深圳控股有限公司
SHENZHEN INVESTMENT LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00604)

2019 INTERIM RESULTS ANNOUNCEMENT

The board of directors (the "Board") of Shenzhen Investment Limited (the "Company") presents the interim condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2019 together with the comparative figures for the corresponding period in 2018. These interim financial information have not been audited, but have been reviewed by the Company's audit committee and the auditors, KPMG.

FINANCIAL HIGHLIGHTS

- The Group achieved contracted sales of RMB6,435.9 million, representing an increase of approximately 49.4% over the same period of last year;
- The Group achieved a revenue of HK$4,404.1 million; the gross profit margin was 33.6%;
- Profit attributable to equity shareholders was HK$447.1 million, representing an increase of 105.8% over the same period of last year;
- Basic earnings per share were HK5.31 cents, representing an increase of 96.7% over the same period of last year;
- Sales revenue booked was HK$2,372.1 million in property development business, representing a decrease of 74.5% over the same period of last year; the gross profit margin of property development was approximately 37.7%, representing an increase of 1.4 percentage points over the same period of last year;
- The Group recorded rental income of HK$504.4 million in property investment business, representing an increase of approximately 14.8% over the same period of last year; the gross profit margin of property investment was approximately 77.7%, representing an increase of 2.1 percentage points over the same period of last year;
- Finance costs bore a rate of 4.2% per annum, representing a decrease of 0.6 percentage point from the full-year average of last year; net gearing ratio (including all interest-bearing liabilities) was 49.6%, representing a decrease of 4.6 percentage points over the end of last year;
- The Board has resolved to pay an interim dividend of HK7.00 cents per share.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2019 – unaudited
(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2019	2018
			(Note)
	Note	***$'000***	*$'000*
Revenue	*5*	**4,404,114**	11,304,212
Cost of sales		**(2,922,536)**	(7,422,740)
Gross profit		**1,481,578**	3,881,472
Other income and gains	*5*	**232,903**	165,485
Decrease in fair value of financial assets at fair value through profit or loss, net		**(236,765)**	(1,887,873)
Increase in fair value of investment properties		**66,595**	478,600
Recognition of change in fair value upon transfer to investment properties		**26,552**	–
Selling and distribution expenses		**(97,750)**	(84,371)
Administrative expenses		**(377,805)**	(394,680)
Other operating expenses		**(105,010)**	(232,716)
Finance costs	*6*	**(366,915)**	(359,208)
Share of profits less losses of joint ventures and associates		**426,236**	295,024
Profit before taxation	*7*	**1,049,619**	1,861,733
Income tax expense	*8*	**(494,310)**	(1,544,663)
Profit for the period		**555,309**	317,070
Attributable to:			
Equity shareholders of the Company		**447,067**	217,266
Non-controlling interests		**108,242**	99,804
		555,309	317,070
Earnings per share	*9*		
Basic		**HK5.31 cents**	HK2.70 cents
Diluted		**HK5.31 cents**	HK2.69 cents

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the six months ended 30 June 2019 – unaudited
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2019	2018
		(Note)
	$'000	*$'000*
Profit for the period	**555,309**	317,070
Other comprehensive income for the period:		
Items that will not be reclassified subsequently to profit or loss:		
– Surplus on revaluation of investment property transferred from property, plant and equipment:		
– Changes in fair value	**28,313**	–
– Income tax effect	**(7,078)**	–
	21,235	–
Item that may be reclassified subsequently to profit or loss:		
– Share of other comprehensive income of joint ventures and associates	**4,632**	(29,403)
– Exchange fluctuation reserve released upon disposal of subsidiaries	**–**	6,830
– Exchange differences on translation of foreign operations	**(212,099)**	(515,704)
	(207,467)	(538,277)
Other comprehensive income for the period, net of tax	**(186,232)**	(538,277)
Total comprehensive income for the period	**369,077**	(221,207)
Attributable to:		
Equity shareholders of the Company	**274,512**	(288,602)
Non-controlling interests	**94,565**	67,395
Total comprehensive income for the period	**369,077**	(221,207)

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 June 2019 – unaudited
(Expressed in Hong Kong dollars)

	Note	At 30 June 2019 $'000	At 31 December 2018 (Note) $'000
Non-current assets			
Property, plant and equipment		**4,903,640**	4,666,465
Prepaid land lease payments		**33,748**	34,455
Goodwill		**365,483**	366,929
Investment properties		**29,649,287**	29,143,111
Interests in associates		**5,000,325**	4,951,156
Interests in joint ventures		**6,106,962**	6,215,166
Other financial assets		**8,610,197**	9,077,347
Deferred tax assets		**2,017,355**	2,072,491
		56,686,997	56,527,120
Current assets			
Biological assets		**1,838**	1,537
Completed properties held for sale		**5,619,246**	6,265,723
Properties under development		**38,120,273**	38,097,509
Inventories		**195,133**	131,885
Trade receivables	*11*	**597,965**	578,468
Prepayments, deposits and other receivables		**4,486,293**	3,759,648
Other financial assets		**332,169**	3,068
Restricted cash		**2,155,283**	2,822,965
Cash and cash equivalents		**9,546,339**	9,832,226
		61,054,539	61,493,029

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2019 – unaudited (continued)
(Expressed in Hong Kong dollars)

	Note	**At 30 June 2019** ***$'000***	At 31 December 2018 *(Note)* *$'000*
Current liabilities			
Interest-bearing bank loans and other borrowings		**9,158,729**	5,898,502
Lease liabilities	*3*	**103,727**	–
Trade payables	*13*	**1,766,120**	1,956,668
Other payables and accruals		**11,168,150**	12,162,041
Contract liabilities		**15,177,539**	11,232,109
Due to the immediate holding company	*16(c)*	**1,252,531**	1,233,548
Due to the ultimate holding company	*16(c)*	**2,767,161**	4,734,953
Tax payable		**6,256,422**	7,251,663
		47,650,379	44,469,484
Net current assets		**13,404,160**	17,023,545
Total assets less current liabilities		**70,091,157**	73,550,665
Non-current liabilities			
Interest-bearing bank loans and other borrowings		**16,051,822**	19,362,263
Lease liabilities	*3*	**464,776**	–
Deferred income		**22,661**	22,881
Deferred tax liabilities		**8,673,878**	8,721,825
		25,213,137	28,106,969
NET ASSETS		**44,878,020**	45,443,696
CAPITAL AND RESERVES			
Share capital		**20,756,084**	20,688,259
Reserves		**20,314,840**	21,015,716
Total equity attributable to equity shareholders of the Company		**41,070,924**	41,703,975
Non-controlling interests		**3,807,096**	3,739,721
TOTAL EQUITY		**44,878,020**	45,443,696

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

NOTES:

(Expressed in Hong Kong dollars unless otherwise indicated)

1. REVIEW OF RESULTS

The interim results set out in this preliminary announcement do not constitute the Group's condensed interim financial statements for the six months ended 30 June 2019 but are extracted from those statements.

The condensed interim financial statements are unaudited, but have been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). KPMG's independent review report to the Board of Directors is included in the interim report to be sent to shareholders. In addition, the condensed interim financial statements have been reviewed by the Company's Audit Committee with no disagreement.

2. BASIS OF PREPARATION

The condensed interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, Interim financial reporting, issued by the HKICPA.

