



深圳控股有限公司
SHENZHEN INVESTMENT LIMITED

Interim Report

2005

Corporate Information

Executive Directors

Mr. HU Aimin, *Chairman*

Mr. ZHANG Yijun, *President*

Mr. LIU Jianhua

Ms. ZHAO Mingfeng

Mr. LIANG Kaiping

Mr. XU Ruxin

Mr. ZHU Huoyang

Non-Executive Director

Mr. LEE Yip Wah, Peter

Independent Non-Executive Directors

Mr. WONG Po Yan

Mr. WU Wai Chung, Michael

Mr. LI Wai Keung

Company Secretary

Mr. CHEUNG Wing Yui, Edward

Authorised Representative

Mr. HU Aimin

Mr. ZHANG Yijun

Auditors

Ernst & Young

Certified Public Accountants

Hong Kong

Legal Adviser

Woo, Kwan, Lee & Lo, Solicitors & Notaries

Principal Bankers

The Bank of East Asia, Ltd.

The Hongkong & Shanghai Banking Corporation Ltd.

Hang Seng Bank Ltd.

Nanyang Commercial Bank Ltd.

Industrial and Commercial Bank of China (Asia) Ltd.

Registered Office

8th Floor, New East Ocean Centre

9 Science Museum Road

Tsimshatsui, Kowloon

Hong Kong

Share Registrar and Transfer Office

Standard Registrars Ltd.

G/F BEA Harbour View Centre

56 Gloucester Road

Wanchai

Hong Kong

Stock Code

604

Website

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The board of directors (the "Directors") of Shenzhen Investment Limited (the "Company") present the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2005 together with the comparative figures. These interim financial statements have not been audited, but have been reviewed by the Company's audit committee and the auditors, Ernst & Young.

Condensed Consolidated Income Statement

For the six months ended 30 June 2005

	Notes	For the six months ended 30 June	
		2005 (Unaudited) HK\$'000	2004 (Unaudited) (Restated) HK\$'000
REVENUE	3	734,364	981,508
Cost of sales		(447,986)	(629,878)
Gross profit		286,378	351,630
Other income and gains	4	66,316	97,135
Increase in fair value of investment properties		127,530	–
Selling and distribution costs		(30,858)	(25,594)
Administrative expenses		(169,014)	(184,281)
Other operating expenses		(19,124)	(33,674)
Finance costs	5	(79,788)	(50,145)
Share of profits of associates		158,751	132,227
PROFIT BEFORE TAX	6	340,191	287,298
Tax	7	(39,435)	(31,452)
PROFIT FOR THE PERIOD		300,756	255,846
ATTRIBUTABLE TO:			
Equity holders of the parent		203,226	173,334
Minority interests		97,530	82,512
		300,756	255,846
EARNINGS PER SHARE	8		
Basic		HK8.19 cents	HK7.03 cents
Diluted		HK8.19 cents	HK7.01 cents
DIVIDEND PER SHARE	9	HK2.00 cents	HK2.00 cents

Condensed Consolidated Balance Sheet

30 June 2005

	Notes	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Restated) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		648,748	646,315
Intangible assets		34,032	28,679
Negative goodwill		–	(113,001)
Properties under development		1,569,353	904,709
Investment properties		2,581,993	2,357,094
Interests in associates		3,112,337	2,668,593
Long term receivables		10,324	10,340
Deposits paid for acquisition of subsidiaries		–	7,802
Other assets		29,367	31,191
Deferred tax assets		1,743	1,471
Total non-current assets		7,987,897	6,543,193
CURRENT ASSETS			
Inventories		321,820	447,684
Properties under development for sale		4,463	375,481
Trade receivables	10	169,921	163,331
Prepayments and other receivables		328,269	277,896
Investments at fair value through profit or loss		1,000	2,900
Due from minority shareholders	17	60,690	136,726
Cash and cash equivalents		3,610,797	3,384,560
Total current assets		4,496,960	4,788,578
CURRENT LIABILITIES			
Interest-bearing bank loans	11	2,258,445	2,058,233
Trade and notes payable	12	246,434	209,496
Other payables and accruals		1,550,936	1,023,335
Tax payable		37,776	46,979
Total current liabilities		4,093,591	3,338,043
NET CURRENT ASSETS		403,369	1,450,535
TOTAL ASSETS LESS CURRENT LIABILITIES		8,391,266	7,993,728

Condensed Consolidated Balance Sheet *(continued)*

30 June 2005

	Notes	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Restated) HK\$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	11	2,543,128	2,813,795
Deferred tax liability		112,433	91,752
Total non-current liabilities		2,655,561	2,905,547
		5,735,705	5,088,181
CAPITAL AND RESERVES			
Equity attributable to equity holders of the parent			
Share capital		124,121	124,121
Other reserves	14	2,149,892	2,337,851
Retained earnings	14	2,058,184	1,176,147
Proposed dividend	14	49,648	74,472
		4,381,845	3,712,591
Minority interests	14	1,353,860	1,375,590
		5,735,705	5,088,181

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2005

	Notes	For the six months ended 30 June	
		2005 (Unaudited) HK\$'000	2004 (Unaudited) (Restated) HK\$'000
Total equity at 1 January:			
As previously reported as equity		3,712,591	3,371,146
As previously reported separately as minority interests		1,375,590	1,384,432
		5,088,181	4,755,578
Opening adjustments	1,2 (a)	550,954	–
As restated		5,639,135	4,755,578
Changes in equity during the period:			
Exchange differences on translating foreign operations	14	(6,977)	14,944
Disposal of investment properties	14	–	(951)
Deficit on revaluation	14	(1,782)	(579)
Share of reserves from associates	14	1,950	5,354
Disposal of an associate	14	(1,480)	–
Arising from disposal of subsidiaries	14	–	(6,091)
Arising from establishment of a new subsidiary	14	2,815	–
Deferred tax arising from revaluation of investments	14	272	(80)
Net (loss)/income recognised directly in equity		(5,202)	12,597
Profit for the period	14	300,756	255,846
Total recognised income and expense for the period		295,554	268,443

Condensed Consolidated Statement of Changes in Equity

(continued)

For the six months ended 30 June 2005

	Notes	For the six months ended 30 June	
		2005 (Unaudited) HK\$'000	2004 (Unaudited) (Restated) HK\$'000
Dividend paid to equity holders of the parent	14	(74,472)	(61,710)
Dividend paid to minority shareholders	14	(132,352)	(140,150)
Issue of new shares		–	16,025
Employee share option scheme	14	7,840	–
Total equity at 30 June		5,735,705	4,838,186
Total recognised income and expense for the period attributable to:			
Equity holders of the parent		195,645	183,949
Minority interests		99,909	84,494
		295,554	268,443
Effect of opening adjustments to:			
Equity holders of the parent		540,241	–
Minority interests		10,713	–
		550,954	–

