



深圳控股有限公司
SHENZHEN INVESTMENT LIMITED

Stock Code: 604

Interim Report
2006

Corporate Information

Executive Directors

Mr. HU Aimin, *Chairman*
 Mr. ZHANG Yijun, *President*
 Mr. ZHAO Gesheng
 Mr. XIAO Rihai
 Mr. LIANG Kaiping
 Mr. LIU Weijin
 Mr. ZHANG Huaqiao
 Mr. TAM Ping Lung

Non-Executive Directors

Mr. LEE Yip Wah, Peter
 Dr. WU Jiesi
 Mr. HU Zuoyuan

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.
 26/F Tesbury Centre
 28 Queen's Road East
 Hong Kong

Stock Code

604

Website

<http://www.shenzheninvestment.com>

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 2006 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 2006

	Notes	For the six months ended 30 June	
		2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
REVENUE		739,464	734,364
Cost of sales		(462,672)	(447,986)
Gross profit		276,792	286,378
Other income and gains	5	78,411	66,316
Increase in fair value of investment properties		120,012	127,530
Selling and distribution costs		(18,780)	(30,858)
Administrative expenses		(161,352)	(169,014)
Other operating expenses		(67,467)	(19,124)
Finance costs	6	(89,073)	(79,788)
Share of profits and losses of associates		83,928	158,751
PROFIT BEFORE TAX	7	222,471	340,191
Tax	8	(37,191)	(39,435)
PROFIT FOR THE PERIOD		185,280	300,756
ATTRIBUTABLE TO:			
Equity holders of the parent		77,088	203,226
Minority interests		108,192	97,530
		185,280	300,756
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic		HK3.09 cents	HK8.19 cents
Diluted		HK3.02 cents	HK8.19 cents

Condensed Consolidated Balance Sheet

30 June 2006

		30 June 2006 (Unaudited) HK\$'000	31 December 2005 HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		591,788	610,856
Intangible assets		38,221	37,583
Prepaid land lease payment		3,751	3,747
Properties under development		1,718,243	1,069,548
Investment properties		2,871,046	2,653,801
Interests in associates		3,172,964	3,046,620
Available-for-sale equity investments		39,195	41,250
Deferred tax assets		7,303	1,049
Total non-current assets		8,442,511	7,464,454
CURRENT ASSETS			
Inventories		301,742	365,418
Properties under development for sales		771,570	153,460
Trade receivables	11	117,126	303,661
Prepayments, deposits and other receivables		313,962	223,654
Equity investments at fair value through profit or loss		690	560
Amounts due from minority shareholders	14	128,020	49,638
Cash and cash equivalents		2,747,788	3,508,530
Total current assets		4,380,898	4,604,921
CURRENT LIABILITIES			
Interest-bearing bank loans	12	2,111,008	2,049,504
Trade and notes payables	13	179,292	195,459
Other payables and accruals		1,672,122	1,153,978
Tax payable		68,038	105,766
Total current liabilities		4,030,460	3,504,707
NET CURRENT ASSETS		350,438	1,100,214
TOTAL ASSETS LESS CURRENT LIABILITIES		8,792,949	8,564,668

Condensed Consolidated Balance Sheet (continued)

30 June 2006

		30 June 2006 (Unaudited)	31 December 2005
	Notes	HK\$'000	HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		8,792,949	8,564,668
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	12	2,369,247	2,132,653
Deferred tax liabilities		138,686	130,117
Total non-current liabilities		2,507,933	2,262,770
Net assets		6,285,016	6,301,898
EQUITY			
Total equity attributable to equity holders of the parent			
Issued capital		124,843	124,121
Reserves	16	4,529,993	4,395,329
Proposed dividend	16	74,905	273,066
		4,729,741	4,792,516
Minority interests	16	1,555,275	1,509,382
Total equity		6,285,016	6,301,898