The condensed interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. The key changes in accounting policies are set out in note 3.

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

The financial information relating to the financial year ended 31 December 2018 included in this preliminary announcement of interim results for the six months ended 30 June 2019 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 such statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap.622).

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 (Cap.622).

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new HKFRS, HKFRS 16, Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, Leases, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged, except for the leases where the Group is an intermediate lessor.

(i) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

(ii) Lessor accounting

The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17, except for the leases where the Group is an intermediate lessor.

Under HKFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset.

For a sublease classified as a finance lease, the Group derecognises the right-of-use asset relating to the head lease that it transfers to the sublessee and recognises the finance lease receivables in the sublease when the Group enters into the sublease. Any difference between the right-of-use asset and the finance lease receivables in the sublease is recognised in profit or loss. During the term of the sublease, the Group recognises interest income as it accrues on the outstanding balance of finance lease receivables using the effective interest rate method and interest expense on the lease liability relating to the head lease.

For a sublease classified as an operating lease, the Group retains the lease liability and the right-of-use asset relating to the head lease in its statement of financial position unless the right-of-use asset meets the definition of investment property in which case the right-of-use asset is accounted for as an investment property and measured at fair value.

During the term of the sublease, the Group recognises lease income from the sublease and interest expense on the lease liability relating to the head lease.

(iii) Transition

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17. The Group also applied certain recognition exemption and practical expedients at the date of initial application.

At the date of transition to HKFRS 16, 1 January 2019, the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019.

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018. There is no impact of the opening balance of equity.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 *$'000*	**Capitalisation of operating lease contracts** *$'000*	**Carrying amount at 1 January 2019** *$'000*
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Property, plant and equipment	4,666,465	48,177	4,714,642
Total non-current assets	**56,527,120**	**48,177**	**56,575,297**
Lease liabilities (current)	–	16,480	16,480
Current liabilities	**44,469,484**	**16,480**	**44,485,964**
Net current assets	**17,023,545**	**(16,480)**	**17,007,065**
Total assets less current liabilities	**73,550,665**	**31,697**	**73,582,362**
Lease liabilities (non-current)	–	31,697	31,697
Total non-current liabilities	**28,106,969**	**31,697**	**28,138,666**
Net assets	**45,443,696**	**–**	**45,443,696**

4. SEGMENT REPORTING

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

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

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

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

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

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

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

Segment assets exclude deferred tax assets, restricted cash, cash and cash equivalents, other financial assets and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, an amount due to the ultimate holding company, tax payable, an amount due to the immediate holding company, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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

(a) Information about profit or loss, assets and liabilities

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2019 and 2018 is set out below:

For the six months ended 30 June 2019

	Property development *$'000*	Property investment *$'000*	Property management *$'000*	Manufacturing *$'000*	Others *$'000*	Total *$'000*
Segment revenue:						
Sales to customers	2,372,145	504,391	935,532	146,359	445,687	4,404,114
Intersegment sales	–	5,404	50,133	–	8,178	63,715
	2,372,145	509,795	985,665	146,359	453,865	4,467,829
Reconciliation						
Elimination of intersegment sales						(63,715)
Revenue						4,404,114
Segment results before increase in fair value of investment properties	908,378	441,261	16,272	12,819	81,482	1,460,212
Increase in fair value of investment properties	–	66,595	–	–	–	66,595
Recognition of change in fair value upon transfer to investment properties	–	26,552	–	–	–	26,552
Segment results after increase in fair value of investment properties	908,378	534,408	16,272	12,819	81,482	1,553,359
Reconciliation						
Elimination of intersegment results						(56,527)
Other income and gains						232,903
Decrease in fair value of financial assets at fair value through profit or loss, net						(236,765)
Corporate and other unallocated expenses						(76,436)
Finance costs						(366,915)
Profit before taxation						1,049,619
As at 30 June 2019						
Segment assets:	58,522,325	33,617,394	441,845	130,771	3,469,493	96,181,828
Reconciliation						
Corporate and other unallocated assets						21,559,708
Total assets						117,741,536
Segment liabilities:	22,588,055	3,195,588	675,580	91,787	532,964	27,083,974
Reconciliation						
Corporate and other unallocated liabilities						45,779,542
Total liabilities						72,863,516

For the six months ended 30 June 2018 (Note)

	Property development *$'000*	Property investment *$'000*	Property management *$'000*	Manufacturing *$'000*	Others *$'000*	Total *$'000*
Segment revenue:						
Sales to customers	9,292,507	439,300	910,219	160,706	501,480	11,304,212
Intersegment sales	–	3,863	13,295	–	21,266	38,424
	9,292,507	443,163	923,514	160,706	522,746	11,342,636
Reconciliation						
Elimination of intersegment sales						(38,424)
Revenue						11,304,212
Segment results before increase in fair value of investment properties	3,111,420	306,821	(5,081)	6,016	37,153	3,456,329
Increase in fair value of investment properties	–	478,600	–	–	–	478,600
Segment results after increase in fair value of investment properties	3,111,420	785,421	(5,081)	6,016	37,153	3,934,929
Reconciliation						
Elimination of intersegment results						94,614
Other income and gains						165,485
Decrease in fair value of financial assets at fair value through profit or loss, net						(1,887,873)
Corporate and other unallocated expenses						(86,214)
Finance costs						(359,208)
Profit before taxation						1,861,733
As at 31 December 2018						
Segment assets:	54,617,333	33,473,099	503,834	143,903	3,549,763	92,287,932
Reconciliation						
Corporate and other unallocated assets						25,732,217
Total assets						118,020,149
Segment liabilities:	21,183,749	3,018,511	880,176	78,470	319,282	25,480,188
Reconciliation						
Corporate and other unallocated liabilities						47,096,265
Total liabilities						72,576,453

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

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

5. REVENUE, OTHER INCOME AND GAINS

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

	Six months ended 30 June	
	2019	2018
	$'000	*$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of completed properties	**2,372,145**	9,292,507
Management fee income	**935,532**	910,219
Sales of commercial and industrial goods	**146,359**	160,706
Others	**445,687**	501,480
	3,899,723	10,864,912
Revenue from other sources		
Gross rental income from investment properties	**504,391**	439,300
	4,404,114	11,304,212
Other income and gains		
Interest income	**103,096**	138,875
Gain on disposal of subsidiaries	**–**	12,997
Others *(note)*	**129,807**	13,613
	232,903	165,485

Note: During the six months ended 30 June 2019, the Group entered into sublease arrangements with independent third parties whereby the Group is an intermediate lessor. These subleases are classified as finance leases and accounted for in accordance with the accounting policy set out in note 3(ii) in which the Group derecognised the right-of-use assets relating to the head leases and recognised finance lease receivables relating to the subleases under "other financial assets". The Group also recognised an income of $91,510,000, being the difference between the right-of-use assets and the finance lease receivables, when entering into such arrangements.

6. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
		(Note)
	$'000	*$'000*
Interest on:		
Bank loans	**484,621**	474,787
Other borrowings	**114,270**	129,813
Lease liabilities	**12,216**	–
Loans from the ultimate holding company	**61,343**	80,910
Loans from the immediate holding company	**19,791**	17,571
Loans from a fellow subsidiary	**56,289**	61,709
Loans from a joint venture	**17,798**	33,338
Loans from non-controlling shareholders	**4,036**	2,383
Total interest expense on financial liabilities not stated at fair value through profit or loss	**770,364**	800,511
Less: Interest capitalised into properties under development	**(403,449)**	(441,303)
	366,915	359,208

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

7. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2019	2018
		(Note)
	$'000	*$'000*
Amortisation of prepaid land lease payments	**580**	525
Depreciation		
– owned property, plant and equipment	**90,971**	100,176
– right-of-use assets	**15,270**	–
Impairment loss/(reversal of impairment losses)		
– impairment recognised	**81,368**	141,887
– reversal of impairment loss	**(34,068)**	(318)

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 3.

8. INCOME TAX EXPENSE

The provision for Hong Kong Profits Tax for the six months ended 30 June 2019 is calculated at 16.5% (six months ended 30 June 2018: 16.5%) of the estimated assessable profits for the interim period, except those qualifying corporations which the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. No provision for Hong Kong Profits Tax was made as the Group has no assessable profits arising in or derived from Hong Kong for the period (six months ended 30 June 2018: nil).

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

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

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

	Six months ended 30 June	
	2019	2018
	$'000	*$'000*
Current tax:		
Mainland China CIT	**275,019**	1,225,807
Withholding tax on dividend	**–**	5,648
LAT in mainland China	**192,537**	1,351,956
Deferred tax:		
Mainland China CIT	**7,943**	(889,666)
Withholding tax on dividend	**42,871**	81,424
LAT in mainland China	**(24,060)**	(230,506)
Total tax charge for the period	**494,310**	1,544,663

9. EARNINGS PER SHARE

(a) Basis earnings per share

The calculation of the basic earnings per share is based on the profit attributable to equity shareholders of the Company of $447,067,000 (six months ended 30 June 2018: $217,266,000) and the weighted average of 8,425,838,699 ordinary shares (six months ended 30 June 2018: 8,058,331,832 shares) in issue during the period.

(b) Diluted earnings per share

The calculation of the diluted earnings per share is based on the profit attributable to equity shareholders of the Company of $447,067,000 (six months ended 30 June 2018: $217,266,000) and the weighted average of 8,425,983,678 ordinary shares (six months ended 30 June 2018: 8,072,116,148 shares).

10. DIVIDENDS

	Six months ended 30 June	
	2019	2018
	$'000	*$'000*
Dividends recognised as distribution during the period:		
Final dividend declared for 2018 – HK11.00 cents per share		
(2018: declared for 2017 – HK11.00 cents per share) *(i)/(ii)*		
Scrip shares	**675,777**	549,527
Cash	**252,630**	336,922
	928,407	886,449
Dividend declared in respect of current period:		
Proposed interim dividend for 2019 – HK7.00 cents per share		
(Interim dividend for 2018: HK7.00 cents per share) *(i)/(iii)*	**607,461**	576,223

Notes:

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

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

The Company declared a final dividend of HK11.00 cents per share in respect of year ended 31 December 2017 amounted to $886,449,000, of which $336,922,000 were paid in cash and the remaining balance of $549,527,000 were settled in the form of 173,133,769 scrip shares on 17 August 2018.

(iii) On 27 August 2019, the board of directors recommends an interim dividend of HK7.00 cents per share for the six months ended 30 June 2019 (interim dividend for 2018: HK7.00 cents per share) amounted to $607,461,000.

The amount of the interim dividend for 2019 was calculated on the basis of 8,678,009,314 shares in issue as at 27 August 2019.

11. TRADE RECEIVABLES

	At 30 June 2019 *$'000*	At 31 December 2018 *$'000*
Trade receivables	**721,648**	697,064
Less: loss allowance	**(123,683)**	(118,596)
	597,965	578,468

Under normal circumstances, the Group does not grant any credit terms to its customers for the sale of properties. In respect of the remaining trade receivables, the credit terms range from 30 to 120 days from the date of billing. The Group seeks to maintain strict control over its outstanding receivables and to minimise credit risk. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	At 30 June 2019 *$'000*	At 31 December 2018 *$'000*
Within one year	**485,976**	430,387
One to two years	**57,694**	140,548
Two to three years	**54,295**	7,533
	597,965	578,468

12. PLEDGE OF ASSETS

Bank loans amounting to $517,624,000 (31 December 2018: $373,343,000) were secured by certain of the Group's assets as below:

(i) properties under development with a carrying amount value of approximately $1,106,938,000 (31 December 2018: $1,111,319,000) was used to secure banking facilities amounting to $1,591,520,000, of which $255,126,000 had been drawn down at 30 June 2019;

(ii) land and buildings and investment properties in mainland China with net carrying amounts of approximately $632,833,000 and $488,282,000 (31 December 2018: $646,862,000 and $497,515,000) were used to secure banking facilities amounting to $284,200,000, of which $262,498,000 had been drawn down at 30 June 2019.

13. TRADE PAYABLES

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

	At 30 June 2019	At 31 December 2018
	$'000	*$'000*
Within one year	**630,803**	1,206,283
One to two years	**767,273**	327,110
Two to three years	**145,398**	188,902
Over three years	**222,646**	234,373
	1,766,120	1,956,668

14. COMMITMENTS

	At 30 June 2019	At 31 December 2018
	$'000	*$'000*
Commitments in respect of the acquisition of land and buildings, and development costs attributable to properties under development:		
Contracted, but not provided for	**6,985,370**	7,343,032

In addition to this, as disclosed in the Company's announcement dated 14 July 2017, the Group agreed a maximum capital contribution to a related party, Shum King Limited, of $3,000,000,000 for its development of a piece of land in Hong Kong. As at 30 June 2019, the Group had an outstanding capital commitment to Shum King Limited of $1,977,500,000 (31 December 2018: $2,007,500,000).

15. CONTINGENT LIABILITIES

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

As at 30 June 2019, the Group has given guarantees to a maximum extent of approximately $3,925,218,000 (31 December 2018: $5,866,018,000) to banks for housing loans extended by the banks to the purchasers of the Group's properties.

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

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

(b) Financial guarantees to a related party of the Group

As at 30 June 2019, the Group has given guarantees amounted to RMB1,483,362,000 in respect of bank loans and other borrowings to Guangzhou Pik Sum Real Estate Development Company Limited and Taizhou Shum Yip Investment Development Limited, both of which are joint ventures of the Group.

16. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

In addition to the related party transactions disclosed in note 14 and 15(b), the Group had the following related party transactions:

			Six months ended 30 June	
			2019	2018
			$'000	*$'000*
(1)	Shum Yip Group Limited ("Shum Yip Group"), the ultimate holding company:			
	– Management fee income	(i)	**992**	1,068
	– Rental income	(i)	**6,036**	6,388
	– Interest expense	(ii)	**61,343**	80,910
(2)	Shum Yip Holdings Company Limited ("Shum Yip Holdings"), the immediate holding company:			
	– Rental expenses	(i)	**5,632**	5,777
	– Management fee expense	(i)	**612**	1,620
	– Interest expense	(ii)	**19,791**	17,571
(3)	Joint ventures:			
	– Sales of products	(i)	**9,598**	53,111
	– Interest income	(ii)	**33,061**	37,622
	– Interest expense	(ii)	**17,798**	33,338
(4)	Associates:			
	– Interest income	(ii)	**137**	13,802
	– Rental expenses	(i)	**7,871**	–
(5)	Fellow subsidiaries:			
	– Rental expenses	(i)	**287**	253
	– Interest expense	(ii)	**56,289**	61,709

Notes:

(i) The prices for the above transactions were determined based on mutual agreement between the parties.

