

Executive Directors

Mr. SONG Zhiwang, Chairman
Mr. LIU Zixian, Managing Director
Mr. SUN Juyi, Deputy Managing Director
Mr. ZHANG Luzheng
Mr. ZHU Qiyi
Mr. YANG Yefang
Mr. XU Ruxin
Mr. ZHU Huoyang

Independent Non-executive Directors

Mr. WONG Po Yan
Mr. LEE Yip Wah, Peter

Company Secretary

Mr. CHEUNG Wing Yui, Edward

Authorised Representatives

Mr. LIU Zixian
Mr. SUN Juyi

Auditors

Ernst & Young
Certified Public Accountants
Hong Kong

Legal Advisers

Woo, Kwan, Lee & Lo Solicitors & Notaries
Boyang Law Firm

Principal Bankers

The Hongkong & Shanghai Banking
Corporation Ltd.
Nanyang Commercial Bank Ltd.
China Merchants Bank (Shenzhen Branch)
The Industrial & Commercial Bank of China
(Shenzhen Branch)

Registered Office

8th Floor, New East Ocean Centre
9 Science Museum Road
Tsimshatsui, Kowloon
Hong Kong

Share Registrar and Transfer Office

Standard Registrars Ltd.
5th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

INTERIM RESULTS

The board of directors (the “Directors”) of Shenzhen Investment Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2002 together with the comparative figures, which have been reviewed by the audit committee of the Company and approved by the Directors on 23 September 2002, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2002	2001
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
TURNOVER	2	589,862	676,698
Cost of sales		<u>(327,580)</u>	<u>(465,239)</u>
Gross profit		262,282	211,459
Other revenue and gains		38,386	57,734
Selling and distribution costs		(15,133)	(9,357)
Administrative expenses		(137,174)	(111,632)
Other operating expenses		<u>(6,585)</u>	<u>(26,276)</u>
PROFIT FROM OPERATING ACTIVITIES	3	141,776	121,928
Finance costs	4	(57,416)	(86,280)
Gain on deemed disposal of an associate		–	92,763
Surplus arising from the repurchase and cancellation of convertible bonds		–	2,843
Share of profits and losses of associates		<u>226,825</u>	<u>140,001</u>
PROFIT BEFORE TAX		311,185	271,255
Tax	5	<u>(52,416)</u>	<u>(32,306)</u>
PROFIT BEFORE MINORITY INTERESTS		258,769	238,949
Minority interests		<u>(95,610)</u>	<u>(76,614)</u>
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>163,159</u>	<u>162,335</u>
EARNINGS PER SHARE	6		
Basic		<u>HK7.52 cents</u>	<u>HK7.50 cents</u>
Diluted		<u>HK7.32 cents</u>	<u>HK7.39 cents</u>
INTERIM DIVIDEND PER SHARE		<u>HK1.50 cents</u>	<u>HK3.00 cents</u>

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Total shareholders' equity at 1 January	2,750,649	2,348,927
Deficit on revaluation of investments in securities	(758)	(6,460)
Exchange difference on translation of the financial statements of foreign entities, net	(10,719)	(4,284)
Net loss not recognised in the income statement	(11,477)	(10,744)
Net profit for the period attributable to shareholders	163,159	162,335
Dividend paid	(57,315)	(53,975)
Issue of new shares	7,061	7,817
Total shareholders' equity at 30 June	<u>2,852,077</u>	<u>2,454,360</u>

INTERIM RESULTS

CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Fixed assets		687,585	416,510
Intangible assets		21,656	22,800
Negative goodwill	14	(124,015)	–
Properties under development		405,535	200,997
Investment properties		1,750,255	1,086,900
Interests in associates	15	1,861,155	2,028,649
Infrastructure project investments		91,970	94,156
Long term investments		91,337	65,810
		<u>4,785,478</u>	<u>3,915,822</u>
CURRENT ASSETS			
Completed properties for sale		375,412	235,855
Properties under development for sale		158,852	50,720
Inventories		311,710	55,163
Accounts receivable	7	111,287	62,665
Other receivables		388,186	265,817
Short term investments		20,333	12,564
Deposits paid for the acquisition of associate, joint venture and subsidiary		92,377	–
Amount due from minority shareholders		41,086	5,834
Cash and cash equivalents		2,097,271	1,808,561
		<u>3,596,514</u>	<u>2,497,179</u>
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	9	1,948,510	1,294,050
Accounts payable	8	399,013	53,911
Other payables and accruals		751,601	584,090
Tax payable		39,041	19,037
Amount due to a minority shareholder		12,760	–
Amount due to ultimate holding company	12	313,545	–
		<u>3,464,470</u>	<u>1,951,088</u>
NET CURRENT ASSETS		<u>132,044</u>	<u>546,091</u>