Condensed Consolidated Cash Flow Statement

For the six month ended 30 June 2005

	For the six months ended 30 June	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) (Restated) HK\$'000
CASH INFLOW FROM OPERATING ACTIVITIES	464,702	95,540
CASH OUTFLOW FROM INVESTING ACTIVITIES	(168,009)	(877,764)
CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	(70,456)	1,433,019
NET INCREASE IN CASH AND CASH EQUIVALENTS	226,237	650,795
Cash and cash equivalents at beginning of period	3,384,560	2,580,390
CASH AND CASH EQUIVALENTS AT END OF PERIOD	3,610,797	3,231,185
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	3,610,797	3,231,185

Notes to Condensed Consolidated Financial Statements

1. Accounting policies

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. 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 2004, except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period’s financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-depreciable Assets
HK-Int 3	Revenue-pre-completion contracts for sale of development properties

1. Accounting policies (*continued*)

The adoption of HKASs 1, 2, 7, 8, 10, 12, 16, 17, 18, 19, 21, 23, 24, 27, 28, 32, 33, 37, 38 and 39 has had no material impact on the accounting policies of the Group and the methods of computation in the Group's financial statements. The impact of adopting other HKFRSs is summarised as follows:

(a) *HK-Int 3 Revenue pre-completion contracts for the sale of development properties*

In prior periods, properties under development which had been pre-sold were stated at cost plus attributable profits less sales deposits/instalments received and any foreseeable losses, and were classified under current assets. When properties under development had been pre-sold, the total estimated profit was apportioned over the entire period of construction to reflect the progress of the development. On this basis, profit recognised on properties pre-sold during the period was calculated by reference to the proportion of construction costs incurred up to the balance sheet date to the estimated total construction costs to completion, limited to the amount of sales deposits/instalments received under legally binding contracts at the balance sheet date, with due allowances for contingencies. Revenue was recognized from the pre-sale of properties under development, when the construction work had progressed to a stage where the ultimate realisation of profit can be reasonably determined.

Upon the adoption of HK-Int 3, revenue from development properties sold before the completion of construction is recognized only when the following conditions are satisfied:

- (i) The risks and rewards of ownership have been transferred to the buyers;
- (ii) The Group does not retain continuing managerial involvement to the extent usually associated with ownership nor effective control over the goods sold;
- (iii) The amounts of revenue and costs can be measured reliably; and
- (iv) It is probable that the economic benefits associated with the transaction will flow to the Group.

1. Accounting policies *(continued)*

(a) *HK-Int 3 Revenue pre-completion contracts for the sale of development properties (continued)*

The effects of the above changes are summarized in note 2 to the condensed consolidated financial statements. In accordance with the transitional provision of HK-Int 3, the Group chooses not to apply this interpretation retrospectively to pre-completion contracts for the sale of development properties entered into before 1 January 2005. It shall continue to account for those contracts under the accounting policies used prior to the application of this interpretation until all revenue on those contracts has been recognized.

(b) *HKAS 40 – Investment Property*

In prior periods, changes in the fair values of investment properties were dealt with as movements in the investment property revaluation reserve. If the total of this reserve was insufficient to cover a deficit, on a portfolio basis, the excess of the deficit was charged to the income statement. Any subsequent revaluation surplus was credited to the income statement to the extent of the deficit previously charged.

Upon the adoption of HKAS 40, gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise. Any gains or losses on the retirement or disposal of an investment properties are recognised in the income statement in the year of retirement or disposal.

The Group has taken advantage of the transitional provisions of HKAS 40 to adjust the effect of adopting the standard to the opening balance of retained earnings rather than restating the comparative amounts to reflect the changes retrospectively for the earlier period presented in the condensed consolidated financial statements. The effects of the above changes are summarised in note 2 to the condensed consolidated financial statements.

1. Accounting policies (*continued*)

(c) *HKFRS 2 – Share-based Payment*

In prior periods, no recognition and measurement of share-based transactions in which employees (including directors) were granted share options over shares in the Company was required until such options were exercised by employees that share capital and share premium were credited with the proceeds received.

Upon the adoption of HKFRS 2, when employees (include directors) render services as consideration for equity instruments (“equity-settled transactions”), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted. The fair value is determined by the Company using a Black and Scholes model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company, if applicable.

Where the employees are required to meet vesting conditions before they become entitled to the options, the Group recognised the fair value of the options granted over the vesting period. If the share options granted vested immediately, the Group recognised the fair value in the period in which the options are granted.

The new accounting policy has been applied retrospectively with comparatives restated in accordance with HKFRS 2, except that the Group has taken advantage of the transitional provisions set out in paragraph 53 of HKFRS2 under which the new recognition and measurement policies have not been applied to all options granted to employees before 7 November 2002.

The effects of the above changes are summarized in note 2 to the condensed consolidated financial statements.

1. Accounting policies *(continued)*

(d) HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets

In prior periods, goodwill/negative goodwill arising on acquisitions prior to 1 January 2001 was eliminated against consolidated capital reserve in the year of acquisition and was not recognised in the income statement until disposal or impairment of the acquired business.

Goodwill arising on acquisitions on or after 1 January 2001 was capitalized and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment. Negative goodwill was carried in the balance sheet and was recognised in the consolidated income statement on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets, except to the extent it related to expectations of future losses and expenses that were identified in the acquisition plan and that could be measured reliably, in which case, it was recognised as income in the consolidated income statement when the future losses and expenses were recognised.

Upon the adoption of HKFRS 3 and HKAS 36, goodwill arising on acquisitions is no longer amortised but subject to an annual impairment review (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired). Any impairment loss recognised for goodwill is not reversed in a subsequent period.

Any excess of the Group's interest in the net fair values of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries and associates(previously referred to as "negative goodwill"), after reassessment, is recognised immediately in the income statement.

1. Accounting policies (continued)

(d) *HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets (continued)*

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1 January 2005 the carrying amounts of accumulated amortisation with a corresponding entry to the costs of goodwill and to derecognise the carrying amounts of negative goodwill (including that remaining in consolidated capital reserve) against retained earnings. Goodwill previously eliminated against consolidated capital reserve remains eliminated against consolidated capital reserve and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

The effects of the above changes are summarised in note 2 to the condensed consolidated financial statements. In accordance with the transitional provision of HKFRS 3, comparative amounts have not been restated accordingly.