Consolidated Statement of Changes in Equity

Attributable to equity holders of the parent

	Notes	Available for-sale equity											Minority interests	Total equity		
		Issued share capital	Share premium account*	Capital reserve*	Share option reserve*	Share property revaluation reserve*	Investment revaluation reserve*	Asset revaluation reserve*	Statutory reserve*	Exchange fluctuation reserve*	Retained profits*	Proposed dividend			Total	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	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		124,121	1,495,348	-	43,089	-	223,180	43,665	(6,485)	536,692	2,362	1,176,147	74,472	3,712,591	1,375,590	5,088,181
As previously reported		-	-	-	-	-	(223,180)	-	-	-	223,180	-	-	-	-	-
Prior year adjustments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Opening adjustments		-	-	-	-	-	-	-	-	-	540,235	-	-	540,235	10,712	550,947
As restated		124,121	1,495,348	-	43,089	-	-	43,665	(6,485)	536,692	2,362	1,939,562	74,472	4,252,826	1,386,302	5,639,128
Changes in fair value of available-for-sale equity investments		-	-	-	-	-	-	-	(1,543)	-	-	-	-	(1,543)	33	(1,510)
Exchange realignment		-	-	-	-	-	-	-	-	-	(6,508)	-	-	(6,508)	(468)	(6,976)
Total income and expense for the period recognised directly in equity		-	-	-	-	-	-	-	(1,543)	-	(6,508)	-	-	(8,051)	(435)	(8,486)
Net profit for the period		-	-	-	-	-	-	-	-	-	203,226	-	-	203,226	97,530	300,756
Total income and expense for the period		-	-	-	-	-	-	-	(1,543)	-	(6,508)	203,226	-	195,175	97,095	292,270
Final 2004 dividend declared		-	-	-	-	-	-	-	-	-	-	(74,472)	(74,472)	-	-	(74,472)
Establishment of a subsidiary		-	-	-	-	-	-	-	-	-	-	-	-	2,815	2,815	-
Equity-settled share option arrangements	15	-	-	-	-	7,840	-	-	-	-	-	-	-	7,840	-	7,840
Share of reserves from associates		-	-	3,145	-	-	-	-	-	(1,195)	-	-	-	1,950	-	1,950
Disposal of associates		-	-	-	-	-	-	-	-	(1,480)	-	-	-	(1,480)	-	(1,480)
Interim 2005 dividend		-	-	-	-	-	-	-	-	-	(49,648)	49,648	-	-	-	-
Dividends paid to minority shareholders		-	-	-	-	-	-	-	-	-	-	-	-	-	(132,352)	(132,352)
Transfer from retained profits		-	-	-	-	-	-	-	-	34,962	-	(34,962)	-	-	-	-
At 30 June 2005 (unaudited)		124,121	1,495,348	-	46,234	7,840	-	43,665	(8,028)	571,654	(6,821)	2,058,178	49,648	4,381,839	1,355,860	5,735,699

Consolidated Statement of Changes in Equity (continued)

	Attributable to equity holders of the parent										Minority interests	Total equity		
	Issued share capital	Share premium account*	Share Capital redemption reserve*	Capital reserve*	Share option reserve*	Investment property revaluation reserve*	Asset revaluation reserve*	Available-for-sale equity investments revaluation reserve*	Statutory reserve*	Exchange fluctuation reserve*			Retained profits*	Proposed dividend
At 1 July 2005 (unaudited)	HK\$'000	1,495,348	-	46,234	7,840	-	43,665	(8,028)	571,654	(6,821)	49,648	4,381,839	1,353,860	5,735,699
Changes in fair value of available-for-sale equity investments	-	-	-	-	-	-	3,934	-	-	-	-	3,934	(144)	3,790
Exchange realignment	-	-	-	-	-	-	-	-	96,829	-	-	96,829	24,119	120,948
Total income and expense for the period recognised directly in equity	-	-	-	-	-	-	3,934	-	96,829	-	-	100,763	23,975	124,738
Net profit for the period	-	-	-	-	-	-	-	-	331,113	-	-	331,113	213,181	544,294
Total income and expense for the period	-	-	-	-	-	-	3,934	-	96,829	-	-	431,876	237,156	669,032
Equity-settled share option arrangements	-	-	-	-	8,960	-	-	-	-	-	-	8,960	-	8,960
Share of reserves from associates	-	-	-	(11)	-	-	-	-	19,500	-	-	19,489	8,276	27,765
Disposal of associates	-	-	-	(601)	-	-	-	(194)	-	-	795	-	-	-
Interim 2005 dividend declared	-	-	-	-	-	-	-	-	-	(49,648)	-	(49,648)	-	(49,648)
Proposed final 2005 dividend	-	-	-	-	-	-	-	-	-	(273,066)	273,066	-	-	-
Dividends paid to minority shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(89,910)	(89,910)
Transfer from retained profits	-	-	-	-	-	-	-	14,629	-	(14,629)	-	-	-	-
At 31 December 2005	1,241,121	1,495,348	-	45,622	16,800	-	43,665	(4,094)	586,089	109,508	2,102,391	273,066	4,792,516	6,301,898

Consolidated Statement of Changes in Equity (continued)