INTERIM RESULTS

CONDENSED CONSOLIDATED BALANCE SHEET (continued)

		30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		4,917,522	4,461,913
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	9	755,978	741,000
Deferred tax		28,026	33,273
		<u>784,004</u>	<u>774,273</u>
MINORITY INTERESTS		<u>1,281,441</u>	<u>936,991</u>
		<u>2,852,077</u>	<u>2,750,649</u>
CAPITAL AND RESERVES			
Issued capital		114,630	114,030
Reserves		2,701,233	2,579,304
Proposed dividend		36,214	57,315
		<u>2,852,077</u>	<u>2,750,649</u>

INTERIM RESULTS

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES	(63,393)	250,894
CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES	364,775	(138,045)
CASH (OUTFLOW) / INFLOW FROM FINANCING ACTIVITIES	(12,672)	58,461
INCREASE IN CASH AND CASH EQUIVALENTS	<u>288,710</u>	<u>171,310</u>
Cash and cash equivalents at beginning of period	<u>1,808,561</u>	<u>1,532,124</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>2,097,271</u>	<u>1,703,434</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statements of Standard Accounting Practice (“SSAP”) No.25 “Interim Financial Reporting” and Appendix 16 to the Rules Governing the Listing Securities of the Stock Exchange of Hong Kong Limited. The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2001 except that disclosed below.

The following recently issued and revised SSAPs are effective for the first time in the preparation of the current period’s condensed consolidated financial statements:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 34	:	Employee benefits

There is no impact to the financial results and the financial position of the Group by the adoption of the above new or revised SSAPs.

Certain comparative figures have been reclassified to conform with the current period’s presentation.

INTERIM RESULTS

2. Segmental information

The Company is an investment holding company and the following tables present revenue, profit / (loss) and expenditure information for the Group's business segments. Substantially, all of the Group's operating businesses are with customers based in the PRC. Accordingly, no segment analysis by geographical area of operations is provided.

	For the six months ended 30 June 2002								
	Property development	Property investment	Property management	Transportation service	Manufacturing	Infrastructure investment	Information technology	Others	Total
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Segment revenue:									
Sales to external customers	275,569	93,287	64,482	70,148	67,002	-	-	19,374	589,862
Segment results	61,733	54,769	5,815	9,648	7,154	-	-	(6,487)	132,632
Investment income									25,610
Unallocated expenses									(16,466)
Finance costs									(57,416)
Share of profit and losses of associates	20,075	2,580	4,024	4,792	12,692	175,514	6,914	234	226,825
Profit before tax									311,185
Tax									(52,416)
Profit before minority interests									258,769
Minority interests									(95,610)
Net profit from ordinary activities attributable to shareholders									163,159

INTERIM RESULTS

2. Segmental information (continued)

	For the six months ended 30 June 2001								
	Property development	Property investment	Property management	Transportation service	Manufacturing	Infrastructure investment	Information technology	Others	Total
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Segment revenue:									
Sales to external customers	471,037	57,461	21,046	113,113	-	-	-	14,041	676,698
Segment results	42,940	27,088	4,646	25,817	-	-	-	(44)	100,447
Investment income									39,052
Unallocated expenses									(17,571)
Finance costs									(86,280)
Gain on deemed disposal of an associate	92,763	-	-	-	-	-	-	-	92,763
Gain arising from the repurchase and cancellation of convertible bonds									2,843
Share of profit and losses of associates	59,413	-	-	921	-	72,584	7,054	29	140,001
Profit before tax									271,255
Tax									(32,306)
Profit before minority interests									238,949
Minority interests									(76,614)
Net profit from ordinary activities attributable to shareholders									162,335