(e) *HK(SIC)-Int 21 – Income Taxes- Recovery of Revalued Non-depreciable Assets*

In prior periods, deferred tax arising on the revaluation of investment properties was recognized based on the tax rate that would be applicable upon the sale of the investment properties.

Upon the adoption of HK(SIC)-Int 21, deferred tax arising on the revaluation of the Group's investment properties is determined depending on whether the properties will be recovered through use or through sale. The Group has determined that its investment properties will be recovered through use, and accordingly the profits tax rate has been applied to the calculation of deferred tax.

The effects of the above changes are summarized in note 2 to the condensed consolidated financial statements.

2. Summary of the Impact of Changes in Accounting Policies

Following the adoption of the HKFRSs, the details of the opening adjustments are summarised as follows:

(a) Effect on opening balance of total equity at 1 January 2005

Effect of new policies (Increase/(decrease))	Notes	Investment	Retained	Minority	Total
		property revaluation reserve (Unaudited) HK\$'000	earnings (Unaudited) HK\$'000	interests (Unaudited) HK\$'000	(Unaudited) HK\$'000
Opening adjustments:					
HKAS 40					
Surplus on revaluation of					
investment properties	1(b)	(223,180)	223,180	–	–
Interest in an associate		–	1,858	–	1,858
HKFRS 3					
Derecognition of					
negative goodwill	1(d)	–	538,383	10,713	549,096
Total effect at 1 January 2005		(223,180)	763,421	10,713	550,954

The following tables summarise the impact on profit after tax, income or expenses recognised directly in equity and capital transactions with equity holders for the six months period ended 30 June 2005 upon the adoption of the new HKFRSs. As no retrospective adjustments have been made for the adoption of the new HKFRSs, the amounts shown for the six months period ended 30 June 2004 may not be comparable to the amounts shown for the current interim period.

2. Summary of the Impact of Changes in Accounting Policies (continued)

(b) Effect on profit after tax for the six months ended 30 June 2005 and 2004

Effect of new policies (Increase/(decrease))	Notes	For the six months ended 30 June					
		2005			2004		
		Equity holders of the parent	Minority interests	Total	Equity holders of the parent	Minority interests	Total
		(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Effect on profit after tax:							
HK-Int 3							
Revenue-pre-completion contracts for sales of development properties	1(a)	(84,066)	(24,536)	(108,602)	-	-	-
HK(SIC)-Int 21							
Deferred tax arising from revaluation of investment properties	1(e)	(23,347)	-	(23,347)	-	-	-
HKAS 40							
Surplus on revaluation of investment properties	1(b)	124,755	15,658	140,413	-	-	-
HKFRS 2							
Equity-settled share-based payment transactions	1(c)	(7,840)	-	(7,840)	-	-	-
HKFRS 3							
Derecognition of negative goodwill	1(d)	(17,425)	(823)	(18,248)	-	-	-
Total effect for the period		(7,923)	(9,701)	(17,624)	-	-	-
Effect on losses per share:							
Basic		0.32 cents			-		
Diluted		0.32 cents			-		

2. Summary of the Impact of Changes in Accounting Policies (continued)

(c) Effect on income or expenses recognised directly in equity and capital transactions with equity holders for the six months ended 30 June 2005 and 2004

Effect of new policies (Increase/(decrease))	Notes	For the six months ended 30 June					
		2005			2004		
		Equity holders of the parent	Minority interests	Total	Equity holders of the parent	Minority interests	Total
		(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
HK(SIC)-Int 21							
Deferred tax arising from revaluation of investment properties	1(e)	23,347	-	23,347	-	-	-
HKAS 40							
Surplus on revaluation of investment properties no longer recognized in reserve	1(b)	(124,755)	(15,658)	(140,413)	-	-	-
HKFRS 2							
Equity- settled share-based payment transactions	1(c)	7,840	-	7,840	-	-	-
Total effect for the period		(93,568)	(15,658)	(109,226)	-	-	-

3. Segmental Information (continued)

	For the six months ended 30 June 2004								Total (Unaudited) HK\$'000
	Property development (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Property management (Unaudited) HK\$'000	Transportation service (Unaudited) HK\$'000	Manufacturing (Unaudited) HK\$'000	Infrastructure investment (Unaudited) HK\$'000	Information technology (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	
	Segment revenue:								
Sales to external customers	441,890	141,028	114,516	71,241	188,324	-	-	24,509	981,508
Segment results	106,919	60,830	9,898	9,649	(9,393)	11,334	-	(1,638)	187,599
Investment income									52,341
Unallocated expenses									(34,724)
Finance costs									(50,145)
Share of profits/(losses) of associates	(3,785)	-	-	2,886	3,328	124,589	6,776	(1,567)	132,227
Tax									(31,452)
Profit for the period									255,846

4. Other Income and Gains

	For the six months ended 30 June	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Interest income	33,627	30,378
Rental income	14,053	6,400
Negative goodwill recognized as income	-	18,252
Gain on disposal of associates	8,133	-
Others	10,503	42,105
	66,316	97,135

5. Finance Costs

	For the six months ended 30 June	
	2005	2004
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest on:		
Bank loans	95,398	65,230
Less: Amounts capitalised under properties development projects	(15,610)	(15,085)
	79,788	50,145

6. Profit before Tax

Profit before tax was determined after charging/(crediting) the following:

	For the six months ended 30 June	
	2005	2004
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Depreciation	34,496	37,944
Amortisation of intangible assets	1,456	759
Increase in fair value of investment properties	(127,530)	–
Gain on disposal of associates	(8,133)	–
Loss on disposal of fixed assets	499	504
Provision for doubtful debts	1,169	6,792

7. Tax

Hong Kong Profits tax had not been provided in the financial statements as the Group did not derive any assessable profits during the period. Taxes on profits assessable elsewhere in the People's Republic of China (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.

	For the six months ended 30 June	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) (Restated) HK\$'000
Group:		
Current – Hong Kong profits tax	–	–
Current – PRC corporate income tax	18,754	51,993
Deferred	20,681	(20,541)
Total tax charge for the period	39,435	31,452

Share of tax attributable to associates amounting to HK\$25,200,000 (2004: HK\$21,235,000) is included in "Share of profits of associates" on the face of the condensed consolidated income statement.

8. Earnings Per Share

The calculation of basic earnings per share for the period is based on the profit attributable to equity holders of the parent of HK\$203,226,000 (six months ended 30 June 2004: HK\$173,334,000), and the weighted average number of 2,482,413,966 (six months ended 30 June 2004: 2,464,403,045) ordinary shares in issue during the period.

