 2022, the Group's trade receivables with a net carrying value of approximately HK\$21,435,000 (31 December 2021: HK\$2,747,000) was pledged to secure other borrowings granted to the Group (note 22(b)).

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

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

Notes to the Interim Financial Information

18 Trade and other receivables (Continued)

(b) Other receivables

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

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

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

Notes to the Interim Financial Information

19 Properties under development

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Construction costs	10,353,123	8,399,859
Land costs	59,998,100	42,860,861
Less: write-down of properties under development	(74,925)	(83,862)
	70,276,298	51,176,858

As at 30 June 2022, the Group's properties under development with a net carrying amount of HK\$3,019,063,000 (31 December 2021: nil) were pledged to secure bank loans granted to the Group (note 22(b)).

20 Cash and cash equivalents

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Cash and bank balances	21,733,513	22,775,607
Less: Restricted bank deposits		
– Restricted cash	(2,643,778)	(2,762,304)
– Term deposits (a)	(59,302)	(96,047)
Cash and cash equivalents	19,030,433	19,917,256

- (a) These bank deposits were with original maturity over three months. The effective interest rate of these deposits as at 30 June 2022 was 3.04% per annum (31 December 2021: 2.67% per annum).

Notes to the Interim Financial Information

21 Equity attributable to owners of the Company

(a) Share capital

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

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

(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.

Notes to the Interim Financial Information

21 Equity attributable to owners of the Company (Continued)

(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

22 Bank and other borrowings

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

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

Notes to the Interim Financial Information

22 Bank and other borrowings (Continued)

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

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

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

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

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

Notes to the Interim Financial Information

22 Bank and other borrowings (Continued)

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

	Carrying Amount	
	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Plant, property and equipment (included land and buildings) (note 13)	24,489	20,445
Properties under development (note 19)	3,019,063	–
Completed properties held for sale	–	426,151
Trade receivables (note 18)	21,435	2,747
Investment properties (note 13)	12,094,122	8,334,326
	15,159,109	8,783,669

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

Notes to the Interim Financial Information

23 Trade and other payables

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

(a) Trade payables

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

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

(b) Other payables and accruals

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

(c) Other taxes payable

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

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
At 30 June 2022				
Options granted to employees:				
– on 28 September 2021	2,064,000	2.0000	2022/1/18	2025/1/17
– on 28 September 2021	1,548,000	2.0000	2023/1/18	2025/1/17
– on 28 September 2021	1,548,000	2.0000	2024/1/18	2025/1/17
Options granted to employees:				
– on 28 September 2021	988,000	2.0000	2022/9/28	2025/9/27
– on 28 September 2021	741,000	2.0000	2023/9/28	2025/9/27
– on 28 September 2021	741,000	2.0000	2024/9/28	2025/9/27
Total share options outstanding	7,630,000			

At the end of the reporting period, the Company had 7,630,000 share options outstanding under the Scheme, representing approximately 0.09% 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 7,630,000 additional ordinary shares of the Company and an increase in share capital of HK\$16,696,000 (before issue expenses).

Notes to the Interim Financial Information

24 Share option scheme (Continued)

(b) Share options movement during the period

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

	30 June 2022		30 June 2021	
	Weighted average exercise price HK\$ per share	Number of options	Weighted average exercise price HK\$ per share	Number of options
At 1 January	2.8529	161,234,958	2.8950	153,604,958
Lapsed during the period	2.8968	(153,604,958)		–
At 30 June	2.0000	7,630,000	2.8950	153,604,958
Exercisable at the end of the period	2.0000	2,064,000	2.8970	153,604,958

The options outstanding at 30 June 2022 had an exercise price of HK\$2.000 (six months ended 30 June 2021: HK\$2.869 – HK\$2.902) and a weighted average remaining contractual life of 2.78 years (six months ended 30 June 2021: 0.97 years).

- (i) The Company had 153,604,958 share options were lapsed during the reporting period.
- (ii) The Group recognised a share option expense of HK\$392,000 during the six months ended 30 June 2022 (six months ended 30 June 2021: HK\$2,961,000).