	Attributable to equity holders of the parent										Total equity HK\$'000				
	Issued share capital	Share premium account*	Capital redemption reserve*	Capital reserve*	Share option reserve*	Investment property revaluation reserve*	Asset investments revaluation reserve*	Statutory reserve*	Exchange fluctuation reserve*	Retained profits*		Proposed dividend	Minority interests		
Notes	HK\$'000	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 2006	124,121	1,495,348	-	45,622	16,800	-	43,665	(4,094)	586,089	109,508	2,102,391	273,066	4,792,516	1,509,382	6,301,898
Changes in fair value of available-for-sale equity investments	-	-	-	-	-	-	(1,365)	-	-	-	-	-	(1,365)	(887)	(2,252)
Exchange reassignment	-	-	-	-	-	-	-	-	-	45,637	-	-	45,637	19,238	64,875
Total income and expense for the period recognised directly in equity	-	-	-	-	-	-	(1,365)	-	-	45,637	-	-	44,272	18,351	62,623
Net profit for the period	-	-	-	-	-	-	-	-	-	-	77,088	-	77,088	108,192	185,280
Total income and expense for the period	-	-	-	-	-	-	(1,365)	-	-	45,637	77,088	-	121,360	126,543	247,903
Final 2005 dividend declared	-	-	-	-	-	-	-	-	-	-	(273,066)	(273,066)	-	-	(273,066)
Adjustment to prior year's final dividend	-	-	-	-	-	-	-	-	-	-	(2,233)	(2,233)	-	-	(2,233)
Issue of shares	1,015	27,245	-	-	(5,079)	-	-	-	-	-	-	-	23,181	-	23,181
Share issue expenses	(293)	(52)	-	-	-	-	-	-	-	-	-	-	(52)	-	(52)
Repurchase of own shares	-	-	293	-	-	-	-	-	-	-	(11,138)	-	(11,138)	-	(11,138)
Equity-settled share option arrangements	15	-	-	15,456	53,166	-	-	-	-	-	-	-	53,166	-	53,166
Share of reserves from associates	-	-	-	-	-	-	(955)	-	-	10,906	(74,905)	-	26,007	-	26,007
Interim 2006 dividend	-	-	-	-	-	-	-	-	-	-	-	74,905	-	-	74,905
Dividends paid to minority shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	(80,650)	(80,650)
Transfer from retained profits	-	-	-	-	-	-	-	38,520	-	-	(38,520)	-	-	-	-
At 30 June 2006 (unaudited)	124,843	1,522,541	293	61,078	64,887	-	43,665	(5,814)	624,609	166,051	2,052,683	74,905	4,729,741	1,555,275	6,285,016

* These reserve accounts comprise the consolidated reserves of HK\$4,529,993,000 (31 December 2005: HK\$4,395,329,000) in the consolidated balance sheet.

Condensed Consolidated Cash Flow Statement

For the six month ended 30 June 2006

	For the six months ended 30 June	
	2006	2005
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
CASH INFLOW FROM OPERATING ACTIVITIES	438,788	464,702
CASH OUTFLOW FROM INVESTING ACTIVITIES	(1,431,391)	(168,009)
CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	231,861	(70,456)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(760,742)	226,237
Cash and cash equivalents at beginning of period	3,508,530	3,384,560
CASH AND CASH EQUIVALENTS AT END OF PERIOD	2,747,788	3,610,797
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	2,747,788	3,610,797

Notes to Condensed Consolidated Financial Statements

1. Basis of Preparation and Accounting Policies

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

These condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2005.

The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2005.

2. Financial Risk Management

The Group’s principal financial instruments comprise bank loans, cash and short term deposits and equity investments. The main purpose of these financial instruments is to raise finance for the Group’s operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

2. Financial Risk Management (continued)

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group's investment in Mainland China is mainly through its subsidiaries and associates, which conduct business within Mainland China. Apart from interest payable, repayment of foreign currency loans obtained to finance their operations and any potential future dividend of its subsidiaries and associates may declare to its shareholders, its turnover, capitalised investments and expenses are denominated in Renminbi ("RMB"). The Group had not experienced any difficulties in obtaining government approval for its necessary foreign-exchange purchases. Assets and liabilities of the Group are mostly dominated in RMB and U.S. Dollars. As such, the Group has foreign exchange exposure to RMB and U.S. Dollars. During the year, the Group did not issue any foreign instruments for hedging purpose.

Credit risk

The Group trades only with recognised and creditworthy third parties except for the sales of properties, for which no credit is given to the customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and available-for-sale financial assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

2. Financial Risk Management (continued)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of short and long term bank loans.

3. Critical Accounting Estimates and Judgments

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

3. Critical Accounting Estimates and Judgments (continued)

Judgements (continued)

Income tax

Deferred tax is provided using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognised for unused tax losses carried forward to the extent that it is probable (i.e., more likely than not) that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at each balance sheet date and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the carry forward tax losses, the asset balance will be reduced and charged to the income statement.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

3. Critical Accounting Estimates and Judgments (continued)

Judgements (continued)

Classification between investment properties and owner-occupied properties (continued)

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimation of fair value of investment properties and available-for-sale investments

The best evidence of fair value is current prices in an active market for similar lease terms and other contracts. In the absence of such information, management determines the amount within a range of reasonable fair value estimates. In making its judgement, management considers information from (i) current prices in an active market for properties of different nature, conditions or locations by reference to available market information; (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of transactions that occurred at those prices; and (iii) discounted cash flow projections, based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rates for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of cash flows.

