

Stock Code: 000029, 200029

Stock Name: SPG, SPG-B

Announcement No. 2019-059

# SHENZHEN SPECIAL ECONOMIC ZONE REAL ESTATE & PROPERTIES (GROUP) CO., LTD. INTERIM REPORT 2019 (SUMMARY)

## Part I Important Notes

This Summary is based on the full text of the 2019 Interim Report of ShenZhen Special Economic Zone Real Estate & Properties (Group) Co., Ltd. (together with its consolidated subsidiaries, the “Company”, except where the context otherwise requires). In order for a full understanding of the Company’s operating results, financial condition and future development plans, investors should carefully read the aforesaid full text, which has been disclosed together with this Summary on the media designated by the China Securities Regulatory Commission (the “CSRC”).

Objections raised by any of the directors, supervisors or senior management against any contents in this Report or its summary:

Name	Office title	Objection and explanation of why
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Statement of objection:

Except for the following directors, all the other directors attended in person the Board meeting for the review of this Report and its summary.

Name	Office title	Reason for not attending meeting in person	Proxy
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Independent auditor’s modified opinion:

Applicable  Not applicable

Board-approved interim cash and/or stock dividend plan for ordinary shareholders:

Applicable  Not applicable

The Company has no interim dividend plan, either in the form of cash or stock.

Board-approved interim cash and/or stock dividend plan for preferred shareholders:

Applicable  Not applicable

This Report and its summary have been prepared in both Chinese and English. Should there be any discrepancies or misunderstandings between the two versions, the Chinese versions shall prevail.

## Part II Key Corporate Information

### 1. Stock Profile

Stock name	SPG, SPG-B	Stock code	000029, 200029
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Stock exchange for stock listing	Shenzhen Stock Exchange	
Contact information	Board Secretary	Securities Representative
Name	Tang Xiaoping	Luo Yi
Office address	47/F, SPG Plaza, Renmin South Road, Shenzhen, Guangdong, P.R.China	47/F, SPG Plaza, Renmin South Road, Shenzhen, Guangdong, P.R.China
Tel.	(86 755) 82293000-4638	(86 755) 82293000-4715
E-mail address	tangxiaoping0086@126.com	spg@163.net

## 2. Key Financial Information

Indicate by tick mark whether there is any retrospectively restated datum in the table below.

Yes  No

	H1 2019	H1 2018	Change (%)
Operating revenue (RMB)	1,251,337,802.57	1,317,541,631.35	-5.02%
Net profit attributable to the listed company's shareholders (RMB)	333,155,843.41	329,066,084.53	1.24%
Net profit attributable to the listed company's shareholders before exceptional gains and losses (RMB)	322,865,954.53	329,143,873.10	-1.91%
Net cash generated from/used in operating activities (RMB)	685,675,245.10	594,728,129.67	15.29%
Basic earnings per share (RMB/share)	0.3293	0.3253	1.23%
Diluted earnings per share (RMB/share)	0.3293	0.3253	1.23%
Weighted average return on equity (%)	9.81%	11.00%	-1.19%
	30 June 2019	31 December 2018	Change (%)
Total assets (RMB)	5,069,809,256.04	4,665,891,514.25	8.66%
Equity attributable to the listed company's shareholders (RMB)	3,463,168,724.16	3,332,259,641.39	3.93%

## 3. Shareholders and Their Holdings as at 30 June 2019

Unit: share

Number of ordinary shareholders		76,443		Number of preferred shareholders with resumed voting rights (if any)		0	
Top 10 shareholders							
Name of shareholder	Nature of shareholder	Shareholding percentage	Number of shares	Restricted shares	Shares in pledge or frozen		
					Status	Shares	
Shenzhen Investment Holdings Co., Ltd	State-owned legal person	63.55%	642,884,262				
Shandong Gold Financial Holding Capital Management Co., Ltd. — Shandong Gold Financial Holding Sustaining Fund	Domestic non-state-owned legal person	1.02%	10,300,000				