Notes to the Interim Financial Information

25 Commitments

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

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

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

Notes to the Interim Financial Information

26 Financial guarantees

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

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

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

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

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 25, the Group had the following significant related party transactions:

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

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Loans from the ultimate holding company	18,832,646	9,725,718
Loans from the immediate holding company	1,904,623	1,901,569
Loans from fellow subsidiaries	2,283,825	2,683,482
Loans from joint ventures	239,048	124,757
Loans from an other related company	179,083	191,401
Loans from non-controlling shareholders(i)	10,221,821	612,556
	33,661,046	15,239,483

- (i) During the six months ended 30 June 2022, the Group entered into a financing arrangement of RMB4,245,972,500 (equivalent to HK\$4,964,816,000) with interest rates of 6.65% per annum. According to the term of the financing agreement, the principal and interest should be repaid from the date of receipt of the construction completion inspection certificate.

During the six months ended 30 June 2022, the Group entered into a financing arrangement of RMB3,834,435,000 (equivalent to HK\$4,483,605,000) with interest rates of 3.915% per annum and with maturity of 1 year. According to the term of the financing agreement, the principal and interest will be returned when the loan is due.

Except for balances of HK\$115,885,000, which are interest-free (31 December 2021: HK\$121,217,000), the remaining balances bear interests at rates ranging from 1.94% to 6.65% per annum (31 December 2021: 1.29% to 4.65% per annum). The relevant finance costs for the period are disclosed in note 9.

Notes to the Interim Financial Information

27 Related-party transactions (Continued)

(a) Financing arrangements (Continued)

In December 2021, the ultimate holding company has approved to provide loan facilities amounting to approximately HK\$67 billion to the Group, which is effective throughout 2022.

In August 2022, the ultimate holding company has confirmed to the Group that it agreed to extend the effective period of the existing loan agreements with the ultimate holding company, immediate holding company and fellow subsidiaries of the Group to 31 December 2023, and it will not demand for repayments until the Company has sufficient financial capacity to repay the outstanding loans, or before these loans fall due.

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

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Loans to joint ventures	1,622,195	954,248
Loans to associates	–	11,008
Loan to non-controlling shareholders	925,497	1,195,388
	2,547,692	2,160,644

	30 June 2022 HK\$'000	30 June 2021 HK\$'000
Interest income from joint ventures	35,839	27,125
Interest income from associates	–	251
Interest income from non-controlling shareholders	16,105	27,358
	51,944	54,734

The balances are interest bearing at rates ranging from 2.67% to 8.0% per annum (six months ended 30 June 2021: from 4.90% to 8.00% per annum).

Notes to the Interim Financial Information

27 Related-party transactions (Continued)

(b) Leasing arrangements

- (i) The Group entered into leases in respect of certain leasehold properties from its related parties, with lease terms ranging from 1 year to 3 years. During the six months ended 30 June 2022, the amounts of rent payable by the Group under these leases to its immediate holding company, fellow subsidiaries and associates were HK\$6,606,000 (six months ended 30 June 2021: HK\$6,503,000), nil (six months ended 30 June 2021: HK\$1,944,300) and HK\$15,373,000 (six months ended 30 June 2021: HK\$15,002,000) respectively. The related interest expenses from its immediate holding company, fellow subsidiaries and associates for the six months ended 30 June 2022 were HK\$180,000 (six months ended 30 June 2021: HK\$66,000), nil (six months ended 30 June 2021: HK\$15,000) and HK\$990,000 (six months ended 30 June 2021: HK\$1,342,000) 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 2022, the rental income in respect of the lease arrangement was HK\$4,273,000 (six months ended 30 June 2021: HK\$4,246,000).

(c) Other related party transactions

- (i) The Group entered into 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 2022, the management fee income in respect of the management services provided to the ultimate holding company, and the fellow subsidiary were HK\$2,047,000, HK\$1,035,000 respectively (six months ended 30 June 2021: HK\$2,053,000 and HK\$1,028,000).
- (ii) The Group entered into arrangements 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 2022, the management fee income in respect of these management services was HK\$385,000 (six months ended 30 June 2021: HK\$340,000).