4. Segmental Information (continued)

	For the six months ended 30 June 2005								
	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	Total (Unaudited) HK\$'000
Segment revenue:									
Sales to external customers	178,611	142,059	132,455	75,693	183,102	-	-	22,444	734,364
Segment results before increase in fair value of investment properties	24,846	76,387	9,063	17,123	6,825	(466)	(22)	2,037	135,793
Increase in fair value of investment properties	-	127,530	-	-	-	-	-	-	127,530
Segment results after increase in fair value of investment properties	24,846	203,917	9,063	17,123	6,825	(466)	(22)	2,037	263,323
Investment income									41,630
Unallocated expenses									(43,725)
Finance costs									(79,788)
Share of profits/(losses) of associates	34,342	10,397	491	2,318	(20,789)	118,769	13,223	-	158,751
Tax									(39,435)
Profit for the period									300,756

5. Other Income and Gains

	For the six months ended 30 June	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Interest income	35,877	33,627
Rental income	12,539	14,053
Gain on disposal of associates	951	8,133
Others	29,044	10,503
	78,411	66,316

6. Finance Costs

	For the six months ended 30 June	
	2006	2005
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest on:		
Bank loans	111,492	95,398
Less: Amounts capitalised under properties development projects	(22,419)	(15,610)
	89,073	79,788

7. Profit before Tax

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

	For the six months ended 30 June	
	2006	2005
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Depreciation	30,867	34,496
Amortisation of intangible assets	885	1,456
Increase in fair value of investment properties	(120,012)	(127,530)
Gain on disposal of associates	(951)	(8,133)
Net loss on disposal of items of property, plant and equipment	2,099	499
Provision for doubtful debts	3,543	1,169

8. 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	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Group:		
Current – Hong Kong profits tax	–	–
Current – PRC corporate income tax	34,633	18,754
Deferred	2,558	20,681
Total tax charge for the period	37,191	39,435

Share of tax attributable to associates amounting to HK\$13,233,000 (six months ended 30 June 2005: HK\$25,200,000) is included in "Share of profits and losses of associates" on the face of the condensed consolidated income statement.

9. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of basic earnings per share for the period is based on the net profit attributable to equity holders of the parent of HK\$77,088,000 (six months ended 30 June 2005: HK\$203,226,000), and the weighted average number of 2,493,822,344 (six months ended 30 June 2005: 2,482,413,966) ordinary shares in issue during the period.

The calculation of diluted earnings per share for the period is based on the net profit attributable to equity holders of the parent of HK\$77,088,000. The weighted average number of ordinary shares used in the calculation is the 2,493,822,344 ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average of 56,781,185 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.

10. Dividend

At a meeting of the board of directors held on 15 September 2006, the directors resolved to pay an interim dividend to shareholders of HK3.00 cents per share (six months ended 30 June 2005: HK2.00 cents per share).

11. 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. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at balance sheet date, based on invoice date, net of provision for impairment, is as follows:

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 HK\$'000
Within 1 year	94,702	289,863
1 to 2 years	17,492	11,882
2 to 3 years	4,932	1,916
Total	117,126	303,661

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.

12. Interest-bearing Bank Loans

	Effective interest rate (%)	Maturity	30 June 2006 (Unaudited) HK\$'000	31 December 2005 HK\$'000
Current				
Secured	5.84 – 6.70	2006	41,779	50,922
Unsecured	4.49 – 6.84, LIBOR+0.55 – LIBOR+1.5, SIBOR+0.75	2006	2,069,229	1,998,582
			2,111,008	2,049,504
Non-current				
Unsecured	5.18 – 5.43, LIBOR+0.63 – LIBOR+0.85	2007 – 2009	2,369,247	2,132,653
			4,480,255	4,182,157
Analysed into:				
Bank loans repayable:				
Within one year			2,111,008	2,049,504
In the second year			776,910	542,857
In the third to fifth years, inclusive			1,592,337	1,589,796
			4,480,255	4,182,157

12. Interest-bearing Bank Loans (continued)

Certain of the Group's bank loans outstanding as at 30 June 2006 were secured by certain of the Group's properties under development with a net book value of approximately HK\$83,218,000 (31 December 2005: HK\$68,310,000) and certain of the Group's completed properties for sales with a net book value of approximately HK\$6,053,000 (31 December 2005: HK\$5,986,000).

Except for the bank loan equivalent to approximately HK\$2,611,631,000, which is denominated in United States dollars, all borrowings are in RMB.

13. Trade and Notes Payables

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

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 HK\$'000
Within 1 year	140,869	135,606
1 to 2 years	5,602	12,501
2 to 3 years	2,264	5,448
Over 3 years	30,557	41,904
Total	179,292	195,459

14. Amounts due from Minority Shareholders

The amounts due from minority shareholders at 30 June 2006 and 31 December 2005 are unsecured, interest-free and repayable within one year.

15. 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 any employee or director (including executive, non-executive and independent non-executive director) of any member of the Group, or any employee, partner or director of any business consultant, joint venture partner, financial adviser and legal adviser of and to any member of the Group, as absolutely determined by the board of directors. The Scheme became effective on 5 June 2002 and, unless otherwise cancelled or amended, shall be valid and effective for a period of 10 years from that date, after which period no further options will be issued but in all other respects the provisions of the Scheme shall remain in full force and effect. The remaining life of the Scheme as at 30 June 2006 was six years.

The period under which an option may be exercised will be determined by the board of 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 10th Anniversary of the date upon which the option is granted and accepted in accordance with the Scheme. Unless otherwise determined by the Board and specified in the offer letter at the time of the offer, there is no minimum period for which an option must be held before the option can be exercised.