INTERIM RESULTS

3. Profit from operating activities

The profit from operating activities was determined after charging the following:

	Six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Depreciation	40,831	34,999
Amortisation of intangible assets	1,144	1,194
Amortisation of infrastructure project investment	2,186	2,240
Provision for diminution in values of properties under development	—	7,500
	<u>44,161</u>	<u>45,933</u>

4. Finance costs

	Six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Interest on:		
Bank and other borrowings	29,610	53,896
Convertible bonds	4,096	5,010
Accretion of convertible bond premium on redemption	24,247	30,110
Amortisation of convertible bond issue expenses	1,893	2,922
	<u>59,846</u>	<u>91,938</u>
Total finance costs	59,846	91,938
Less: Amounts capitalised under properties development projects	(2,430)	(5,658)
	<u>57,416</u>	<u>86,280</u>

5. Tax

	Six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Provision for tax:		
Hong Kong, PRC	236	402
Elsewhere, PRC	27,625	3,982
Deferred PRC Enterprise Income Tax	(5,247)	9,274
	<u>22,614</u>	<u>13,658</u>
Associates	29,802	18,648
Tax charge for the period	<u>52,416</u>	<u>32,306</u>

INTERIM RESULTS

5. Tax (continued)

Hong Kong Profits tax is provided at the rate of 16% (2001: 16%) on the estimated assessable profit arising in Hong Kong during the period. Taxes on profits assessable elsewhere in the PRC are calculated at the rates of tax prevailing in the locations in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The provision for deferred tax represents timing differences in respect of profits on the pre-sales of properties under development for sale.

6. Earnings per share

The calculation of basic earnings per share was based on the net profit attributable to shareholders of HK\$163,159,000 (2001: HK\$162,335,000) and the weighted average number of 2,170,619,726 (2001: 2,163,678,454) shares in issue during the period. The weighted average number of shares outstanding for the six months ended 30 June 2001 and 2002 have been retrospectively adjusted for the effect of the subdivision of shares subsequent to the balance sheet date.

The calculation of diluted earnings per share for the period was based on the net profit attributable to shareholders of HK\$163,159,000 (2001: HK\$162,335,000). The weighted average number of ordinary shares used in the calculation is the 2,170,619,726 (2001: 2,163,678,454) shares in issue during the period, as used in basic earnings per share and the weighted average number of 57,710,652 (2001: 33,732,232) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the period. The convertible bonds have not been included in the calculation of diluted earnings per share for the period since their effects are anti-dilutive.

7. Accounts receivable

The ageing analysis of accounts receivable was as follows:

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Within 1 year	109,006	65,154
1 to 2 years	45,371	5,874
2 to 3 years	–	2,359
Over 3 years	–	2,923
Total	154,377	76,310
Less: Provisions for bad and doubtful debts	(43,090)	(13,645)
	111,287	62,665

INTERIM RESULTS

7. Accounts receivable (continued)

Under normal circumstances, the Group grants a credit period ranging from 30 days to 90 days to its trade customers. The Group seeks to maintain strict control over its outstanding receivables and to minimise credit risk. Overdue balance are regularly reviewed by management.

8. Accounts payable

The ageing analysis of accounts payable was as follows:

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Within 1 year	251,470	11,178
1 to 2 years	43,361	14,332
2 to 3 years	19,235	284
Over 3 years	84,947	28,117
Total	<u>399,013</u>	<u>53,911</u>

9. Interest-bearing bank and other borrowings

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Bank loans:		
Secured	134,409	98,451
Unsecured	1,650,115	1,043,090
	<u>1,784,524</u>	<u>1,141,541</u>
Convertible bonds	919,964	893,509
	<u>2,704,488</u>	<u>2,035,050</u>
Bank loans and other borrowings repayable:		
Within one year	1,948,510	1,294,050
In the second year	755,978	218,400
In the third to fifth years, inclusive	–	522,600
	<u>2,704,488</u>	<u>2,035,050</u>
Portion classified as current liabilities	<u>(1,948,510)</u>	<u>(1,294,050)</u>
Long term portion	<u>755,978</u>	<u>741,000</u>