(ii) These interest expenses and interest income arose from the related party transactions as disclosed in note 16(c).

(b) Other transaction with related parties

A subsidiary in mainland China had entered into a fund arrangement with a financial institution (the "Trustee"), pursuant to which the Trustee had raised trust fund amounting to RMB2,500,000,000 (equivalent to $2,842,000,000) (31 December 2018: RMB2,500,000,000 (equivalent to $2,853,250,000)) and provided the fund to the subsidiary for financing a property development project of the subsidiary. The fund bears a fixed interest rate at 6.80% per annum. The fund will expire in May 2021 and is guaranteed by Shum Yip Group.

(c) Outstanding balances with related parties

	Amounts owed to the Group by related parties		**Amounts owed by the Group to related parties**	
	At 30 June 2019 $'000	At 31 December 2018 $'000	**At 30 June 2019 $'000**	At 31 December 2018 $'000
Due to the immediate holding company	**–**	–	**(1,252,531)**	(1,233,548)
Due to the ultimate holding company	**–**	–	**(2,767,161)**	(4,734,953)
Loans from fellow subsidiaries	**–**	–	**(2,867,592)**	(3,132,996)
Loans from associates	**–**	–	**(46,709)**	(46,950)
Loans from joint ventures	**–**	–	**(354,577)**	(1,167,231)
Loans to joint ventures	**2,913,270**	3,960,779	**–**	–
Loans to an associate	**15,437**	15,811	**–**	–
	2,928,707	3,976,590	**(7,288,570)**	(10,315,678)

The above balances arose from financing arrangements with related parties.

The amounts due to related parties presented above include balances amounting to $6,471,794,000 (31 December 2018: $8,954,388,000) which are interest-bearing, unsecured and have fixed terms of repayment within a year. The remaining balances are unsecured, interest-free and have no fixed terms of repayment.

The amounts due from related parties presented above include balances amounting to $2,928,707,000 (31 December 2018: $3,677,164,000) which are interest-bearing, unsecured and have fixed terms of repayment ranging from one to five year. The remaining balances are unsecured, interest-free and have no fixed terms of repayment.

CHAIRMAN'S STATEMENT

In the first half of 2019, the external macro-environment was complicated and challenging amid heightened Sino-US trade friction and rising downward pressure, therefore, developing of macro policies was oriented to maintain steady and stable economic growth. Against such a backdrop, "stabilizing land prices", "stabilizing housing prices" and "stabilizing expectation" had become the keynotes of policy at various local real estate markets. In the first half of the year, with the recovery of the market following real estate control, the liquidity condition was eased to some extent. Thus, there were signs of recovery in the real estate market in the first-tier and second-tier cities, reflected by land market picking up; the market in the third-tier and fourth-tier cities continued to cool down. The overall real estate market in Shenzhen showed a recovery trend, though seen quite a few differences among different businesses and market segments. Boosted by the released rigid demand and improvement demand and the significantly increased supply of new houses, fervent residential transactions were recorded in Shenzhen in the first half of the year, with trading volume increased by 33.5% over the same period of last year and price maintaining stable. Due to the continued effect of the policy prohibiting the sale of apartment products within five years of purchase and the sharp increase in the volume of launched apartments as compared with that of the same period of last year, the apartments market did not follow the residential market to recover. A slow destocking and a slight drop in trading volume over the same period of last year were seen. However, the price remained relatively stable. During the period, the Group endeavored to meet the changes in economic environment and pushed forward various business operations, and its performance was in line with expectation.

2019 Interim Results

During the period, the Group achieved a turnover of HK$4,404.1 million, representing a decrease of 61.0% over the same period of last year. Gross profit was HK$1,481.6 million, representing a decrease of 61.8% over the same period of last year. Net profit attributable to equity shareholders was HK$447.1 million, representing an increase of 105.8% over the same period of last year. If excluding the net effect of the changes in fair value of investment properties attributable to the Group and decrease in fair value of financial assets, net profit attributable to shareholders was HK$568.5 million, representing a decrease of 55.4% over the same period of last year. Basic earnings per share were HK5.31 cents, representing an increase of 96.7% over the same period of last year. The Board has resolved to pay an interim dividend of HK7.00 cents per share for 2019 in cash (with a scrip dividend alternative).

Sales Results in Line with Expectation

During the period, the Group realized contracted sales of approximately RMB6,435.9 million, representing an increase of 49.4% over the same period of last year. Its major projects include Terra Licheng, Shum Yip Zhongcheng, Taifu Square and Shum Yip Dongling in Shenzhen, Ma'anshan Shum Yip Huafu as well as Gaobangshan No.1 and Wanlin Lake in Huizhou. Approximately 75.9% of the Group's contracted sales were contributed by Shenzhen projects. The market condition has improved in the first half of the year. The apartment and office building markets, however remained sluggish, thus posing challenges to our sales efforts in the first half of the year. The Group had overcome various odds to speed up the marketing of residential projects and successfully promoted block sales of office building products at the same time, and achieved sales results in line with expectation.

Expansion of Quality Land Resources

The development of Guangdong-Hong Kong-Macao Greater Bay Area has been formally upgraded to a national strategy. The Group continues to adhere to its development strategy of "focusing on the Greater Bay Area, intensifying development in Shenzhen and expanding land resources". During the period, the Group made proactive efforts to promote cluster development coordination by participating in land auction, deepening collaboration with our parent and strengthening cooperation with government in order to strategically position itself in the Greater Bay Area. The urban redevelopment projects including Chegongmiao and Bagualing Shanglinyuan in Shenzhen have been expedited.

Steady Promotion of Operation Business

During the period, the mixed-ownership reform on the Group's operation business sector progressed steadily. The three asset-light operation and management companies, i.e. operation of wisdom park, commercial operation and property management have initially completed the mixed-ownership reform plan, overcome difficulties and achieved phased results in the mixed-ownership reform work. Benefiting from the vitality brought by mechanism innovation, the Group was able to expand the operation business market in a smooth way. During the period, our property management company obtained further 28 projects, with 2.48 million square meters of management area being added; wisdom park company signed cooperation agreements with Shenzhen Longcheng Industrial Park and Xi'an Lintong Logistics Park (西安臨潼物流園) to realize the expansion of operation business in the wisdom park; and both of the shopping malls, i.e. Tanglang City and Shum Yip Dongling, ushered their opening successfully. During the period, the entrusted construction business progressed effectively as the Group won bids for three projects namely the project of Shapuwei Village, Songgang Town, the project of environment comprehensive treatment alone the Metro Line 11 in Bao'an District and the cultural and sports center project in Longtian Street, Pingshan District.

Healthy Financial Position

The Group further strengthened its integrated fund planning and finance management to improve the capital efficiency. The Group maintained borrowing costs at a low level of 4.2% per annum and also kept gearing ratio at a reasonable level by optimization of loan portfolio. As of 30 June 2019, net gearing ratio (including all interest-bearing liabilities) of the Group was 49.6%.

