

Stock Code: 000029, 200029

Stock Name: SPG, SPG-B

Announcement No. :2018-065

# SHENZHEN SPECIAL ECONOMIC ZONE REAL ESTATE & PROPERTIES (GROUP) CO., LTD. INTERIM REPORT 2018 (SUMMARY)

## Part I Important Notes

This Summary is based on the full text of the 2018 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
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 2018	H1 2017	Change (%)
Operating revenue (RMB)	1,317,541,631.35	731,306,982.03	80.16%
Net profit attributable to the listed company's shareholders (RMB)	329,066,084.53	137,226,601.84	139.80%
Net profit attributable to the listed company's shareholders before exceptional items (RMB)	329,143,873.10	137,080,046.11	140.11%
Net cash generated from/used in operating activities (RMB)	594,728,129.67	-97,700,697.19	708.72%
Basic earnings per share (RMB/share)	0.3253	0.1356	139.90%
Diluted earnings per share (RMB/share)	0.3253	0.1356	139.90%
Weighted average return on equity (%)	11.00%	5.06%	5.94%
	30 June 2018	31 December 2017	Change (%)
Total assets (RMB)	4,516,278,981.14	3,989,263,981.96	13.21%
Equity attributable to the listed company's shareholders (RMB)	3,156,821,917.54	2,828,242,120.98	11.62%

### 3. Shareholders and Their Holdings at Period-End

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	Pledged or frozen shares	
					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 1	Domestic non-state-owned legal person	1.02%	10,300,000			
Lu Zhigao	Domestic	0.32%	3,246,949			

	natural person					
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 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 conducting 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 Controlling Shareholder or Actual Controller in 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 undue 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 Reporting Period

Is the Company subject to any disclosure requirements for special industries?

No.

**(1) Operating Results of Reporting Period**

2018 marks the first year for the nationwide practice of the Spirit of the 19<sup>th</sup> National Congress of the Communist Party of China, an important year for the Company's 13<sup>th</sup> five-year plan for development, as well as a key year for the Company's major assets restructuring programme. The focus of China's economic growth is shifting from high speed to high quality. In the first half of the year, great international economic uncertainty, stricter financial regulation and continued domestic government controls weighed on the real estate sector. 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 stable development.

In the Reporting Period, the Company made a concerted effort to overcome difficulties and steadily promote project construction. As a result, for this period, the Company achieved operating revenue of RMB1,318 million, up 80.16% compared to the same period of last year; profit before taxation of RMB440 million, representing a year-on-year growth of 138.76%; and net profit attributable to the listed company's shareholders of RMB329 million, increasing 139.80% from a year earlier. As at 30 June 2018, net assets attributable to the listed company's shareholders were equal to RMB3,157 million, an 11.62% rise compared to the end of last year.

A. 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.

B. The Company's main real estate projects under construction and available for sale during the Reporting Period included the Shenzhen-based Cuilinyuan, Chuanqi Jingyuan, 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)
Cuilinyuan	Shenzhen	Residential	Available for sale	100%	16,424.29	60,450	60,450	57,000	47,777
Chuanqi Jingyuan	Shenzhen	Rental	Under construction	49%	4,243.34	42,412	42,412	24,865	17,904
Tianyuewan Phase I	Shantou	Residential	Available for sale	100%	31,167.50	153,578.51	153,578.51	79,801	81,047
Chuanqi Donghu Mingyuan	Shenzhen	Residential	Under construction	100%	5,889.7	34,072.60	0	51,000	22,621

**C. 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> )
Tianyuewan Phase II	Shantou	33,362	127,661
Xinfeng Building	Shantou	5,920	26,640
<b>Total</b>		<b>39,282</b>	<b>154,301</b>

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

## (2) Operation Review for H1 2018

A. The Company's fundamentals remain positive with a reasonable debt structure and a healthy financial condition. During the Reporting Period, macro-economy was facing downward pressure, and real estate control continued. The Company's real estate development and sales mainly concentrate in Shenzhen and Shantou. The sales revenue and profits in the region of Shenzhen, where overall sales are good, accounted for more than 90%. Thus, the future destocking pressure mainly lies in the Shantou region.

B. 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.

a. The Chuanqi Shanglin project was sold out, and the Cuilinyuan project has finished filing of completion and acceptance, as well as move-in formalities.

b. The Chuanqi Jingyuan project (formerly known as the "Tianju Jingtian Apartment Block" project) has finished filing of completion, is currently being fully furnished and is expected to be ready for sale by the end of this year.

c. The Chuanqi Donghu Mingyuan project has the main frame of its Tower A completed to the 27<sup>th</sup> floor and Tower B roofed. The project is expected to be ready for sale by the end of this year.

d. The Shantou-based Tianyuewan Phase I project has finished filing of completion, with homebuyers moving in and the road to the north of the project expected to be completed by the local government at the end of this year.

C. Real estate sales basically met expectations. The Company kept an eye on policy and market dynamics, and adjusted marketing strategies based on regulatory policies and market changes. Project sales basically met the expectations. The Chuanqishan project has been almost sold out; the Chuanqi Shanglin project has been sold out; approximately 70% of the Cuilinyuan project has been sold; and the Tianyuewan Phase I project has sold about 20% of its residential units.

a. 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 (%)
Cuilinyuan	Shenzhen	102,558	28,856	73,702	71.86
Tianyuewan Phase I	Shenzhen	1,224	978	246	20.10
Yuejing Dongfang	Shantou	465	288	177	38.06
Jinyedao	Shantou	381	212	169	44.36
<b>Total</b>		<b>104,628</b>	<b>30,334</b>	<b>74,294</b>	<b>71.01</b>

b. Real Estate sales during the Reporting Period:

Unit: square meters

No.	Project	Open time	The Company's stake	Location	Floor area available for sale at year-beginning	Area actually sold in Current Period	Settled area in Current Period
1	Cuilinyuan	June 2017	100%	Shenzhen	37,148	21,113	30,475
2	Tianyuewan Phase I	October 2016	100%	Shantou	137,508	9,779	2,232
3	Yuejing Dongfang	December 2013	100%	Shantou	980	51	621

4	Jinyedao	July 1996	100%	Shantou	2,794	26	427
<b>Total</b>					<b>178,430</b>	<b>30,969</b>	<b>33,755</b>

D. Real estate rental of the Company 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 stake
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	52,348.14	89.3%	Office	The Company	100%
	SPG Plaza Podium	19,913.30	19,913.30	100%	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>106,502.10</b>				

E. 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.

F. The talent team has been enhanced.

With great importance attached to building a professional team, the Company has promoted certain young talent as middle management and brought in a group of professionals and university graduates. These moves have ensured a stable talent team during the assets restructuring.

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

#### A. Risks Facing the Company:

a. Risks from macroeconomic environment. Since this year, Chinese government has been adhering to the general principle of seeking progress while maintaining stability, implementing new development concepts, practicing the requirement of high-quality development and focusing on the supply-side structural reform. Against this background, the economy in the first half of the year maintained an overall stable trend with good momentum. 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.

b. 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.

c. Risks from development and operation of main business. At present the Company holds limited land reserve for not increasing its land reserve for a long time, which is influenced by the major assets restructuring. Moreover, there is a lag in the sales progress of Shantou Tianyuewan Phase I.

d. 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 two 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.

#### B. 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 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 in Accounting Policies, Accounting Estimates or Measurement Methods Compared to Last Accounting Period

☐ Applicable ☒ Not applicable

No such changes.

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

☐ Applicable ☒ Not applicable

No such cases.

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

☐ Applicable ☒ Not applicable

No such changes.