10. Commitments

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Commitments in respect of acquisition of land and buildings, and development costs attributable to properties under development:		
– Authorised, but not contracted for	–	9,911
– Contracted, but not provided for	<u>35,040</u>	<u>30,700</u>
	<u>35,040</u>	<u>40,611</u>

11. Contingent liabilities

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Maximum extent of guarantees given to banks for housing loans extended by the banks to the purchasers of the Group's properties	<u>928,362</u>	<u>1,078,000</u>

12. Related party transactions

	Six months ended 30 June 2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Acquisition of the remaining equity interest in an associate from ultimate holding company	<u>313,545</u>	<u>–</u>

The consideration was arrived at based on the discounted estimated net asset value acquired. The consideration payable outstanding at balance sheet date was interest free, unsecured and subsequently settled on 8 July, 2002.

13. Pledge of assets

Certain of the Group's bank loans outstanding as at 30 June 2002 were secured by certain of the Group's land and buildings which have an aggregate net book value of approximately HK\$61,236,000 (31 December 2001: HK\$16,946,234), and investment properties of the Group with an aggregate value of approximately HK\$159,160,000 (31 December 2001: HK\$294,773,600).

14. Material acquisition of subsidiary

On 6 March 2002, the Company entered into a conditional agreement with Shum Yip Holdings Company Limited, the controlling shareholder of the Company, to acquire the remaining 60% equity interest in Shenzhen Pengji (Holdings) Company Limited, an associate of the Company, resulting in a negative goodwill of HK\$124,015,000. The principal activities of Shenzhen Pengji (Holdings) Company Limited and its subsidiaries are principally engaged in property development, investment and manufacturing of industrial and consumer products.

Details of the acquisition of the subsidiary have been set out in a circular of the Company dated 26 March 2002.

15. Interests in associates

Included in interests in associates, there is bad debt recovery of approximately HK\$87,135,000 (2001: nil) relating to Shenzhen Mawan Power Company Limited ("Mawan"). As the Group effectively holds 19% interest in Mawan, the net effect from bad debt recovery to the Group is HK\$16,555,650 (2001: nil).

16. Post Balance Sheet Event

Subsequent to the balance sheet date on 30 July 2002, the Company had passed an ordinary resolution to approve that every ordinary share of HK\$0.10 in the issued and unissued shares of the Company was subdivided into two shares of HK\$0.05 each (Subdivided Shares). The issued and paid up share capital of the Company will remain unchanged. The authorised share capital of the Company will be HK\$150,000,000 divided into 3,000,000,000 Subdivided Shares.

Details of the subdivision of shares have been set out in a circular of the Company dated 13 July 2002.

17. Comparative amounts

For the period ended on 30 June 2001, investment income of HK\$39,052,000 and other revenue of HK\$18,682,000 were grouped together under other revenue and gains as in the opinion of the directors, such reclassification would produce a more appropriate presentation of the Group's results.

During the first half of 2002, the Group's operations remained sound and further enhanced the competitiveness of its core operations of property and infrastructure. During the period, the Group's profit from operating activities amounted to HK\$141.8 million, up 16.3% over the corresponding period of last year. Net profit attributable to shareholders was HK\$163.2 million, a slight increase of 0.5% over the same period of last year. Having excluded the exceptional gain on deemed disposal of an associate amounted to HK\$92.7 million, net profit attributable to shareholders recorded a substantial increase of 134.5%. On 8th August, 2002, the Group redeemed its US\$230 million convertible bonds on schedule. This will bring substantial savings in interest for the Group's future financial costs.

PROPERTY OPERATIONS

During the first half of the year, the Group had timely grasped the excellent opportunities arising from property development in the PRC and particularly Shenzhen by expanding the scale of property development, increasing investment in land bank, as well as acquiring more equity interests in property companies. During the period, the Group's turnover was lower than that of last year as property sales were primarily derived from the sell-off of the remaining units whilst the sales of many new property development projects have yet to commence. Nevertheless, the Group's operating profit sustained at a similar level to last corresponding period as the property portfolio sold carried better gross margin. Major property developments sold during the period comprised Shum Yip Garden Phase II, Caitian Garden, Pengxing Garden Phase V, Tai Hong Apartment and Goldfield Seaview Green Coastline Garden, etc. Major property projects under construction and new development during the period were residential and commercial projects locating in the prime areas of Shenzhen namely, the large-scale high-rise residential project of Azure Mangrove Garden, the intelligent office tower of Tian An Cyber Times Square as well as Pengxing Garden Phase VI and Garbotax Garden, etc. The Group is expected to achieve better growth in turnover and operating profit from its property operations when the above property projects are offered for sale in the second half of the year.