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

Outlook

With the adjustments at policy and capital level, the real estate market in Shenzhen and part of other cities witnessed a notable rebound in trading volume since the second quarter of 2019. It is expected that both trading volume and price will remain stable in the second half of the year, with the situation varied across market segments. In the long run, the development policy of the real estate industry that "house is a place to live instead of a tool for speculation" will remain unchanged, and the gradually improved long-term effective mechanism will contribute to the healthy and stable development of real estate market. The Group will pay close attention to the changes in policy and market, perfect sales strategies, explore further block trade potential, innovate marketing channels and methods and spare no effort to promote sales. With the launch of new properties and the completion of block trades, the Group is confident that it will achieve its annual sales target of RMB18 billion.

A drop in sales income was recorded during the reporting period because the completion date of sold projects generally fall on the second half of the year, which failed to give an actual reflection of the Company's state of operation. By the end of June this year, the Group had an outstanding balance for sold projects amounted to HK$15.1 billion, which was mainly attributable to projects with higher gross profit margin including Shum Yip Zhongcheng and Taifu Square. Among them, the projects planned to be completed during the year accounted for approximately 70% of the outstanding balance for sold projects. In the second half of the year, the Group will propel the work progress of Shum Yip Zhongcheng, Taifu Square, Ma'anshan Shum Yip Huafu and other key projects to make sure these projects are completed as scheduled, thus generating expected revenue.

The Group will continue to expand its presence in the Guangdong-Hong Kong-Macao Greater Bay Area and intensify its development in Shenzhen, with focus on expansion in the areas of Shenzhen-Hongkong, Guangzhou-Foshan and Dongguan (which is located at the Guangzhou-Shenzhen development axis), and at the same time, keep track of investment opportunities in areas such as Huizhou (the portion adjacent to Shenzhen) and Zhongshan, Shunde at the west bank of Pearl River, etc. Driven by the significantly improved land market since this year, the acquisition of land resources in core cities located in the Greater Bay Area was highly competitive. In light of this, the Group will give full play to its comprehensive advantages on capital, operation, brand and other aspects, to identify various methods of resource exploration proper for its own development, including but not limited to 1) deepening cooperation with the parent company to increase our prime land reserves in Shenzhen and the Greater Bay Area; 2) proactively capturing the historic opportunity of building Pilot Demonstration Zone of Socialism with Chinese Characterics in Shenzhen and the opportunity to participate in the development of Shenfang High-Tech Park in Shenzhen-Hong Kong Science and Technology Innovation Cooperation Zone by capitalizing on the Group's footprint in both Shenzhen and Hong Kong, strengthening its cooperation with governments based on its strong abilities in industrial planning and introduction as well as exploring and innovating to identify further methods of resources acquisition for Shenzhen park; and 3) relying on the Group's experience in urban renewal projects and innovating in a flexible way to actively establish presence and identify opportunities for urban renewal projects in Shenzhen and other key cities constituting the Guangdong-Hong Kong-Macao Greater Bay Area.

Subsequent to the official release of "Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area" (《粵港澳大灣區發展規劃綱要》) at the beginning of this year, its supporting policies in connection with innovation and technology, youth development, talent introduction, interconnection and other aspects are also launched in succession. In the Opinion of the State Council of the CPC Central Committee on Supporting the Building of Shenzhen into a Pilot Demonstration Zone of Socialism with Chinese Characteristics (《中共中央國務院關於支持深圳建設中國特色社會主義先行示範區的意見》) officially released on 18 August, the city function and level of Shenzhen was strategically boosted to a "pilot demonstration zone of socialism with Chinese characteristics" and a "model city in a modernized socialist strong power". With the implementation of interconnection policy and the construction of the innovation ecosystem, Guangdong-Hong Kong-Macao Greater Bay Area will emerge as a vibrant and internationally competitive first-class bay area and world-class city cluster with optimal industrial distribution, rational segregation of duties, complementary strengths and differentiated position. Riding this trend, Shenzhen will be developed into an "innovation-oriented modernized and internationalized city", a "model city in a modernized socialist strong power" and a "worldwide benchmark city with great competition, strong creativity and significant influence". It is foreseeable that, for a period of time in the future, with the implementation of the policies to construct the Pilot Demonstration Zone and the Guangdong-Hong Kong-Macao Greater Bay Area, increasingly more resources will be devoted to basic scientific research, education and medical, urban infrastructure as well as other aspects in Shenzhen, and its aggregation effect on innovative technology industries, capital as well talents at home and abroad will become more prominent. Thus, booming demand for city space such as industrial park, office buildings and living space in Shenzhen will be further released. Therefore, we are fully confident about the sustainable, steady and sound development of the real estate markets in Shenzhen and the Greater Bay Area.

The establishment of the "Pilot Demonstration Zone of Socialism with Chinese Characteristics" is a historic opportunity for Shenzhen's high-quality development. The Group will implement the national strategy for regional development in a proactively manner and take this opportunity to realize a growth that is in line with the economic soar of China and the Greater Bay Area. In the next five years, by firmly sticking to the vision of being a "leader in value creation for urban space", the Group will continue to focus on the Guangdong-Hong Kong-Macao Greater Bay Area and intensify its development in Shenzhen. Meanwhile, the Group will attach equal importance to the strategy of property development and sales and property holding and operation by maintain a sound and healthy growth in development and sales volume, appropriately expanding the size of investment properties held for commercial purpose and optimizing its investment property portfolio, so as to continuously explore and improve asset quality and returns. Furthermore, the Group will speed up the development of motivation and restriction mechanism that stimulates internal impetus, establish an operating service platform with core competitiveness, create new model of industrial introduction for the pilot demonstration zone, give full play of its advantage in urban function upgrading and improve the value of urban spaces with the concept of smart industry (智慧園區), smart business (智慧商業) and smart life (智慧人居).

I believe, through unremitting efforts, the Group is expected to materialize the upgrading of its strategic position from a "real estate developer" to an "operation service provider for urban construction" gradually, achieve a sound, sustainable and steady development and create sustainable and handsome returns for its shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Results

In the first half of 2019, the external macro-environment was complicated and challenging. Against the backdrop of the Sino-US trade frictions, maintaining a stabilized economic growth was the keynote of the macro-policy. The real estate market of China remained under stringent regulatory control. In the first half of the year, with the recovery of the market following real estate control, the liquidity condition was eased to some extent. Thus, there were signs of recovery in the real estate market in the first-tier and second-tier cities, reflected by land market picking up; the market in the third-tier and fourth-tier cities continued to cool down. The overall real estate market in Shenzhen showed a recovery trend, though seen quite a few differences among different business markets. Facing the uncertain market environment, the Group endeavored to push forward various business operations and maintain stable performance.

The Group realized revenue of approximately HK$4,404.1 million, representing a decrease of 61.0% over the same period of last year. Gross profit margin was 33.6%, representing a decrease of approximately 0.7 percentage points over the same period of last year. Gross profit was HK$1,481.6 million, representing a decrease of 61.8% over the same period of last year. Net profit attributable to equity shareholders was HK$447.1 million, representing an increase of 105.8% over the same period of last year. If excluding the net effect of changes in fair value of investment properties attributable to the Group and changes in fair value of financial assets, net profit attributable to shareholders was HK$568.5 million, representing a decrease of 55.4% over the same period of last year. Basic earnings per share were HK5.31 cents, representing an increase of 96.7% over the same period of last year.