The calculation of diluted earnings per share for the six months ended 30 June 2004 was based on the profit attributable to equity holders of parent of HK\$173,334,000. The weighted average number of ordinary shares used in the calculation is the 2,464,403,045 ordinary shares in issue during the period, as used in the basic earnings per share calculation; and the weighted average of 9,293,282 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the period.

For the six months ended 30 June 2005, the effect of the Group arising from the exercise of the share option is anti-dilutive.

9. Dividend

At a meeting of the board of directors held on 16 September 2005, the directors resolved to pay an interim dividend to shareholders of HK\$2.00 cents per share (six months ended 30 June 2004: HK\$2.00 cents per share).

10. Trade Receivables

Under normal circumstances, the Group does not grant credit terms to its customers. The Group seeks to maintain strict control over its outstanding receivables and to minimise credit risk. Overdue balances are regularly reviewed by management. An aging analysis of the trade receivables as at balance sheet date, based on invoice date, net of provision for impairment, is as follows:

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 HK\$'000
Within 1 year	148,515	141,704
1 to 2 years	13,101	19,701
2 to 3 years	8,305	1,926
Total	169,921	163,331

A provision is made when there is objective evidence that the Group will not be able to collect the amounts due according to the original terms of the receivables.

11. Interest-bearing Bank Loans

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 HK\$'000
Bank loans:		
Secured	60,535	63,360
Unsecured	4,741,038	4,808,668
	4,801,573	4,872,028
Bank loans repayable:		
Within one year	2,258,445	2,058,233
In the second year	678,016	676,330
In the third to fifth years, inclusive	1,865,112	2,137,465
	4,801,573	4,872,028
Portion classified as current liabilities	2,258,445	2,058,233
Long term portion	2,543,128	2,813,795

12. Trade and Notes Payable

An aged analysis of trade and notes payable as at the balance sheet date, based on invoice date, is as follows:

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 HK\$'000
Within 1 year	149,491	140,317
1 to 2 years	31,562	24,394
2 to 3 years	33,518	18,272
Over 3 years	31,863	26,513
Total	246,434	209,496

13. Share Option Scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders, and any minority shareholder in the Company's subsidiaries. The Scheme became effective on 5 June 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The period under which an option may be exercised will be determined by the directors at their absolute discretion and notified by the directors to each grantee as being the period during which an option may be exercised, and shall expire no later than the 10th anniversary of the date upon which the option is granted and accepted in accordance with the Scheme.

The expense recognised in the condensed consolidated income statement during the period is HK\$7,840,000 (six months ended 30 June 2004: Nil).

14. Reserves

	Investment										
	Capital reserve	Share premium account	Investment revaluation reserve	Assets revaluation reserve	Investment revaluation reserve	Statutory reserve	Exchange fluctuation reserve	Retained earnings	Proposed dividend	Total	Minority interests
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
At 1 January 2004	45,893	1,472,906	176,290	43,665	(6,679)	557,397	(3,676)	902,028	61,107	3,248,931	1,384,432
Final 2003 dividend declared	-	-	-	-	-	-	-	(603)	(61,107)	(61,710)	-
Shares issued at premium	-	14,819	-	-	-	-	-	-	-	14,819	-
Deficit on revaluation	-	-	-	-	(535)	-	-	-	-	(535)	(44)
Deferred tax arising from revaluation of investments	-	-	-	-	(80)	-	-	-	-	(80)	-
Share of reserves from associates	-	-	-	-	-	-	5,354	-	-	5,354	-
Exchange realignment	-	-	-	-	-	-	10,890	-	-	10,890	4,054
Disposal of investment properties	-	-	(653)	-	-	-	-	-	-	(653)	(298)
Arising from disposal of an subsidiary	(2,525)	-	-	-	-	(1,836)	-	-	-	(4,361)	(1,730)
Profit for the period	-	-	-	-	-	-	-	173,334	-	173,334	82,512
Proposed 2004 interim dividend	-	-	-	-	-	-	-	(49,368)	49,368	-	-
Dividend paid to minority shareholders	-	-	-	-	-	-	-	-	-	-	(140,150)
Transfer from retained profits	-	-	-	-	-	12,945	-	(12,945)	-	-	-
At 30 June 2004	43,368	1,487,725	175,637	43,665	(7,294)	568,506	12,568	1,012,446	49,368	3,385,989	1,328,776
Interim 2004 dividend declared	-	-	-	-	-	-	-	(280)	(49,368)	(49,648)	-
Shares issued at premium	-	7,623	-	-	-	-	-	-	-	7,623	3,551
Surplus on revaluation of investment properties	-	-	69,425	-	-	-	-	-	-	69,425	86,419
Deferred tax arising from revaluation of investment properties	-	-	(8,811)	-	-	-	-	-	-	(8,811)	-
Surplus on revaluation	-	-	-	-	763	-	-	-	-	763	88
Deferred tax arising from revaluation of investment properties	-	-	-	-	46	-	-	-	-	46	-
Share of reserves from associates	-	-	9,218	-	-	-	(4,349)	-	-	4,869	-
Exchange realignment	-	-	-	-	-	(249)	(5,857)	-	-	(6,106)	(1,650)
Disposal of investment properties	-	-	(1,397)	-	-	-	-	-	-	(1,397)	-
Arising from disposal of an subsidiary	(279)	-	(20,892)	-	-	-	-	25,443	-	4,272	(140,752)
Profit for the period	-	-	-	-	-	-	-	181,445	-	181,445	120,274
Proposed 2004 final dividend	-	-	-	-	-	-	-	(74,472)	74,472	-	-
Dividend paid to minority shareholders	-	-	-	-	-	-	-	-	-	-	(21,116)
Transfer from retained profits	-	-	-	-	-	(31,565)	-	31,565	-	-	-
At 31 December 2004	43,089	1,495,348	223,180	43,665	(6,485)	536,692	2,362	1,176,147	74,472	3,588,470	1,375,590