BUSINESS REVIEW

In the first half of the year, the Group's associate, Goldfield Industries, Inc., obtained favourable response from the sale of its new large-scale property development project in Beijing. In the meantime, the Group has been actively proceeding to increase its stake in Goldfield Industries, Inc. so as to become its largest shareholder. During the period, the Group acquired the remaining 60% equity interests in Shenzhen Pengji (Holdings) Company Limited and increased the Group's equity interests to 100%. Concurrently, the Group also injected quality property assets of Shun Hing Square (Kingsland Building) and Shum Yip Centre in Shenzhen as well as the equity interests of and Shum Yip Estate Management Co., Limited into its subsidiary, Shum Yip Holdings (Shenzhen) Co., Ltd. After the completion of the above acquisition and restructuring of assets and business in the first half of the year, the Group's property operations were strengthened both in terms of scale and competitiveness. Accordingly, the Group's role and influence have been increasing in the property market of Shenzhen.

During the first half of the year, the Group increased its investment in land bank by acquiring a piece of land in North Lotus district of Shenzhen for apartment use, and a piece of land in the centre area of Baoan for the commercial and residential land bank. The newly acquired pieces of land bank, which had a total land area of approximately 271,800 square meters, were situated at prime locations of Shenzhen and carried great potential for capital appreciation.

PROPERTY MANAGEMENT

The Group has the nationwide well-known brands in property management of Wondershine Residence and Shum Yip Estate Management. For the first half of the year, the Group's property management companies namely, Wondershine Residence, Goldfield, Shum Yip and Pengji managed a total floor area of properties exceeding 16 million square meters. Leveraging on its scale of management operations, quality and comprehensive services, the Group continued to be the front-runner in property management brands in the PRC market. It is expected that as more new property projects start occupancy in the second half of the year, the Group's property management operations will continue to expand steadily and will improve operating results, which will provide more positive support to the Group's property sales.

TRANSPORTATION OPERATIONS

Turnover and operating profit of the Group's transportation operations for the first half of the year amounted to HK\$70.1 million and HK\$9.6 million respectively. Profit from the cross-border transportation and taxi operations remained stable. However, the inter-city shuttle bus services within Guangdong Province generated a lower profit contribution than the same period of last year due to ferocious industry competition. During the period, the establishment of the "Shenzhen Second Public Transport Company" Project organised by the Group received approval from the relevant government authorities. Presently the planning and preparation work is in full swing. It is expected that such project will be a new source of profit growth to the Group.

INFRASTRUCTURE INVESTMENT

With the rapid economic growth in the PRC and Guangdong Province, demand for electricity in Guangdong Province increased significantly over the same period of last year in contrast to traditional low season for the first half of the year. As the Group's infrastructure investment of Shenzhen Mawan Power had been generating by newly upgraded equipment during the period, the output of electricity was increased by 51% over last year. This brought very satisfactory return to the Group and the profit contribution from the Group's infrastructure investment amounted to HK\$86.4 million for the period. In view of the high return from electricity power investment in Guangdong Province, the Group is actively planning to acquire interests in another leading power plant of Guangdong.

INFORMATION TECHNOLOGY

The Group holds a 21.2% equity interests in a television network in Shenzhen, Shenzhen Topway Video Communication Co., Ltd. and is actively seeking to increase its stakes in the company. During the first half of the year, this company's operations recorded stable growth with its profit contribution amounted to HK\$5.9 million, which was similar to that of last year.

FINANCIAL POSITION

As of 30 June 2002, the financial position of the Group remained stable and healthy. Net assets were HK\$2,852.1 million. Cash on hand was approximately HK\$2,097.3 million. Total borrowings (included convertible bonds) amounted HK\$2,704.5 million which comprised long-term borrowings of HK\$756.0 million. The ratio of net borrowings to net assets was 21.3%.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period under review, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

On 8 August 2002, the Company redeemed its US\$230 million convertible bonds.