PROPERTY DEVELOPMENT BUSINESS

Sales Revenue Booked

Since the completion date of sold projects generally fall on the second half of year, a drop in sales income was recorded during the period. The Group recorded property sales booked of approximately 164,000 square meters (excluding interests attributable to the major associates of the Group), representing a decrease of 52.2% over the same period of last year, and achieved net revenue in property sales of approximately RMB2,052.4 million (equivalent to HK$2,372.1 million) (net of value-added tax), representing a decrease of 74.5% over the same period of last year. Gross profit margin of property development was 37.7%, representing an increase of 1.4 percentage points over the same period of last year. During the period, the percentage of Shenzhen projects over the sales revenue booked was 37.9%. During the period, the average gross profit margin for Shenzhen projects of the Group was approximately 47.8%, whereas the average gross profit margin for projects in other cities was approximately 31.5%.

Property Sales Booked in the First Half of 2019

Property Name	Type	City	Booked Area *(sq.m.)*	Net Sales *(RMB'000)*	Unit Price *(RMB/sq.m.)*
Garden Hills	Residential/shop	Huizhou	4,504	51,210	11,370
Wanlin Lake	Shop	Huizhou	209	2,231	10,676
Splendid City	Residential	Taizhou	2,332	16,374	7,022
Euro-view Garden	Shop	Dongguan	680	6,754	9,933
Shum Yip City	Residential	Foshan	38	525	13,808
Jiangyue Bay	Residential	Guangzhou	257	4,408	17,151
Nanhu Rose Bay	Residential/shop	Wuhan	1,017	6,170	6,066
Yihu Rose Garden	Residential	Chengdu	31,391	228,994	7,295
Changzhou Shum Yip Huafu	Residential	Changzhou	913	5,163	5,655
Ma'anshan Shum Yip Huafu	Residential	Ma'anshan	102,585	780,847	7,612
UpperHills	Apartment	Shenzhen	934	115,406	123,561
Royal Spring Garden	Villa	Chaohu	7,606	108,164	14,221
Shum Yip Dongling	Residential	Shenzhen	9,356	640,069	68,413
Bofeng Building	Office	Shenzhen	619	22,621	36,544
Xiaonan Street	Residential	Shenyang	1,064	7,923	7,446
Parking place sales*	Parking place		–	55,524	–
Total			**163,505**	**2,052,383**	

* 439 parking spaces were sold.

Contracted Sales

During the period, the Group realized contracted sales area of approximately 235,000 square meters and contracted sales income of approximately RMB6,435.9 million, representing an increase of approximately 49.4% over the same period of last year. The average price per square meter was RMB27,434. Of these, Terra Licheng, Shum Yip Dongling, Ma'anshan Shum Yip Huafu, Changsha Shum Yip Xihui, Chaohu Royal Spring Garden achieved satisfactory sales.

By geographical location, projects in the Greater Bay Area accounted for 86% of the realized contracted sales, 5% was contributed by projects in the second-tier cities, and the rest 9% was in the third-tier and fourth-tier cities. By the types of products, residential products accounted for 47% of the realized contracted sales, and commercial products (including office and apartment) accounted for 53%.

Contracted Sales in the First Half of 2019

Project Name	City	Type	Sales Area *(sq.m.)*	Sales (Note) *(RMB million)*
Shum Yip Dongling	Shenzhen	Complex	21,250	1,501
Shum Yip Zhongcheng	Shenzhen	Complex	4,514	499
Changzhou Shum Yip Huafu	Changzhou	Residential	772	3
Ma'anshan Shum Yip Huafu	Ma'anshan	Residential	53,954	486
Jiangyue Bay*	Guangzhou	Residential	–	2
Saina Bay	Heyuan	Residential	1,162	12
Gaobangshan No. 1	Huizhou	Residential	28,200	280
Shum Yip City	Foshan	Residential	7,683	162
Euro-view Garden	Dongguan	Residential	1,693	31
Garden Hills	Huizhou	Residential	17,991	163
Wanlin Lake	Huizhou	Residential	1,782	26
Rui Cheng	Changsha	Residential	5,898	49
Shum Yip Xihui	Changsha	Residential	22,308	173
Bofeng Building	Shenzhen	Industry	620	22
Taifu Square	Shenzhen	Complex	2,772	175
Yihu Rose Garden	Chengdu	Residential	6,905	57
Terra Licheng	Shenzhen	Complex	48,557	2,480
Nanhu Rose Bay	Wuhan	Complex	1,120	17
Royal Spring Garden	Chaohu	Residential	4,646	89
UpperHills	Shenzhen	Complex	467	63
Tanglang City**	Shenzhen	Complex	2,305	146
Total			**234,599**	**6,436**

* All are parking space sales.

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

Note: Including parking space sales.

Project Development

During the period, the Group had a new construction area of approximately 718,000 square meters, and a completed area of approximately 90,000 square meters.

New Construction Projects in the First Half of 2019

Project Name	City	Type	Total GFA *(sq.m.)*	Saleable Area *(sq.m.)*
Foshan Nanhai Lishui Land Site	Foshan	Residential	79,094	51,758
Changsha Yuelu Yanghu Project	Changsha	Residential	242,577	183,561
Splendid City Phase 3	Taizhou	Residential	182,310	136,767
Nanjing Jiangning Tianyou Road (Land Plot G72)	Nanjing	Residential	111,200	69,494
Nanjing Jiangning Qinglong Subway Town (Land Plot G78)	Nanjing	Residential	102,660	71,455
Total			**717,841**	**513,035**

Completed Projects in the First Half of 2019

Project Name	City	Type	Total GFA *(sq.m.)*	Saleable Area *(sq.m.)*
Chengdu Jinxiu Workshop (South)	Chengdu	Commercial	11,263	6,735
Yihu Rose Garden Phase 1.2 – Longxi	Chengdu	Residential	67,221	49,354
Chaohu South Phase 1	Chaohu	Residential	5,508	5,063
Chaohu North Phase 4.2	Chaohu	Residential	6,406	6,144
Total			**90,398**	**67,296**

Land Reserves

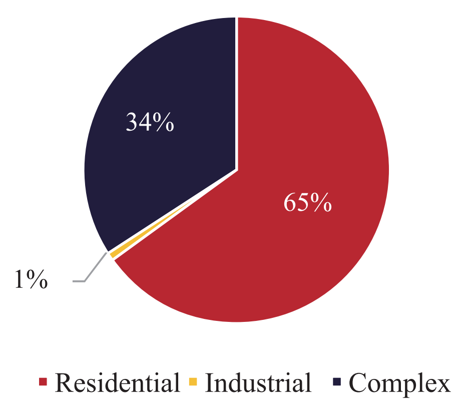
By the end of June 2019, the Group had land reserves with an aggregate planned gross floor area (GFA) of approximately 6.15 million square meters (of which the Group was interested in 5.40 million square meters), and a capacity building area of 4.56 million square meters (of which the Group was interested in 4.05 million square meters), of which, the projects under construction had a total planned GFA of approximately 3.86 million square meters and a capacity building area of 2.82 million square meters.

The Group proposed the strategic layout of focusing on the Greater Bay Area in 2017. Against such background, its assets structure was comprehensively optimized by acquiring a number of land projects located at Tuen Mun (Hong Kong), Shenzhen, Foshan and other cities in the Greater Bay Area through various ways, whilst disposing of ineffective projects in the third-tier and fourth-tier cities successively. The capacity building area of land reserve in Shenzhen, the Greater Bay Area and the first-tier and second-tier cities accounted for 39%, 61% and 62% of its total capacity building area respectively.