14. Reserves (continued)

	Investment										
	Capital reserve	Share premium account	Share property revaluation reserve	Assets revaluation reserve	Investment revaluation reserve	Statutory reserve	Exchange fluctuation reserve	Retained earnings	Proposed dividend	Total	Minority interests
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2005											
As previously reported	43,089	1,495,348	223,180	43,665	(6,485)	536,692	2,362	1,176,147	74,472	3,588,470	1,375,590
Opening adjustments: (notes 2(a))											
In respect of an associate	-	-	-	-	-	-	-	1,858	-	1,858	-
In respect of investment properties	-	-	(223,180)	-	-	-	-	223,180	-	-	-
In respect of negative goodwill	-	-	-	-	-	-	-	538,383	-	538,383	10,713
As restated, after opening adjustments	43,089	1,495,348	-	43,665	(6,485)	536,692	2,362	1,939,568	74,472	4,128,711	1,386,303
Final 2004 dividend declared	-	-	-	-	-	-	-	-	(74,472)	(74,472)	-
Employee share option scheme	7,840	-	-	-	-	-	-	-	-	7,840	-
Deficit on revaluation	-	-	-	-	(1,815)	-	-	-	-	(1,815)	33
Deferred tax arising from revaluation of investments	-	-	-	-	272	-	-	-	-	272	-
Share of reserves											
from associates	3,145	-	-	-	-	-	(1,195)	-	-	1,950	-
Disposal of an associate	-	-	-	-	-	-	(1,480)	-	-	(1,480)	-
Arising from establishment of a new subsidiary	-	-	-	-	-	-	-	-	-	-	2,815
Exchange realignments	-	-	-	-	-	-	(6,508)	-	-	(6,508)	(469)
Profit for the period	-	-	-	-	-	-	-	203,226	-	203,226	97,530
Proposed 2005 interim dividend	-	-	-	-	-	-	-	(49,648)	49,648	-	-
Dividend paid to minority shareholders	-	-	-	-	-	-	-	-	-	-	(132,352)
Transfer from retained profits	-	-	-	-	-	34,962	-	(34,962)	-	-	-
At 30 June 2005	54,074	1,495,348	-	43,665	(8,028)	571,654	(6,821)	2,058,184	49,648	4,257,724	1,353,860

15. Capital Commitments

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 HK\$'000
Commitments in respect of acquisition of land and buildings, and development costs attributable to properties under development:		
– Contracted, but not provided for	304,715	516,446

16. Contingent Liabilities

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 HK\$'000
(i) Guarantees for credit facilities granted to associates	10,981	15,698
(ii) Maximum extent of guarantees given to banks for housing loans extended by the banks to the purchasers of the Group's properties	835,329	915,016

16. Contingent Liabilities *(continued)*

(iii) Pending litigation

A statement of claim dated 27 August 2002 was issued by Fancheng Property Development Co., Limited (the "Plaintiff") as the plaintiff against Shum Yip Group (Shenzhen) Co., Ltd. ("Shumyip Shenzhen"), a wholly-owned subsidiary of the Company as the first defendant and Yaoheng Development Co., Ltd. as the second defendant in a civil claim at the court in Mainland China.

The Plaintiff claimed against Shumyip Shenzhen for, inter alia, damages suffered by the Plaintiff as a result of the breach by Shumyip Shenzhen of the terms of a cooperation agreement dated 8 July 1991 entered into between the Plaintiff and Shumyip Shenzhen, which include (i) Shumyip Shenzhen's deliberately registering the properties called Shenfa Garden under the name of Shumyip Shenzhen and refusal to give the properties to the Plaintiff and (ii) Shumyip Shenzhen's appropriating the Plaintiff's sales proceeds to compensate the individual owners and the construction party of Shenfa Garden and keeping the income in relation to certain car parks and the kindergarten situated within the area of Shenfa Garden. The Plaintiff claimed a total compensation of approximately RMB170 million against Shumyip Shenzhen. Shumyip Shenzhen lodged a defence and counter claim for compensation of RMB1.3 million against the Plaintiff on 22 October 2002. This case was heard in court on 26 March 2003 and 5 November 2004, the arbitration process is complicated and time-consuming. Up to date, the parties are still waiting for the delivery of the arbitration award. Mainland China lawyers are of the view that the outcome of the case is not determinable at this stage.

As advised by the Hong Kong lawyers, pursuant to a deed (the "Deed") entered into on 12 February 1997 by Shum Yip Holdings Company Limited ("Shum Yip Holdings") as covenantor in favour of the Company as covenantee in connection with the listing of the Company, the Company may be able to claim indemnity from Shum Yip Holdings if the Plaintiff and/or the Applicant are successful in their claims against Shumyip Shenzhen on the ground that Shumyip Shenzhen had materially breached the cooperation agreement, and the circumstances which gave rise to the above litigation was already in existence at the time of execution of the Deed.

17. Due from Minority Shareholders

Except for the amount due from a minority shareholder of approximately HK\$29,430,000 (2004: HK\$110,047,000) which bears interest at a rate of 9% per annum, the amounts due from minority shareholders are unsecured, interest-free and have no fixed terms of repayment.

18. Related Party Transactions

(a) Transactions with related parties

		For the six months ended 30 June	
		2005	2004
		(Unaudited)	(Unaudited)
	Note	HK\$'000	HK\$'000
Transactions with the holding company			
– Shum Yip Holdings			
Rental expenses paid	(i)	1,398	1,279
Transactions with an associate			
– Shenzhen Gaofa Investment Holding Ltd.			
Purchases of investment properties	(ii)	58,565	–

Note:

- (i) The rentals were determined by the directors with reference to the market prices of similar transactions.
- (ii) The investment properties were purchased according to the directors valuation with reference to the valuation reports issued by independent professional qualified property valuers.

18. Related Party Transactions

(b) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Short-term employee benefits	1,343	1,286
Share-based payments	7,840	–
Total compensation paid to key management personnel	9,183	1,286

19. Pledge of Assets

Certain of the Group's bank loans outstanding as at 30 June 2005 were secured by certain of the Group's land and buildings which have an aggregate net book value of approximately HK\$25,861,000 (31 December 2004: HK\$28,000,000), investment properties of the Group with an aggregate value of approximately HK\$12,155,000 (31 December 2004: HK\$14,070,000), and properties held for development with a net book value of HK\$56,199,000 (31 December 2004: HK\$51,397,000).

20. Possible Reorganization of the Business or Shareholding Structure of a Subsidiary

Shenzhen Shum Yip Logistics Group Holdings Co., Ltd. (“Shum Yip Logistics”) is a company incorporated under the laws of the PRC and a 51% owned subsidiary of the Company. According to the business license of Shum Yip Logistics, its term of business will expire on 20 November 2005. The Company is currently negotiating with the other shareholders of Shum Yip Logistics on the extension of the term of business, and the potential business reorganization or shareholding restructure of Shum Yip Logistics. In the opinion of the Directors, it is not possible to determine with reasonable certainty at the current stage the ultimate outcome of the negotiations with the other shareholders of Shum Yip Logistics. If the Company and the other shareholders of Shum Yip Logistics fail to reach an agreement on the extension of its term of business, Shum Yip Logistics may need to be liquidated according to PRC laws and regulations, in which case certain adjustments against the carrying value of the assets and liabilities of Shum Yip Logistics may be required.