Notes to the Interim Financial Information

27 Related-party transactions (Continued)

- (c) Other related party transactions (Continued)
- (iii) The Group entered into arrangements with its non-controlling shareholders in which the Group receives construction services on its behalf. For the six months ended 30 June 2022, the cost in respect of these construction services was HK\$10,236,000 (six months ended 30 June 2021: nil).
- (iv) During the six months ended 30 June 2022, the Group sold products to the subsidiaries of its joint venture, Tian An Cyber Park (Group) Co.,Ltd, the relevant revenue earned is HK\$60,049,000 (six months ended 30 June 2021: HK\$44,543,000).
- (d) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Short term employee benefits	10,888	9,522
Post-employment benefits	1,597	2,034
Share-based payments	392	626
Total compensation paid to key management personnel	12,877	12,182

28 Subsequent events after the reporting period

Subsequent to the end of the interim period, the board of the directors declared an interim dividend. Further details are disclosed in note 12 of the interim financial information.

Disclosure of Interests

Directors' Interests in Shares

As at 30 June 2022, 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	–	1,154,562	0.01
LI Wai Keung	Beneficial owner	1,180,880	–	1,180,880	0.01

Note: The percentage was calculated based on 8,898,793,115 Shares in issue as at 30 June 2022.

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 2022, 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 2022, 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

Name	Capacity	Number of Shares		Percentage of Shares in issue (Note 1)
		Long Position	Short Position	
Shum Yip Group Limited* ("SYG")	Interest in controlled corporation	5,622,994,189 (Note 2)	—	63.19
Shum Yip Holdings Company Limited ("SYH")	Beneficial owner	5,546,307,730	—	62.33
	Interest in controlled corporation	76,686,459 (Note 3)	—	0.86
ALPHA-OMEGA CORPORATION	Beneficial owner	981,486,312	—	11.03

Notes:

1. The percentage was calculated based on 8,898,793,115 Shares in issue as at 30 June 2022.
 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 90%-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 2022, 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 (“Old Share Option Scheme”), which has expired on 19 June 2022. No further options may be granted under the Old Share Option Scheme but all options granted and outstanding thereunder shall continue to be valid and exercisable in accordance with their terms of grant. As at 30 June 2022, 7,630,000 options granted under the Old Share Option Scheme were still outstanding.

The Company adopted a new share option scheme on 31 May 2022 (“New Share Option Scheme”). No options have been granted under the New Share Option Scheme since its adoption.

Other Information

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

	Number of share options						At 30 June 2022	Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$ per share
	At 1 January 2022	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Other changes during the period				
Directors										
LU Hua	9,305,948	-	-	9,305,948	-	-	0	20/6/2017	20/6/2019- 19/6/2022*	2.902
HUANG Wei (Note)	8,840,169	-	-	8,840,169	-	-	0	20/6/2017	20/6/2019- 19/6/2022*	2.902
DONG Fang	6,236,143	-	-	6,236,143	-	-	0	20/6/2017	20/6/2019- 19/6/2022*	2.902
	24,382,260	-	-	24,382,260	-	-	0			
Other employees										
In aggregate	105,074,827	-	-	105,074,827	-	-	0	20/6/2017	20/6/2019- 19/6/2022*	2.902
	24,147,871	-	-	24,147,871	-	-	0	8/2/2018	20/6/2019- 19/6/2022*	2.869
	5,160,000	-	-	-	-	-	5,160,000	28/9/2021	18/1/2022- 17/1/2025**	2.000
	2,470,000	-	-	-	-	-	2,470,000	28/9/2021	28/9/2022- 27/9/2025***	2.000
	136,852,698	-	-	129,222,698	-	-	7,630,000			
	161,234,958	-	-	153,604,958	-	-	7,630,000			

Note: Mr. HUANG Wei has resigned as an executive director of the Company with effect from 30 March 2022.