The expense recognised in the condensed consolidated income statement for the share options granted during the period is HK\$53,166,000 (six months ended 30 June 2005: HK\$7,840,000).

16. Reserves

The amounts of the Group's reserves and the movements therein for the current and prior period are presented in the consolidated statement of changes in equity on pages 5 to 7 of the financial statements.

17. Capital Commitments

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 HK\$'000
Commitments in respect of acquisition of land and buildings, and development costs attributable to properties under development:		
Contracted, but not provided for	280,270	418,075

18. Contingent Liabilities

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

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 HK\$'000
(i) Guarantees for credit facilities granted to an associate	10,882	10,761

- (ii) At 30 June 2006, the Group has given guarantees to a maximum extent of approximately HK\$1,022,362,000 (31 December 2005: HK\$1,166,133,000) to banks for housing loans extended by the banks to the purchasers of the Group's properties.

18. 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 Holdings (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 entered into between the Plaintiff and Shumyip Shenzhen dated 8 July 1991, which include (i) Shumyip Shenzhen's deliberately registering the properties named 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.

19. Related Party Transactions

(a) Transactions with related parties

	Note	For the six months ended 30 June	
		2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Transactions with the holding company			
– Shum Yip Holdings			
Rental expenses paid	(i)	1,301	1,398
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.

(b) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2006 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000
Short-term employee benefits	3,196	1,343
Share-based payments	34,130	7,840
Total compensation paid to key management personnel	37,326	9,183

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 licence of Shum Yip Logistics, its term of business will expire on 20 December 2006. 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 2006 and net profit after minority interests for the six months ended 30 June 2006 represented approximately 9% (2005: 9%) and 25% (2005: 9%) of the consolidated net assets after minority interests of the Company as at 30 June 2006 and the consolidated net profit after minority interests of the Company for the six months ended 30 June 2006, 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. Post Balance Sheet Event

- (i) On 1 August 2006, the Company announced that on 29 July 2006, Shum Yip Investment (Shenzhen) Limited (“Shum Yip Investment”), a limited liability company established under the laws of the PRC and a wholly-owned subsidiary of the Company, entered into the Transfer and Capital Contribution Agreement with Xiamen Dongfang Jinlong Investment Co. Ltd., an independent third party and the sole shareholder of Hubei Huayin Traffic Development Company Limited (“Huayin Traffic”), a limited liability company established under the laws of the PRC to: (1) acquire the entire equity interest in the Huayin Traffic at an aggregate consideration of RMB661,879,500 (equivalent to HK\$636,423,000); and (2) pay capital in the amount of RMB590,700,000 (equivalent to HK\$567,981,000) to Huayin Traffic as capital reserve.

Details of this acquisition and the Transfer and Capital Contribution Agreement are set out in the Company’s circular dated 22 August 2006.

- (ii) On 28 August 2006, the Company, Shenzhen Energy (H.K.) International Limited (the “Purchaser”), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Shenzhen Energy Group, and Shenzhen Energy Group, a limited liability company established in the PRC, entered into a conditional agreement pursuant to which the Company has agreed to sell and the Purchaser has agreed to acquire the 19 B shares (“Sale Shares”) of US\$1.00 each in the issued capital of Newton Industrial Limited (“Newton”) at a consideration of RMB 840,594,100 (approximately HK\$815,377,000).

The Sale Shares, being a 55.88% shareholding in Newton represents the entire interest held by the Company in Newton. Newton in turn through its subsidiaries hold a 34% equity interest in Shenzhen Ma Wan Power Co., Ltd., a sino-foreign equity joint venture established in the PRC on 11 September 1989 with a joint venture period of 30 years, which operates two power plants in Shenzhen, the PRC.

Details of this disposal and the conditional agreement dated 28 August 2006 are set out in the Company’s announcement dated 28 August 2006.

22. Approval of Interim Financial Statements

These condensed interim financial statements were approved and authorised for issue by the Board of the Company on 15 September 2006.

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 2006 as set out on pages 2 to 26 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 which are being conducted between the Company and the other shareholders of a subsidiary of the Company (the "Subsidiary") on the extension of the term of business and potential business reorganisation or shareholding restructure of the Subsidiary. As at the date of this report, the directors of the Company 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 fail to reach an agreement on the extension of the term of business of the Subsidiary, certain adjustments against the carrying value of the assets and liabilities of the Subsidiary might be required. It is not possible to quantify the potential effects of the resolution of the uncertainty under current circumstances. Further details of the circumstances relating to uncertainty are described in note 20 to the financial statements. We consider that the fundamental uncertainty has been adequately disclosed in the 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 2006.

Ernst & Young

Certified Public Accountants

Hong Kong

15 September 2006

Management Discussion and Analysis

Business Review

In the first half of 2006, the Group recorded a turnover of HK\$739.5 million, which is comparable to that of the previous year. Its profit before tax amounted to HK\$222.5 million, representing a decrease of 35% compared with the same period of the previous year. Net profit attributable to shareholders was HK\$77.1 million, representing a decrease of 62% compared with the same period of the previous 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. With the impact of the development cycle, the area accounted for as turnover of property sites did fluctuate.