Net assets after minority interests of Shum Yip Logistics as at 30 June 2005 and net profit after minority interests for the six months ended 30 June 2005 represented approximately 9% (2004: 9%) and 9% (2004: 0.3%) of the consolidated net assets after minority interests of the Company as at 30 June 2005 and the consolidated net profit after minority interests of the Company for the six months ended 30 June 2005, respectively.

As the Company continues to negotiate with the other shareholders of Shum Yip Logistics for an agreement on the extension of its term of business and the potential business reorganization or shareholding restructure, the Directors consider that no adjustments are required against the carrying value of the assets and liabilities of Shum Yip Logistics as at the balance sheet date.

21. Approval of Interim Financial Statements

These condensed interim financial statements were approved and authorised for issue by the Board of the Company on 16 September 2005.

Independent Review Report

To the Board of Directors

Shenzhen Investment Limited

(Incorporated in Hong Kong with limited liability)

Introduction

We have been instructed by the Company to review the interim financial statements of the Company for the six months ended 30 June 2005 as set out on pages 2 to 31 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of an interim financial statements to be in compliance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the relevant provisions thereof.

The interim financial statements are the responsibility of, and have been approved by, the directors. It is our responsibility to form an independent conclusion, based on our review, on the interim financial statements and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of these statements.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquires of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the interim financial statements.

Fundamental uncertainty

In arriving at our review conclusion, we have considered the adequacy of the disclosures made in the interim financial statements concerning the possible outcome of the negotiations with the other shareholders of a subsidiary of the Company (the "Subsidiary") which are currently ongoing on the extension of the term of business and potential business reorganization or shareholding restructure of the Subsidiary. As at the date of this report, the Directors are not able to determine with reasonable certainty the ultimate outcome of the negotiations with the other shareholders of the Subsidiary. Should the shareholders of the Subsidiary ultimately fail to reach an agreement on the extension of its term of business, certain adjustments against the carrying value of the assets and liabilities of the Subsidiary might be required. Further details of the circumstances relating to this fundamental uncertainty are described in note 20 to the interim financial statements. We consider that the fundamental uncertainty has been adequately disclosed in the interim financial statements and our conclusion is not modified in this respect.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial statements for the six months ended 30 June 2005.

Hong Kong
16 September 2005

Business Review

During the first half of 2005, the Group achieved a turnover of HK\$734.4 million, representing a decrease of 25% as compared with the corresponding period last year. Profit before tax amounted to HK\$340.2 million, representing an increase of 18% over the corresponding period last year. Net profit attributable to shareholders of the Company was HK\$203.2 million, 17% up from the corresponding period last year. If excluding the increase in fair value of investment properties during the period, net profit attributable to shareholders of the Company was 42% down from the corresponding period last year.

Property Development

During the period, the property development business of the Group made a smooth progress and the sales figures of its key properties were encouraging. A total gross floor area of 166,000 square metres was sold by contract. The average selling price of the properties was above expectation.

During the period, the Group recognized revenue from the sale of 53,000 square metres of properties, achieving a turnover of HK\$178.6 million, representing a decrease of 60% from the corresponding period last year. The average gross profit margin of property development maintained a similar level to that of the corresponding period last year.

Pursuant to the newly-adopted accounting policy on the recognition of revenue generated by pre-sale contracts of properties under development, a change was made with effect from 1 January 2005 under which revenue from property sales is recognized only after completion and occupation, instead of based on the percentage of completion. As none of the Group's construction in progress was completed in the first half of the year, the majority of sales revenue recognized for the period was attributable to the sales of the remaining units of completed properties. As at 30 June 2005, the pre-sale of 113,000 square metres was contracted but not yet accounted for. The revenue from these pre-sales, which amounted to approximately HK\$650 million, and profit attributable to shareholder of the Company approximately HK\$84 million, will be successively booked in the second half of 2005 and in 2006 following the completion and occupation of the properties. The properties offered for pre-sale in the first half of 2005 were mainly residential developments such as Shum Yip Xin' anxian and Prosperous City.

New Land Reserve

In June 2005, after its successful bid on a land parcel of 423,600 square metres situated in Linchangshan, Huizhou last year, the Group's subsidiary Shenzhen Pengji (Holdings) Co. Limited successfully bid for an adjoining land parcel connected to the outlet of an expressway, which measured 56,600 square metres. The total gross floor area of the two land parcels upon development is estimated to be 386,300 square metres.

In August, the Group's subsidiary, Shenzhen Terra (Holdings) Co. Limited, acquired a piece of land of 267,000 square metres situated in Hongshan District, Wuhan, Hubei Province by a successful bid in an open tender. Its gross floor area is estimated to be 510,000 square metres.

Property Investment

During the period, the Group's property investment business remained stable. The overall occupancy rate of various categories of property was above 90% and the rental income was HK\$142.1 million, which were at the same level as that of the corresponding period last year.

During the period, the Group's investment property portfolio reported an appreciation of HK\$128 million after revaluation, which was recognized in the profit and loss for the period under the revised accounting policy which took effect on 1 January 2005.

Shenzhen Shum Yip Logistics Group Holdings Co., Ltd ("Shum Yip Logistics"), a company owned as to 51% by the Group, under its business licence, the operating period of Shum Yip Logistics will expire on 20 November 2005. The Group is holding discussions with other shareholders of Shum Yip Logistics on the extension of its operating period, possible business restructuring and shareholding structure. The directors are of the opinion that the results of its consultations with other shareholders of Shum Yip Logistics cannot be reliably ascertained at the current stage. If the Group and other shareholders of Shum Yip Logistics fail to reach any consensus on the extension of operating period, Shum Yip Logistics might have to be liquidated in accordance with the provisions of the pertinent PRC laws and regulations, and the book value of Shum Yip Logistics' assets and liabilities will have to be adjusted as required.

Property Management

During the period, the Group's property management business generated a revenue of HK\$132.5 million, representing an increase of 16% over the corresponding period last year, as a result of further expansion towards the mainland markets, such as Chenzhou, Hunan, Changsha and Nanning, Guangxi.

Transportation Operations

During the first half of the year, the escalating domestic oil price intensified the competition of the transport industry. Notwithstanding the increase in operating costs, the Group's transportation business kept its stable pace of revenue growth, recording an increase of 6% in turnover over the corresponding period last year.

During the period, Shenzhen ShenKong Industrial (Group) Co., Limited, a subsidiary of the Group, was granted a franchise for operating a designated route from Shenzhen to Hong Kong Disneyland, signifying a further expansion of the Group's transportation market.

Infrastructure Investment

During the period, Road King Infrastructure Limited, a company listed in Hong Kong and an investment entity of the Group, recorded satisfactory results and contributed a net profit of HK\$51.1 million to the Group, representing an increase of 15% over the corresponding period last year.