1						
Lu Zhigao	Domestic natural person	0.32%	3,246,949			
Tan Shiqing	Domestic natural person	0.13%	1,286,701			
Yang Shuilian	Domestic natural person	0.13%	1,273,700			
Yang Jianxiong	Domestic natural person	0.12%	1,255,750			
Central Huijin Asset Management Co., Ltd.	State-owned legal person	0.12%	1,165,500			
Peng Wei	Domestic natural person	0.11%	1,129,082			
Wu Haoyuan	Foreign natural person	0.11%	1,109,300			
Guotai Junan Securities (Hong Kong) Limited	Foreign legal person	0.10%	1,015,683			
Related or acting-in-concert parties among the shareholders above	The Company has found no related parties or acting-in-concert parties as defined in the Administrative Measures for Shareholding Changes in Listed Companies among the shareholders above.					
Shareholders involved in securities margin trading (if any)	The fourth shareholder holds all his shares in the Company in his accounts of collateral securities for margin trading. And the third shareholder holds some of his shares in the Company in such accounts.					

#### 4. Change of the Controlling Shareholder or the Actual Controller in the Reporting Period

Change of the controlling shareholder in the Reporting Period:

Applicable  Not applicable

The controlling shareholder remained the same in the Reporting Period.

Change of the actual controller in the Reporting Period:

Applicable  Not applicable

The actual controller remained the same in the Reporting Period.

#### 5. Number of Preferred Shareholders and Shareholdings of Top 10 of Them

Applicable  Not applicable

No preferred shareholders in the Reporting Period.

#### 6. Corporate bonds

Does the Company have any corporate bonds publicly offered on the stock exchange, which were outstanding before the date of this Report's approval or were due but could not be redeemed in full?

No.

## Part III Operating Performance Discussion and Analysis

### 1. Business Overview of the Reporting Period

Is the Company subject to any industry-specific disclosure requirements?

No.

#### (I) Operating Results of the Reporting Period

In face of the complicated and changeable economic conditions at home and abroad in 2019, China's economy continued to see progress amid overall stability. Major macro-economic indicators remained at reasonable levels, the supply-side structural reform carried forward, and high-quality development promotion continued. Regarding the domestic real estate market, it was still under great pressure due to the restrictive measures. Under such circumstances, in addition to carrying forward its major assets restructuring programme, the Company adhered to the thinking of "Carefully Draw up Development Strategies, Particularly Focus on Core Business, Strictly Control Costs and Continuously Improve Management Capability" and put greater efforts into promoting project construction and marketing, so as to achieve continual and stable development.

In the Reporting Period, the Company made a concerted effort to steadily promote project construction. As a result, for this period, the Company achieved operating revenue of RMB1,251 million, down 5.02% compared to the same period of last year; a profit before taxation of RMB446 million, representing a year-on-year growth of 1.28%; and a net profit attributable to the listed company's shareholders of RMB333 million, increasing 1.24% from a year earlier. As at 30 June 2019, equity attributable to the listed company's shareholders amounted to RMB3,463 million, a 3.93% rise compared to the end of last year.

1. Focused on residential property development, the Company has been building a professional and high-quality development team, as well as improving the management mechanism and processes for project development. As a result, the operational capability in the core business of real estate keeps increasing, along with the core competitiveness. During the Reporting Period, the key projects of the Company were mostly located in Shenzhen and Shantou. The Company paid close attention to product quality and progress, and adjusted marketing strategies in a timely manner. As a result, project development and sales progress basically met expectations, and the core business was in good order and health.