The total gross floor area involved in contracts of sale of the Group's property development subsidiaries amounted to 55,000 square metres, with the average selling price of the properties exceeding expectations. Among them, the Group recognised revenue from the sale of 19,000 square metres for the period, which were mainly generated from the sale of remaining units of completed properties. This realized a turnover of HK\$134.3 million, representing a decrease of 25% from the same period of the previous year. The average gross profit margin of property development recorded an increase of 4% over the same period of last year. As at 30 June 2006, the pre-sale of 36,000 square metres was contracted but not yet accounted for. The revenue from these pre-sales will be recognized accordingly around the second half of 2006 following completion and occupation of properties. The properties offered for pre-sale in the first half of the year mainly comprise commercial and residential properties such as Sea Pine Building and Business Space-time Centre. As the cost of such projects are comparatively low, it is expected that the gross profit margin will further increase during the second half of the year.

During the period, the gross floor area of sale of the Group's associated property development companies was 40,000 square metres. The attributable gross floor area of the Group was 9,000 square metres, contributing a profit of HK\$14 million to the Group.

Projects Under Development and Land Reserve

During the period, the Group had 10 projects under development with a total gross floor area of approximately 1,219,000 square metres. Three properties under development are currently under the pre-sale stage, involving a gross floor area of approximately 262,000 square metres. Another two properties with a total gross floor area of about 286,000 square metres will enter into pre-sale in the second half of the year. Going forward, the Company will make greater efforts in property development to accelerate returns of development fundings.

During the period, Shum Yip Holdings (Shenzhen) Co., Ltd., a wholly-owned subsidiary of the Group, acquired two land parcels at RMB1,030 million. The land parcels are located at Longgang, Shenzhen and Nancheng, Dongguan respectively, with a total gross floor area of 400,000 square metres. As at 30 June 2006, the Group's land reserve comprised a total gross floor area of 3,914,000 square metres, and an attributable gross floor area of 2,273,000 square metres.

Property Investment

During the period, benefited by the improvement in overall management standards, the Group's property investment business realized a rental income of HK\$159.7 million while maintaining an overall occupancy rate of over 90%. The rental income recorded an increase of 12% over the same period of the previous year. During the period, the Group's investment property portfolio reported a revaluation gain of HK\$120.0 million.

Shenzhen Shum Yip Logistics Group Holdings Co., Ltd (hereinafter referred to as "Shum Yip Logistics") was a subsidiary incorporated under the relevant laws of the PRC, being 51% owned by the Company. In accordance with its business license, the operation period of Shum Yip Logistics will expire on 20 December 2006. The Group is currently in negotiations with other shareholders on the extension of the operation period, possible business reorganization and shareholding structure of Shum Yip Logistics. The directors are of the opinion that the outcome of the negotiations with other shareholders of Shum Yip Logistics cannot be reliably ascertained at the current stage. Should the Group and other shareholders fail to reach an agreement on the extension of its operation period, Shum Yip Logistics might have to be liquidated pursuant to the provisions of the relevant PRC laws and regulations, in which case the carrying value of Shum Yip Logistics' assets and liabilities will have to make necessary adjustments.

Property Investment (continued)

As the Company is under continuous negotiations with other shareholders on the extension of the operation period, possible business reorganization and shareholding structure of Shum Yip Logistics, the directors consider that no adjustment is required against the carrying value of Shum Yip Logistics' assets and liabilities as at the reporting date.

Property Management

During the period, the income of the Group's property management business was HK\$164.3 million, representing an increase of 24% over the same period of the previous year.

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\$60.1 million to the Group, representing an increase of 18% over the same period of the previous year.

During the period, due to the overhauling of some of the generating units and increase in operating costs, Shenzhen Mawan Power Co., Ltd., an investment entity of the Group, contributed a net profit of HK\$33.0 million to the Group in the first half of the year, representing a decrease of 13% from the same period of the previous year.

Information Technology

During the period, Shenzhen Topway Video Communication Co., Ltd., in which the Group held a stake, further promoted the change of digital Set-top-boxes. With the promotion of new business and the rising of unit subscription fee, its operating results were satisfactory and the turnover increased by 63% over the same period of the previous year. Nevertheless, the company recorded a loss of HK\$112.8 million during the period due to the one-off amortization of the related costs of the purchase of Set-up-boxes amounting to HK\$210.0 million. As a result, the Group shared a loss of HK\$35.1 million in the period. According to the change of its business strategies, the Group is considering disposing of such stake at a reasonable price as and when appropriate.

Transportation Operations

During the first half of the year, the Group's transportation operations maintained a stable revenue despite the increase in operating costs. The turnover recorded an increase of 2% over the same period of the previous year.

Industrial Manufacturing

During the period, the industrial manufacturing arm of the Group achieved an operating income of HK\$159.3 million, representing a decrease of 13% from the same period of the previous year.