Other Information

* 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

** 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 18 January 2022 to 17 January 2023
70%	at any time from 18 January 2023 to 17 January 2024
100%	at any time from 18 January 2024 to 17 January 2025

*** 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 28 September 2022 to 27 September 2023
70%	at any time from 28 September 2023 to 27 September 2024
100%	at any time from 28 September 2024 to 27 September 2025

Other Information

Interim Dividend

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

Closure of Register of Members

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

Corporate Governance

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

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 2022 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 2022 to 30 June 2022.

Other Information

Purchase, Sale or Redemption of The Company's Securities

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

Particulars of the share repurchases are as follows:

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

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

Other Information

Continuing Disclosure Requirements under Rule 13.21 of the Listing Rules

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

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

On 26 June 2018, the Company as borrower entered into a facility agreement (“2nd Facility Agreement”) relating to a transferable term loan facility of up to a principal amount of HK\$10,000,000,000 (“2nd Facility”) offered by certain banks as lenders. The Company shall repay the borrowings under the 2nd Facility by five installments with all outstanding amounts under the 2nd Facility fully repaid on the date falling 60 months from the date of the 2nd Facility Agreement.

On 26 June 2019, the Company as borrower accepted the facility letter (“3rd Facility Agreement”) relating to a revolving loan facility of up to RMB1,000,000,000 (“3rd Facility”) offered by a bank as lender. The 3rd Facility is subject to annual review by the lender.

On 14 September 2020, the Company as borrower accepted the facility letter (“4th Facility Agreement”) relating to an uncommitted term loan facility of up to US\$185,000,000 (or its equivalent in Hong Kong dollars) (“4th Facility”) offered by a bank as lender. The last repayment date of the borrowing under the 4th Facility is 48 months from the date of the first drawdown under the 4th Facility Agreement.

On 17 September 2020, the Company as borrower accepted the facility letter (“5th Facility Agreement”) relating to a term loan facility of up to HK\$800,000,000 (“5th Facility”) offered by a bank as lender. The term of the 5th Facility is 3 years from the date of the first drawdown under the 5th Facility Agreement.

Other Information

On 7 April 2021, the Company as borrower accepted the facility letter (“6th Facility Agreement”) relating to a term loan facility of up to HK\$500,000,000 (“6th Facility”) offered by a bank as lender. The term of the 6th Facility is 3 years from the date of acceptance of the 6th Facility Agreement.

On 17 June 2021, the Company as borrower accepted the facility letter (“7th Facility Agreement”) relating to a term loan facility of up to HK\$500,000,000 (“7th Facility”) offered by a bank as lender. The term of the 7th Facility is 35 months commencing from the date of the first drawdown under the 7th Facility Agreement.

On 29 June 2021, the Company as borrower accepted the facility letter (“8th Facility Agreement”) relating to an uncommitted term loan facility of up to HK\$600,000,000 (or its equivalent in United States dollars) (“8th Facility”) offered by a bank as lender. The term of the 8th Facility is 3 years commencing from the signing date of the 8th Facility Agreement.

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

On 30 August 2021, the Company as borrower accepted the facility letter (“10th Facility Agreement”) relating to a term loan facility of up to HK\$600,000,000 (“10th Facility”) offered by a bank as lender. The term of the 10th Facility is 36 months commencing from the first drawdown date of the 10th Facility Agreement.

Other Information

On 23 November 2021, the Company as borrower entered into a facility agreement (“11th Facility Agreement”) relating to a term loan facility of up to HK\$900,000,000 (“11th Facility”) offered by a bank as lender. HK\$600,000,000 of the 11th Facility is for a term of 36 months and HK\$300,000,000 of the 11th Facility is for a term of 12 months, both commencing from the date of the 11th Facility Agreement.

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

On 14 June 2022, the Company as borrower entered into a facility agreement (“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”) with certain banks as lenders for a HK\$5,000,000,000 term loan facility (“13th Facility”) for a term of up to 3 years.

Under each of 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 become immediately due and payable.

As at 30 June 2022, all advances made under the 1st Facility Agreement had been fully repaid.



深圳控股有限公司
SHENZHEN INVESTMENT LIMITED

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