During the period, faced with persistent oil price increase and rising transportation costs, Shenzhen Mawan Power, an investment entity of the Group, saw a significant increase in its operating costs and contributed a net profit of HK\$37.8 million to the Group, representing a decrease of 16% from the corresponding period last year.

Information Technology

During the period, Shenzhen Topway Video Communication Co., Ltd., in which the Group held a stake, saw satisfactory operating results which reported a twofold increase in the number of its broadband users. It contributed a net profit of HK\$13.2 million, representing an increase of 95% over the corresponding period last year.

Industrial Manufacturing

During the period, the industrial manufacturing arm of the Group achieved an operating revenue of HK\$183.1 million, which was roughly the same as that of the corresponding period last year. It achieved an operating profit of HK\$6.8 million, signaling a turnaround in this loss-making operation as compared with the corresponding period last year.

During the period, as a result of cyclical downturn of the colour monitor industry around the world, Shenzhen Seg-Hitachi Color Display Service Co., Ltd, in which the Company held shareholding interests, fell in the red from its profit-making operations of the previous year, and the Group had to share a loss of HK\$19.9 million.

Financial Position

As at 30 June 2005, the Group had a sound financial position, with its net assets amounting to HK\$5,735.7 million, cash on hand amounting to HK\$3,610.8 million, total borrowings amounting to HK\$4,801.6 million (of which HK\$2,543.1 million was long term borrowings) and the proportion of net borrowings to net assets was 20.8%.

The majority of the Group's revenue, expenses and cashflow are denominated in RMB, as the Group's operating businesses are all located in mainland China. The assets and liabilities of the Group are mostly denominated in RMB and US dollars respectively. As such, the Group has limited foreign exchange exposure. No instrument was applied for hedging purposes during the period.

On 21 July 2005, the People's Bank of China announced that the RMB exchange rate mechanism would be adjusted to a managed floating exchange rate system which would be more based on market demand and supply with adjustments to be based on a basket of currencies, and that the exchange rate of RMB to US dollars would be adjusted upwards to a value of 8.11 Yuan to one US dollar from 21 July 2005. The Group believes that the abovementioned Renminbi revaluation will not have any adverse effect on the Group's operations.

Purchase, Sale and Redemption of the Company's Securities

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

Capital Structure

During the period under review, the Company granted a total of 56,000,000 options to its directors and employees to be exercised at a price of HK\$1.088 per share. No option was exercised during the period.

As at 30 June 2005, the Company's issued share capital was divided into 2,482,413,966 shares.

Number of Employees and Remuneration

As at 30 June 2005, the Group had a total of 9,320 employees, of which 29 were located in Hong Kong and mainly responsible for financial and management work, and the remainder was located on the Mainland.

Employees of the Group are remunerated according to individual performance, professional qualifications, industry experience and relevant market trends. The Group's management also reviews its remuneration policies and appraise the employees' performance periodically.

The employees' remuneration package includes salary, allowances, medical insurance and mandatory provident fund. The Group also pays bonuses and grants share options to employees based on the performances of individual employees and the results of the Group.

Prospects

The ongoing recovery of Hong Kong's economy and the official opening of the Hong Kong Disneyland in September will usher in an even more frequent cooperation between mainland China and Hong Kong. This will surely generate more opportunities for the Group to develop its core businesses encompassing the property, transportation and logistics segments.

The large-scale residential development located on the waterfront of the new central area of Baoan District, Shenzhen, is one of the key projects of the Group's property arm in recent years. Currently, the sales of the first phase of the project were satisfactory and it is anticipated that its construction works will be completed for occupancy within the year. Following the development and construction of the new central area, Baoan, and the continuing perfection of its ancillary facilities in its periphery, the district will gradually become increasingly valuable for investment. It is expected that the second and third phases of the project will continue to contribute significant revenues to the Group.

In August, Shenzhen Terra (Holdings) Co. Limited, the Group's subsidiary, acquired through a successful bid in an open tender a land plot of 267,000 square meters which was located in Hongshan District, Wuhan, Hubei Province and measured 510,000 square meters in gross floor area. Currently, the construction area of the land bank owned by the Group has increased to 3,572,000 square metres, which can maintain the Group's development in the next five years.

In recent years, the Group has dedicated itself to establishing a sustainable and positive industry structure. While upholding the development of its traditional industries, the Group has been proactively increasing its investments in infrastructure projects of water supply, electricity facilities and roads so as to create a satisfactory value for the shareholders.

Directors' Interests in Shares

As at 30 June 2005, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Long positions in the shares and underlying shares of the Company

Name of director	Capacity	Nature of interests	Number of shares	Underlying shares pursuant to share options (Note)	Aggregate interests	Percentage of issued share Capital
HU Aimin	Beneficial owner	Beneficial interest	–	6,000,000	6,000,000	0.24
ZHANG Yijun	Beneficial owner	Beneficial interest	–	5,000,000	5,000,000	0.20
LIU Jianhua	Beneficial owner	Beneficial interest	–	6,000,000	6,000,000	0.24
ZHAO Mingfeng	Beneficial owner	Beneficial interest	–	4,000,000	4,000,000	0.16
LIANG Kaiping	Beneficial owner	Beneficial interest	–	4,000,000	4,000,000	0.16
XU Ruxin	Beneficial owner	Beneficial interest	–	5,500,000	5,500,000	0.22
ZHU Huoyang	Beneficial owner	Beneficial interest	–	5,500,000	5,500,000	0.22
LEE Yip Wah, Peter	Beneficial owner	Beneficial interest	–	2,600,000	2,600,000	0.10
WONG Po Yan	Beneficial owner	Beneficial interest	–	2,600,000	2,600,000	0.10
WU Wai Chung, Michael	Beneficial owner	Beneficial interest	–	1,800,000	1,800,000	0.07
LI Wai Keung	Beneficial owner	Beneficial interest	4,628,000	600,000	5,228,000	0.21

Directors' Interests in Shares *(continued)*

Note: The underlying shares represent interests of options granted to the Directors under the Share Option Scheme to acquire for shares of the Company, further details of which are set out under the heading "Share Option Scheme".