During the period, Shenzhen Seg-Hitachi, in which the Group has shareholding interests, recorded a loss of HK\$98.0 million, which is similar to that of the same period of the previous year. Accordingly, the Group had to share a loss of HK\$19.7 million. The Group is planning to dispose of such stake.

Financial Position

As at 30 June 2006, the Group had a sound financial position, with net assets after minority interests amounting to HK\$4,729.7 million, cash balance amounting to HK\$2,747.8 million, and total borrowings amounting to HK\$4,480.3 million (of which HK\$2,369.2 million was long-term borrowings). The ratio of net borrowings to net assets after minority interests was 36.63%.

The Group is in the process of arranging a syndicated loan of approximately US\$465 million for the repayment of maturing bank borrowings and for general working capital.

As the cash inflow of the Group's operating businesses is denominated in RMB, while assets held and liabilities assumed by the Group are mainly denominated in RMB and US Dollars. After the People's Bank of China announced on 21 July 2005 the implementation of a managed floating exchange rate system, the fluctuation of RMB exchange rates will have a positive impact on the Group's financial position in a short term. In addition, no instrument has been applied for hedging purpose during the period.

Capital Structure

During the period, the Company granted a total of 122,300,000 share options to directors and employees with an exercisable price of HK\$1.33 or HK\$2.165 each .

During the period, a total of 20,300,000 share options granted by the Company were exercised and 5,864,000 shares were repurchased.

As at 30 June 2006, the Company's share capital in issue was 2,496,849,966 shares (31 December 2005: 2,482,413,966 shares).

Headcount and Remuneration

As at 30 June 2006, the Group had a total of 9,418 employees, 36 of whom, mainly administration and finance staff, are based in Hong Kong whilst others are stationed in the PRC.

Employees of the Group are remunerated based on their individual performance, professional qualifications, experience in the industry and relevant market trends. The management of the Group regularly reviews its remuneration policy and appraises performance of its staff.

Employee's remunerations include salaries, allowances, medical insurance and mandatory provident fund. Depending on the performances of individual staff and the Group's results, employees may be granted bonus or share options under the Group's share option scheme.

Prospects

Since May 2006, the PRC Government had implemented a series of macroeconomic policies in order to ratify irrational factors in the domestic real estate market and irregularities in the real estate sector. We believe that the new macroeconomic policies will provide opportunities for enterprises with right corporate development strategies, good management standards and sound financial position in the long term, thus benefiting the continuous healthy development of the domestic real estate market.

Prospects (continued)

During the period, our results showed a decrease as compared with the same period of the previous year. This was not due to the macroeconomic policies against the real estate market imposed by the government since May 2006. There were two main reasons. The first one was that the Company strategically adjusted the progress of property development during the past few years, as we anticipated a satisfactory growth of future property price. Since these properties are under the development cycle, the Company's revenue was affected during the period. The second reason was that the worsening of the results arising from non-core assets under disposal lowered the profit contribution of associated companies.

We are still optimistic towards the profit growth of 2006 as well as the growth over the coming years. We are still targeting at maintaining a high net profit growth in the next three years.

At present, the Group has sufficient land reserve for future development for the next 5-7 years. The Group will spend more resources and efforts on projects development of its property arm, in order to maximize its return from property investment and to enhance the operating efficiency of the Group's assets. We are expecting to see the target gross floor area sales of our properties to be doubled in the coming two years.

Given a stable growth in toll road operations in recent years, Road King Infrastructure, in which the Group held a stake, has brought satisfactory investment return for the Group. Looking ahead, we expect that the toll revenue from this project will continue to increase steadily and the new real estate business will also bring us fruitful return.

In recent years, the management standard of investment properties under the Group has raised steadily. The continuously increasing rental income serves as another income source for the property business and has laid a foundation for the steady profit growth of the Group.

Prospects (continued)

On 29 July 2006, Shum Yip Investment (Shenzhen) Limited, a wholly-owned subsidiary of the Group, entered into an agreement with Xiamen Dongfang Jinglong Investment Co. Ltd. for the acquisition of the entire equity interests in Hubei Huayin Traffic Development Company Limited at a consideration of RMB661.9 million (equivalent to HK\$636.4 million) and a capital contribution of RMB590.7 million (equivalent to HK\$568.0 million). Pursuant to such acquisition, the Group acquired 91% equity interest in Hubei Jingdong Expressway Construction and Development Company Limited. Hubei Jingdong Expressway Construction and Development Company Limited owns and operates Jingdong Expressway, a closed system expressway of 63 kilometres which was open to traffic on 9 September 2006. The funding required for this acquisition and capital contribution was entirely financed by the Group's own funds.

On 28 August 2006, the Group and Shenzhen Energy Group entered into an agreement for the disposal and acquisition of 55.88% equity interests in Newton Industrial Limited. Newton Industrial Limited held a 34% equity in Shenzhen Ma Wan Power Co., Ltd. The Group agreed to sell its 55.88% of the shares held in Newton Industrial Limited at a consideration of RMB840.0 million. Upon the completion of the transaction, which corresponds to the completion of the disposal of 19% equity interests in Ma Wan Power, it is estimated that the transaction would bring a gain on disposal of HK\$371.0 million to the Group. The directors of the Company will propose to distribute such gain on disposal to all shareholders in the form of a special dividend.