PROSPECTS

With China's accession to WTO and the closer link between the economy of Hong Kong and the Mainland, increase in demand for consumption by businesses and residents of Shenzhen are expected to sustain growth which will directly benefit the Group's operations of property, electricity, transportation, logistics and information technology. The Group's large-scale residential and commercial development projects in Shenzhen namely, Azure Mangrove Garden, Tian An Cyber Times Square, Green Legend, Pengxing Garden Phase VI, Fairy Spring Mountain Villa, Garbotax Garden, Sunshine Garden Phase II and Green Town in Beijing, will prompt effective growth to the Group's turnover and operating profits when offer for sale are being launched in the second half of the year.

The Group will continue to increase its investment in land bank, energy infrastructure, public transport and logistics distribution so as to broaden the Group's new source of business growth. Preparation of the spin-off of the logistics operations in the A-Share market of Mainland is undergoing. The Group plans to construct a large commercial logistics zone in the urban area of Shenzhen, the relevant design proposal of which has been approved by Shenzhen Municipal Government. The Group plans to invest within the year the construction of one of the urban logistics distribution centres with an area of 150,000 square meters. In the second half of 2002, a number of the Group's property management companies will undergo integration and consolidation. It is expected that the overall competitiveness as well as profit level of the property management operation will be enhanced.

To cope with the overall growth in business operations during the second half of the year, the Group has raised a syndicated loan from a number of banks in Hong Kong in the amount of US\$175 million at low interest margin. At the same time, the Company has implemented the sub-division of its shares at a par value of HK\$0.05 per share which will improve the liquidity in the trading of the Company shares.

In anticipation of the above-mentioned, the management believes the Group will maintain satisfactory performance for the second half of the year that it will successfully accomplish its profit target and business objectives for the year.

DIRECTORS' INTERESTS IN SHARES

At 30 June 2002, none of the directors, chief executives of their associates had any personal, family, corporate or other interests in the shares of the Company or any of its associated corporations as defined in the Securities (Disclosure of Interests) Ordinance (“SDI Ordinance”).

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the “1997 Share Option Scheme”) pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company held on 12 February 1997. Owing to the recent changes of the Listing Rules in relation to share option schemes, the Company has adopted a new share option scheme (the “2002 Share Option Scheme”) and terminated the 1997 Share Option Scheme pursuant to the ordinary resolutions passed at an extraordinary general meeting of the Company held on 5 June 2002. Upon termination of the 1997 Share Option Scheme, no further options may be offered but in respect of the outstanding options, the provisions of the 1997 Share Option Scheme shall remain in force. Any outstanding options under the 1997 Share Option Scheme shall continue to be subject to the provisions of the 1997 Share Option Scheme and the adoption of the 2002 Share Option Scheme will not in any event affect the terms of the grant of such outstanding options. The 2002 Share Option Scheme shall be valid and effective for a period of 10 years commencing on 5 June 2002 after which period no further options will be issued.

At 27 June, 2002, options to subscribe for a total of 19,200,000 shares had been granted at the exercise price of HK\$1.265 per share to certain directors of the Company pursuant to the 2002 Share Option Scheme. The closing price of the shares on the Stock Exchange the date immediately before the grant of the options was HK\$1.25.

During the period, other employees have exercised options to subscribe for a total of 12,000,000 shares at a subscription price of HK\$0.595 per share. The closing price of the shares on the Stock Exchange immediately before the date of the exercise of options was HK\$1.20 per share.