2. The Company's main real estate projects under construction or available for sale during the Reporting Period included the Shenzhen-based Chuanqi Jingyuan, Cuilinyuan and Chuanqi Donghu Mingyuan projects, as well as the Shantou-located Tianyuewan project, etc., with details as follows:

Project	Location	Usage	Status	The Company's stake	Site area (m <sup>2</sup> )	Floor area with plot ratio (m <sup>2</sup> )	Completed floor area(m <sup>2</sup> )	Expected total investment (RMB'0,000)	Accumulated investment (RMB'0,000)
Chuanqi Jingyuan	Shenzhen	Rental	Available for sale	49%	4,243.34	43,156	43,156	24,865	20,023
Cuilinyuan	Shenzhen	Residential	Available for sale	100%	16,424.29	60,450	60,450	57,000	51,634
Tianyuewan Phase I	Shantou	Residential	Available for sale	100%	31,167.50	153,470	153,470	79,801	68,983

Tianyuewan Phase II	Shantou	Residential	Under construction	100%	33,361.70	127,661	0	65,485	20,802
Chuanqi Donghu Mingyuan	Shenzhen	Residential	Under construction	100%	5,889.70	34,073	0	51,000	36,723

### 3. Land bank for future development by the end of the Reporting Period:

Project	Location	Land area (m <sup>2</sup> )	Floor area with plot ratio (m <sup>2</sup> )
Xinfeng Building	Shantou	5,920	26,640
<b>Total</b>		<b>5,920</b>	<b>26,640</b>

Note: The Company's real estate projects do not involve primary land development.

## (II) Operation Review for H1 2019

1. The Company's fundamentals remain positive with sufficient cash flows and a healthy financial condition. In late May 2019, the Company implemented its final cash dividend plan of 2018.

2. The major property developments proceed smoothly. The Company has further improved the development and management system, attached importance to construction safety and tightened cost control. During the Reporting Period, the overall progress of the Company's property developments was in line with the schedule. In Shenzhen, the Cuilinyuan project has finished the initial registration; the Chuanqi Jingyuan project has successfully completed fine decoration; and the Chuanqi Donghu Mingyuan project has wrapped up construction and is going through acceptance. In Shantou, the Tianyuewan Phase II project has completed the pile foundation and the pit support structure and is progressing as scheduled.

3. Property sales were generally good. The Company kept a close eye on policy and market dynamics, and adjusted marketing strategies accordingly in a timely manner. Sales by project were basically satisfying. The Chuanqi Jingyuan project has been almost sold out; the Chuanqi Donghu Mingyuan project has been sold approximately 10%; the Cuilinyuan project has been sold around 80%; and the Tianyuewan Phase I project has seen about 35% of its residential units sold.

### (1) Sales of major real estate projects carried forward to the Reporting Period:

Unit: RMB'0,000

	Location	Operating revenue	Cost of sales	Gross profit margin	Gross profit margin (%)
Chuanqi Jingyuan	Shenzhen	79,580	11,268	68,312	85.84
Cuilinyuan	Shenzhen	11,185	3,078	8,107	72.48
Tianyuewan Phase I	Shenzhen	6,783	5,348	1,435	21.16
Yuejing Dongfang	Shantou	182	135	47	25.82
Jinyedao	Shantou	599	234	365	60.93
<b>Total</b>		<b>98,329</b>	<b>20,063</b>	<b>78,266</b>	<b>79.60</b>

### (2) Real Estate sales during the Reporting Period:

Unit: square meters

No.	Project	Time of opening for sale	The Company's interest	Location	Floor area available for sale at year-beginning	Area actually sold in Current Period	Settled area in Current Period
1	Chuanqi Jingyuan	October 2018	49%	Shenzhen	18,011	16,125	12,006
2	Cuilinyuan	June 2017	100%	Shenzhen	12,733	4,026	3,256
3	Chuanqi Donghu Mingyuan	December 2018	100%	Shenzhen	32,762	2,772	

4	Tianyuewan Phase I	October 2016	100%	Shantou	122,085	11,566	12,203
5	The remaining units of Yuejing Dongfang	December 2013	100%	Shantou	944		211
6	The remaining units of Jinyedao	July 1996	100%	Shantou	3,408	916	526
<b>Total</b>					<b>189,943</b>	<b>35,405</b>	<b>28,202</b>

4. Corporate management keeps improving and internal potentials are tapped to help improve corporate performance. Subsidiaries have enhanced strategic synergy with the core business of the Company and generally achieved over half of the expected profit in H1 2019. Meanwhile, the purchase of structured deposits at bank with idle funds has effectively increased the efficiency of capital utilization. Moreover, the six expenses under intense monitoring went down 9.2% in H1 2019 compared to a year ago.