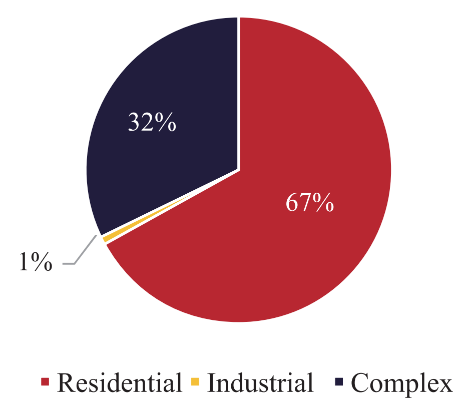
In the future, the Group will continue to focus on the Greater Bay Area, and intensify its development in Shenzhen by proactively seeking for project resources and also opportunities to invest in quality projects in the major first-tier and second-tier cities.

Distribution of Land Reserves (As at 30 June 2019)

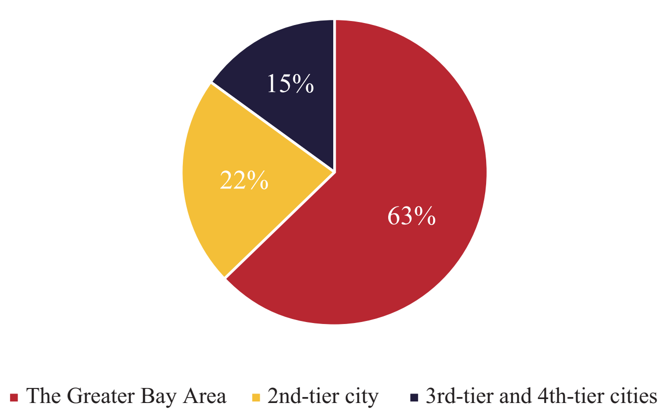
By type – Planned GFA note 1
(sq.m.)



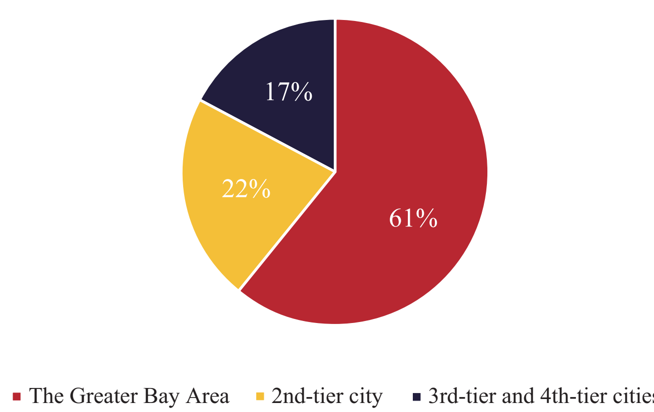
By type – Capacity Building Area note 2
(sq.m.)



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



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



Note:

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

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

Property Investment

As at 30 June 2019, the Group has investment properties of approximately 1.16 million square meters, 83.6% of which are located in Shenzhen. During the period, the Group recorded rental income of approximately HK$504.4 million, representing an increase of approximately 14.8% over the same period of last year. The gross profit margin of property investment business was approximately 77.7%, representing an increase of 2.1 percentage points over the same period of last year. The Group recorded a revaluation gain in its investment property portfolio of HK$93.1 million through profit or loss for the period. Revenue from and scale of the Group's investment properties are expected to increase significantly with the completion of UpperHills and Taifu Square projects and tenant solicitation.

Asset – Light Operation Businesses

The Group commenced the mixed-ownership reform on its operation business segment in an overall manner in 2018. During the period, the mixed-ownership reform progressed steadily. The three asset-light operation and management companies, i.e. commercial operation, operation of wisdom park and property management have initially completed the mixed-ownership reform plan, overcome difficulties and achieved phased results in the mixed-ownership reform work.

Commercial Operation Business

In 2018, the commercial area of UpperHills ushered in its grand opening, attracting a number of internationally known food & beverage and retail merchants opening their flagship or first shops in China, which greatly boosts the brand influence of UpperHills. With the completion of the construction of Lianhuashan corridor bridge and opening of Yokocho Japanese restaurants street, the passenger flow volume of the shopping mall has been significantly improved. Meanwhile, various marketing activities have been well-received by both consumers and merchants and the overall revenue of merchants is showing a growing trend.

The shopping center named Tanglang City was opened on 26 July 2019. As the first shopping center in Shenzhen University City, it introduces supermarket, cinema, fitness room and many other major shops. In collaboration with a number of well-known sports brands, it aims to establish the first sports outlet in the region and promote consumption upgrade by gathering many popular food & beverage, kids & parenting and fashion and retail brands.

Property Management Business and Wisdom Park Operation and Management Business

Properties under the management of our property management company exceed 36.04 million square meters, mainly in the Pearl River Delta, Yangtze River Delta and Central China, covering governmental authorities, offices, residence communities and villas. Benefitted from the mixed-ownership reform, the property management company acquired 28 new projects of 2.48 million square meters during the period, beating its expectation.

The Wisdom Park Operation and Management Company manages over 2.12 million square meters of properties which are mainly located in the Guangdong-Hong Kong-Macao Greater Bay Area. During the period, the Wisdom Park Operation and Management Company entered into a cooperation agreement with Shenzhen Longcheng Industry Park, Xi'an Lintong Logistics Park respectively, realizing expansion of its wisdom park operation and management business.

During the period, the property management business contributed approximately HK$935.5 million to the revenue of the Group, representing an increase of 2.8% over the same period of last year.

Hotel Operation Business

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

During the period, the four hotels in operation recorded operating income (included under other operating segment) of approximately HK$99.4 million, representing a decrease of 8.0% 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 over the years. During the period, the manufacturing business recorded operating income of approximately HK$146.4 million, representing a decrease of 8.9% over the same period of last year.

Performance of Joint Ventures

During the period, Taizhou Shum Yip Investment Development Limited (a 51% owned company of the Group) incurred a loss of HK$9.5 million to the Group. The principal activity of the company is to assist local government in primary land development, and the local government had not arranged for the launch of relevant lands during the period.

Shenzhen Langtong Property Development Company Limited (a 50% owned company of the Group) made a net profit contribution of HK$50.7 million for the period, representing a decrease of 40.2% over the same period of last year. The company and Shenzhen Metro Group jointly developed Shenzhen's Tanglang City Project.

Shenzhen Tianan Cyber Park (Group) Co., Ltd. made a net profit contribution of HK$119.8 million to the Group, representing an increase of 165.6% over the same period of last year.

Performance of Associates

During the period, the associates invested by the Group performed as expected. Of these, Road King Infrastructure Limited, a listed company in Hong Kong, made a net profit contribution of HK$234.5 million to the Group, representing an increase of 7.5% over the same period of last year. Coastal Greenland Limited, a listed company in Hong Kong, incurred a loss of HK$18.8 million to the Group, compared with a loss of HK$58.9 million for the same period of last year.