SHARE OPTION SCHEME

At the beginning and at the end of the period, the particulars of outstanding options granted under the 1997 Share Option Scheme and the 2002 Share Option Scheme were as follows:

Name of director	Date granted	Option exercisable period	Subscription price per share	Number of shares subject to options outstanding at 1/1/2002	Number of shares subject to options outstanding at 30/6/2002
SONG Zhiwang	15/5/2000	15/12/2000-14/12/2003	HK\$0.680	4,000,000	4,000,000
	27/6/2002	27/6/2002-26/6/2007	HK\$1.265	–	2,400,000
LIU Zixian	27/6/2002	27/6/2002-26/6/2007	HK\$1.265	–	2,400,000
SUN Juyi	27/6/2002	27/6/2002-26/6/2007	HK\$1.265	–	2,000,000
ZHANG Luzheng	27/6/2002	27/6/2002-26/6/2007	HK\$1.265	–	2,000,000
ZHU Qiyi	27/6/2002	27/6/2002-26/6/2007	HK\$1.265	–	2,400,000
XU Ruxin	27/6/2002	27/6/2002-26/6/2007	HK\$1.265	–	2,000,000
ZHU Huoyang	27/6/2002	27/6/2002-26/6/2007	HK\$1.265	–	2,000,000
WONG Po Yan	27/6/2002	27/6/2002-26/6/2007	HK\$1.265	–	2,000,000
LEE Yip Wah, Peter	27/6/2002	27/6/2002-26/6/2007	HK\$1.265	–	2,000,000
				4,000,000	23,200,000

SHARE OPTION SCHEME

Other Employees

	Date granted	Option exercisable period	Subscription price per share	Number of shares subject to options outstanding at 1/1/2002	Number of shares subject to options outstanding at 30/6/2002
In Aggregate	29/9/2000	29/3/2001-28/3/2004	HK\$0.665	30,120,000	30,120,000
	8/1/2001	8/7/2001-7/7/2004	HK\$0.595	50,000,000	38,000,000
				80,120,000	68,120,000

The directors do not consider it appropriate to disclose a theoretical value of the share options granted during the year to the directors and employees because a number of factors crucial for the valuation cannot be determined, such factors include the exercise period and the conditions that an option is subject to. Accordingly, any valuation of the options based on various speculative assumptions would not be meaningful but would be misleading to the shareholders.

Note: Pursuant to an ordinary resolution passed on 30 July 2002, the Company approved the subdivision of each of the existing issued and unissued shares of HK\$0.10 each into two shares of HK\$0.05 each. Accordingly, all the number of shares and prices as shown in this paragraph have been adjusted for the effect of the subdivision of shares.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURE

Saved as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debts securities (including debentures) of, the Company or its associated corporations and none of the directors, or their spouse or children under the age of 18, had any rights to subscribe for securities of the Company, or had exercised any such rights.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2002, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance.

Name	Number of shares held	%
Shum Yip Holdings Company Limited	1,269,976,000	55.39

Note: Pursuant to an ordinary resolution passed on 30 July 2002, the Company approved the subdivision of each of the existing issued and unissued shares of HK\$0.10 each into two shares of HK\$0.05 each. Accordingly, the number of shares as shown in this paragraph have been adjusted for the effect of the subdivision of shares.

INTERIM DIVIDEND

The directors of the Company have resolved to declare an interim dividend of HK1.50 cents per share (Subdivided Share) for the six months ended 30 June 2002 (2001: HK3.00 cents). The total dividends will be HK\$36,214,409 (2001: HK\$32,559,000). The dividend will be payable on 31 October 2002 to shareholders whose names appear on the Register of Members on 18 October 2002.

The interim dividend for the six months ended 30 June 2002 is HK1.50 cents per Subdivided Share, taking into account of the subdivision of shares effected on 30 July 2002. The interim dividend for the corresponding period in 2001 is HK3.00 cents per share and, for the purpose of comparison, is equivalent to HK1.50 cents per Subdivided Share.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 16 October 2002 (Wednesday), to 18 October 2002 (Friday) (both dates inclusive). In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrar, Standard Registrars Limited, 5th floor, Wing On Centre, 111 Connaught Road Central, Hong Kong no later than 4 p.m. on 15 October 2002 (Tuesday).

CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 June 2002, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except that the non-executive directors are not appointed for a specific term as they are subject to retirement by rotation at Annual General Meeting in accordance with the Company's Articles of Association.

PUBLICATION OF INTERIM RESULTS ON THE STOCK EXCHANGE'S WEBSITE

In addition to the interim results announcement of 24 September 2002, all the information required to be disclosed under paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend my gratitude to all shareholders, the public and our employees of the Group for their unfailing support, assistance and dedication.

By Order of the Board
Song Zhiwang
Chairman

Hong Kong, 23 September 2002