Long positions in the underlying shares of the associated corporation – Road King Infrastructure Limited

Name of director	Capacity	Nature of interests	Underlying shares pursuant to share options	Percentage of issued share Capital
HU Aimin	Beneficial owner	Beneficial interest	250,000	0.04

Other than as disclosed above, none of the directors and chief executive of the Company had any interests or short positions in any shares and underlying shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Share Option Scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders, and any minority shareholder in the Company's subsidiaries. The Scheme became effective on 5 June 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Share Option Scheme (continued)

The following share options were outstanding under the Scheme during the period:

	Number of share options					At 30 June 2005	Date of grant of share options*	Exercise period of share options	Exercise price of share options HK\$	Price of Company's shares (Note 1)	
	At 1 January 2005	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period					At grant date of options HK\$	At exercise date of options HK\$
Directors											
LIU Zixian (Note 2)	2,400,000	-	-	2,400,000	-	-	27/6/2002	27/6/2002- 26/6/2007	1.265	-	-
HU Aimin	-	6,000,000	-	-	-	6,000,000	18/5/2005	18/5/2005 - 17/5/2010	1.088	1.080	-
ZHANG Yijun	-	5,000,000	-	-	-	5,000,000	18/5/2005	18/5/2005 - 17/5/2010	1.088	1.080	-
LIU Jianhua	2,000,000	-	-	-	-	2,000,000	5/7/2002	5/7/2002 - 4/7/2007	1.265	-	-
	-	4,000,000	-	-	-	4,000,000	18/5/2005	18/5/2005 - 17/5/2010	1.088	1.080	-
ZHAO Mingfeng	-	4,000,000	-	-	-	4,000,000	18/5/2005	18/5/2005 - 17/5/2010	1.088	1.080	-
LIANG Kaiping	-	4,000,000	-	-	-	4,000,000	18/5/2005	18/5/2005 - 17/5/2010	1.088	1.080	-
XU Ruixin	2,000,000	-	-	-	-	2,000,000	27/6/2002	27/6/2002 - 26/6/2007	1.265	-	-
	-	3,500,000	-	-	-	3,500,000	18/5/2005	18/5/2005 - 17/5/2010	1.088	1.080	-
ZHU Huoyang	2,000,000	-	-	-	-	2,000,000	27/6/2002	27/6/2002 - 26/6/2007	1.265	-	-
	-	3,500,000	-	-	-	3,500,000	18/5/2005	18/5/2005 - 17/5/2010	1.088	1.080	-
LEE Yip Wah, Peter	2,000,000	-	-	-	-	2,000,000	27/6/2002	27/6/2002 - 26/6/2007	1.265	-	-
	-	600,000	-	-	-	600,000	18/5/2005	18/5/2005 - 17/5/2010	1.088	1.080	-
WONG Po Yan	2,000,000	-	-	-	-	2,000,000	27/6/2002	27/6/2002 - 26/6/2007	1.265	-	-
	-	600,000	-	-	-	600,000	18/5/2005	18/5/2005 - 17/5/2010	1.088	1.080	-

Share Option Scheme (continued)

	Number of share options					At 30 June 2005	Date of grant of share options*	Exercise period of share options	Price of Company's shares (Note 1)		
	At 1 January 2005	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period				Exercise price of share options HK\$	At grant date of options HK\$	At exercise date of options HK\$
WU Wai Chung, Michael	1,200,000	-	-	-	-	1,200,000	5/7/2002	5/7/2002 - 4/7/2007	1.265	-	-
	-	600,000	-	-	-	600,000	18/5/2005	18/5/2005 - 17/5/2010	1.088	1.080	-
LI Wai Keung	-	600,000	-	-	-	600,000	18/5/2005	18/5/2005 - 17/5/2010	1.088	1.080	-
	13,600,000	32,400,000	-	2,400,000	-	43,600,000					
Other employees											
In aggregate	2,000,000	-	-	-	-	2,000,000	27/6/2002	27/6/2002 - 26/6/2007	1.265	-	-
	16,400,000	-	-	-	-	16,400,000	3/7/2002	3/7/2002 - 2/7/2007	1.265	-	-
	20,000,000	-	-	-	-	20,000,000	5/7/2002	5/7/2002 - 4/7/2007	1.265	-	-
	1,000,000	-	-	-	-	1,000,000	8/7/2002	8/7/2002 - 7/7/2007	1.265	-	-
	-	23,600,000	-	-	-	23,600,000	18/5/2005	18/5/2005 - 17/5/2010	1.088	1.080	-
	39,400,000	23,600,000	-	-	-	63,000,000					
	53,000,000	56,000,000	-	2,400,000	-	106,600,000					

Notes:

- The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options during the period. The price of the Company's shares disclosed as at the date of the exercise of the share options is the weighted average of the Stock Exchange closing prices over all of the exercises of options within the disclosure line during the period.
- Mr. LIU Zixian resigned as a director of the Company on 12 November 2004. His share options lapsed on 12 February, 2005.

No share options had been exercised or cancelled during the period.

Directors' Right to Acquire Shares

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 equity or debt securities of the Company or its associated corporations, or had exercised any such rights.

Substantial Shareholders

As at 30 June 2005, the interests and short positions of the shareholders other than a director or chief executive of the Company in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in shares and underlying shares of the Company

Name	Capacity	Number of shares	Percentage of shares of the Company in issue
Shum Yip Holdings Company Limited	Beneficial owner	1,388,741,966	55.94

Save as disclosed above, as at 30 June 2005, no other interests or short positions in shares and underlying shares of the Company were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Interim Dividend

The board of directors of the Company have resolved to declare an interim dividend of HK2.00 cents per share for the six months ended 30 June 2005 (2004: HK2.00 cents). The total amount of the dividend will be HK\$49,648,279 (2004: HK\$49,368,279). The dividend will be payable on 31 October 2005 to shareholders whose names appear on the Register of Members on 19 October 2005.

Closure of Register of Members

The Register of Members of the Company will be closed from 19 October 2005, to 21 October 2005 (both dates inclusive). In order to qualify for the interim dividend, all completed transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrar, Standard Registrars Limited, G/F, Bank of East Asia Harbour Centre, 56 Gloucester Road, Wanchai, Hong Kong no later than 4:00 p.m. on Tuesday, 18 October 2005.

Corporate Governance

On 1 January 2005, the Code of Best Practices was replaced by the Code on Corporate Governance Practices ("Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). During the six months ended 30 June 2005, the Company adopted all the code provisions in the Code as its own code on corporate governance practices. The Company has complied with the code provisions set out in the Code during the period and there have been no material deviations from the Code.

The Audit Committee comprises three independent non-executive directors namely Mr. LI Wai Keung, Mr. WONG Po Yan and Mr. WU Wai Chung, Michael and one non-executive director namely Mr. LEE Yip Wah, Peter. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited consolidated interim financial statements for the six months ended 30 June 2005.

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors of the Company, the Company confirmed that all directors have complied with the required standard set out in the Model Code.

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

Hu Aimin

Chairman

Hong Kong, 16 September 2005