Investment in Hengda Real Estate

On 31 May 2017, the Group, through Shenzhen Shum Yip Shenheng Investment Co., Ltd. (深圳市深業深恒投資有限公司) ("Shum Yip Shenheng", formerly known as 馬鞍山市茂文科技工業園有限公司(Maanshan Maowen Technology Park Co. Ltd.)), a wholly owned subsidiary of the Company, entered into an investment agreement (the "Investment Agreement") with Guangzhou Kailong Real Estate Company Limited ("Kailong Real Estate") and Hengda Real Estate Group Company Limited ("Hengda Real Estate") (both being subsidiaries of China Evergrande Group) to contribute an amount of RMB5.50 billion to the capital of Hengda Real Estate in exchange for 1.7626% equity interests in Hengda Real Estate. The equity interests held by the Group in Hengda Real Estate was accounted for as financial assets at fair value through profit or loss in the Group's consolidate statement of financial position, with changes in fair value recognised in profit or loss for the period.

As at 30 June 2019, the decrease in fair value of the investments in Hengda Real Estate amounted to approximately HK$239.3 million.

Under the terms of the Investment Agreement, Kailong Real Estate and Hengda Real Estate have undertaken that the net profit of Hengda Real Estate for 2017, 2018 and 2019 shall not be less than RMB24.3 billion, RMB50.0 billion and RMB55.0 billion, respectively. Hengda Real Estate will distribute at least 68% of its net profit under the performance undertaking period to its shareholders in cash, till the entering into a reorganization agreement (i.e. the listing of Hengda Real Estate in China as an A-share company through reorganization of Shenzhen Special Economic Zone Real Estate and Properties (Group) Co. Ltd.).

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

Financing

As at 30 June 2019, the Group's total bank and other borrowings amounted to HK$25,210.6 million (31 December 2018: HK$25,260.8 million), of which HK$19,323.7 million were floating-rate loans, and the remaining were fixed-rate loans. Long-term loans amounted to HK$16,051.8 million, representing approximately 63.7% of total borrowings, and short-term loans were HK$9,158.8 million, representing approximately 36.3% of total borrowings. Borrowings from Hong Kong amounted to HK$12,533.7 million, representing approximately 49.7% of total borrowings, and the remaining were borrowings from mainland China, representing approximately 50.3% of total borrowings. During the period, the average comprehensive interest rate of the Group in respect of its bank and other borrowings was approximately 4.2% per annum, representing a decrease of 0.6 percentage point from the full-year average of last year.

As at 30 June 2019, the Group's cash balance (including restricted cash) was HK$11,701.6 million (31 December 2018: HK$12,655.2 million), of which approximately 96.2% and 3.8% were denominated in Renminbi and HK$ respectively.

As at 30 June 2019, the Group had net assets (excluding non-controlling interests) of HK$41,070.9 million (31 December 2018: HK$41,704.0 million). The net gearing ratio with the liabilities including bank loans and other borrowings only was 32.9% and the net gearing ratio with the liabilities including loan from shareholder of the parent and all other interest-bearing liabilities was 49.6%, representing a decrease of 4.6 percentage points over the end of last year. The gross gearing ratio (being the ratio of total liabilities over total assets) was 61.9%.

Key Financial Position

HK$ million	**As at 30 June 2019**	As at 31 December 2018
Bank and other borrowings	**25,210.6**	25,260.8
–Long-term borrowings	**16,051.8**	19,362.2
–Short-term borrowings	**9,158.8**	5,898.5
Due to the ultimate holding company	**2,767.2**	4,735.0
Cash (including restricted cash)	**11,701.6**	12,655.2
Net gearing ratio with the liabilities including bank and other borrowings only	**32.9%**	30.2%
Net gearing ratio with the liabilities including all interest-bearing liabilities	**49.6%**	54.2%

Effect of Exchange Rate Fluctuation

The Group's assets are mainly denominated in Renminbi. 50.3% of the bank and other borrowings are denominated in Renminbi, while 49.7% are denominated in HK$. HK$ is adopted as the reporting currency in the Group's financial statements. The effect of the decrease in RMB exchange rate on the Group's finance was mainly reflected in the depreciation of the asset and earnings denominated in Renminbi against HK$, the reporting currency. During the period, such changes in the asset and earnings denominated in Renminbi against HK$, the reporting currency resulted in a decrease of HK$212.1 million in other comprehensive income. The Group will closely monitor and proactively avert foreign exchange risk through various ways.

Pledge of Assets and Contingent Liabilities

As at 30 June 2019, the Group had total loans of HK$517.6 million (31 December 2018: HK$373.3 million) that were pledged with assets (please refer to note 12 for details).

As at 30 June 2019, the Group has given guarantees amounted to RMB1,483.4 million in respect of bank loans and other borrowings to Guangzhou Pik Sum Real Estate Development Company Limited and Taizhou Shum Yip Investment Development Limited, both are joint ventures of the Group (please refer to note 15 for details).

Employees and Remuneration Policy

As at 30 June 2019, the Group employed 18,950 employees (30 June 2018: 18,548) of whom 40 were stationed in Hong Kong (mainly managerial and finance related personnel), and the rest were in mainland China. The total remuneration for the six months ended 30 June 2019 (excluding remuneration of the Directors) amounted to approximately HK$810.7 million (six months ended 30 June 2018: HK$726.9 million).

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

INTERIM DIVIDEND

The Board has resolved to pay an interim dividend of HK7.00 cents per share for the six months ended 30 June 2019 (interim dividend for 2018: HK7.00 cents) to shareholders whose names appear on the register of members of the Company on Thursday, 12 September 2019. It is expected that the payment of the interim dividend will be made on or about Monday, 18 November 2019.

The interim dividend will be paid in cash but shareholders will be given an option to receive new fully paid shares of the Company ("scrip shares") in lieu of cash, or partly in cash and partly in the form of scrip shares (the "Scrip Dividend Scheme").

The Scrip Dividend Scheme is conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the scrip shares to be issued under the Scrip Dividend Scheme. A circular containing the details of the Scrip Dividend Scheme together with relevant election form will be sent to shareholders on or about Wednesday, 16 October 2019.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 11 September 2019, to Thursday, 12 September 2019 (both dates inclusive), during which period no transfers of shares will be registered. To qualify for the interim dividend, all duly completed transfer forms, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrar, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Tuesday, 10 September 2019.

CORPORATE GOVERNANCE

The Company has applied the principles and complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the six months ended 30 June 2019.

AUDIT COMMITTEE

As at the date of this announcement, the Audit Committee comprises three independent non-executive directors namely Mr. LI Wai Keung, Mr. WU Wai Chung, Michael and Dr. WONG Yau Kar, David. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters including the review of the unaudited interim results for the six months ended 30 June 2019.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of its listed securities during the six months ended 30 June 2019.

APPRECIATION

We take this opportunity to express our gratitude to our investors and shareholders for their trust and support and to thank our colleagues on the Board and the staff members of the Group for their hard work, loyal service and contributions during the six months ended 30 June 2019.

By Order of the Board
SHENZHEN INVESTMENT LIMITED
LU Hua
Chairman

Hong Kong, 27 August 2019

As at the date of this announcement, the Board comprises 9 directors, of which Dr. LU Hua, Mr. HUANG Wei, Mr. MOU Yong and Mr. LIU Chong are the executive directors of the Company, Dr. WU Jiesi and Mr. LIU Shichao are the non-executive directors of the Company and Mr. WU Wai Chung, Michael, Mr. LI Wai Keung and Dr. WONG Yau Kar, David are the independent non-executive directors of the Company.