5. Property rental is stable with steadily rising rental prices as well as good occupancy rates and rent collection rates. The major properties for rental are as follows:

Unit: square meters

Location	Name of building	Rentable area	Rented area	Occupancy rate	Usage	Land ownership	The Company's interest
Shenzhen	Real Estate Mansion	3,413.88	3,413.88	100%	Commercial	The Company	100%
Shenzhen	North Block of Guoshang Mansion	4,819.71	4,819.71	100%	Commercial	The Company	100%
Shenzhen	Petrel Building	22,475.47	22,475.47	100%	Commercial	The Company	100%
Shenzhen	SPG Plaza	61,005.94	49,750.84	81.55%	Office	The Company	100%
	SPG Plaza Podium	19,903.30	19,825.30	99.61%	Commercial	The Company	100%
Shenzhen	Wenjin Garden	3,531.60	3,531.60	100%	Commercial	The Company	100%
<b>Total</b>		<b>115,159.90</b>	<b>103,816.80</b>				

6. The assets restructuring programme has been carried forward.

The Company's major assets restructuring plan is subject to further communications and improvements with the regulators. Due diligence material update, additional audit and assessment, etc. are underway.

### (III) Risks Facing the Company and Countermeasures

#### 1. Risks Facing the Company:

(1) Risks from macroeconomic environment. Since this year, Chinese government has been adhering to the general principle of seeking progress while maintaining stability, the domestic economy runs within a reasonable range. However, given that the Sino-US trading dispute is still going on, and that the global economic situation remains complicated and severe, the downward pressure on the economy is difficult to relieve in a short term.

(2) Risks from policy on real estate industry. Against the convening of the 19<sup>th</sup> National Congress of the Communist Party of China, the Chinese government shows a clear attitude that "Houses are for living in, not for speculating on". The continuous implementation of real estate macro-control policy curbs people's investment demands at a large degree, and potential customers are

increasingly taking a wait-and-see attitude, which generates a certain impact on the development and sales of main business of the Company.

(3) Risks from development and operation of main business. The Company does not increase its land reserve, influenced by the major assets restructuring and the land reserve at present is limited. Moreover, there is a lag in the sales progress of Shantou Tianyuewan Phase I.

(4) Potential risks from assets restructuring. The major assets restructuring of the Company is a significant and unprecedented event with complex trading structure for involved in the Shenzhen State-owned Enterprise Reform and with large-scale assets since the underlying assets it plans to purchase are industrial leading assets. Thus, the trading of its shares has been suspended for almost three years since its start of trading on 14 September 2016. At present, matters such as the renewal of diligence materials in restructuring and supplementary audit as well as evaluation are carried out simultaneously. For the uncertainty of related events, investors are reminded of the investment risks.

## 2. Countermeasures

Firstly, the Company will unremittingly pay attention to international and domestic macroeconomic situation and the industrial trend, and then formulate flexible coping strategies.

Secondly, the Company will further strengthen its ability to develop main business, raise its management level and make efforts to reinforce the marketing of projects so as to stabilize the fundamental of the Company.

Thirdly, the Company will increase its land reserve timely and in an appropriate way to maintain the sustainable development of the Company in the future.

Fourthly, the Company will enhance the communication with regulators together with parties involved in the restructuring and make full efforts to promote the process of major assets restructuring.

## 2. Matters Related to Financial Reporting

### (1) Changes to Accounting Policies, Accounting Estimates or Measurement Methods Compared to the Last Accounting Period

Applicable  Not applicable

No such changes.

### (2) Retrospective Restatements due to the Correction of Material Accounting Errors in the Reporting Period

Applicable  Not applicable

No such cases.

### (3) Changes to the Scope of Consolidated Financial Statements Compared to the Last Accounting Period

Applicable  Not applicable

No such changes for the Reporting Period.