In recent years, the Group has been actively implementing business development strategies with a focus on property and infrastructure in order to steadily develop the property business and enhance the infrastructure business. In the future, we will strive to exit from non-core businesses as soon as possible, striving to minimize the loss caused by non-core businesses and focus our resources on our core businesses of property and infrastructure development so as to boost the capital return level. Through the adoption of a high dividend policy, we aim to share the growth of the Company with shareholders.

Director's Interest in Shares

As at 30 June 2006, 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 ("Model Code") 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 Airmin	Beneficial owner	Beneficial interest	–	10,000,000	10,000,000	0.40
ZHANG Yijun	Beneficial owner	Beneficial interest	2,500,000	8,800,000	11,300,000	0.45
ZHAO Gesheng	Beneficial owner	Beneficial interest	–	4,000,000	4,000,000	0.16
XIAO Rihai	Beneficial owner	Beneficial interest	–	4,000,000	4,000,000	0.16
ZHAO Mingfeng (resigned on 7th September, 2006)	Beneficial owner	Beneficial interest	4,000,000	4,700,000	8,700,000	0.35
LIANG Kaiping	Beneficial owner	Beneficial interest	–	8,000,000	8,000,000	0.32
LIU Weijin	Beneficial owner	Beneficial interest	–	6,000,000	6,000,000	0.24
ZHANG Huaqiao	Beneficial owner	Beneficial interest	–	24,000,000	24,000,000	0.96
TAM Ping Lung	Beneficial owner	Beneficial interest	–	8,000,000	8,000,000	0.32
LEE Yip Wah, Peter	Beneficial owner	Beneficial interest	3,400,000	–	3,400,000	0.14
WU Jiesi	Beneficial owner	Beneficial interest	–	10,000,000	10,000,000	0.40
HU Zuoyuan	Beneficial owner	Beneficial interest	–	4,000,000	4,000,000	0.16

Director's Interest in Shares (continued)

Long positions in the shares and underlying shares of the Company (continued)

Name of director	Capacity	Nature of interests	Number of shares	Underlying shares pursuant to share options (Note)	Aggregate interests	Percentage of issued share capital
WONG Po Yan	Beneficial owner	Beneficial interest	3,400,000	–	3,400,000	0.14
WU Wai Chung, Michael	Beneficial owner	Beneficial interest	–	2,600,000	2,600,000	0.10
LI Wai Keung	Beneficial owner	Beneficial interest	5,300,000	1,400,000	6,700,000	0.27

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	500,000	0.08
ZHANG Yijun	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.

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 any employee or director (including executive, non-executive and independent non-executive director) of any member of the Group, or any employee, partner or director of any business consultant, joint venture partner, financial adviser and legal adviser of and to any member of the Group, as absolutely determined by the Board. 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 following share options were outstanding under the Scheme during the period:

	Number of share options						Price of Company's shares*					
	At 1 January 2006	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Other changes during the period	At 30 June 2006	Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$	At grant date of options HK\$	At exercise date of options HK\$
Directors												
HU Aimin	6,000,000	-	3,000,000	-	-	-	3,000,000	18/5/2005	18/5/2005 - 17/5/2010	1.088	-	1.350
	-	7,000,000	-	-	-	-	7,000,000	9/3/2006	9/3/2006 - 8/3/2011	1.330	1.390	-
ZHANG Yijun	5,000,000	-	2,500,000	-	-	-	2,500,000	18/5/2005	18/5/2005 - 17/5/2010	1.088	-	1.350
	-	6,300,000	-	-	-	-	6,300,000	9/3/2006	9/3/2006 - 8/3/2011	1.330	1.390	-
ZHAO Gesheng (appointed on 11/5/2006)	-	-	-	-	-	4,000,000 (Note 1)	4,000,000	9/3/2006	9/3/2006 - 8/3/2011	1.330	1.390	-
XIAO Rihai (appointed on 11/5/2006)	-	-	-	-	-	4,000,000 (Note 2)	4,000,000	9/3/2006	9/3/2006 - 8/3/2011	1.330	1.390	-
LIU Jianhua (resigned on 23/12/2005)	2,000,000	-	-	2,000,000 (Note 3)	-	-	-	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	-	2.300
ZHAO Mingfeng (resigned on 7/9/2006)	4,000,000	-	4,000,000	-	-	-	-	18/5/2005	18/5/2005 - 17/5/2010	1.088	-	1.350
	-	4,700,000	-	-	-	-	4,700,000	9/3/2006	9/3/2006 - 8/3/2011	1.330	1.390	-

Share Option Scheme (continued)

	Number of share options						Price of Company's shares*					
	At 1	Granted	Exercised	Lapsed	Cancelled	Other	At 30	Date of	Exercise	Exercise	At grant	At exercise
	January	during	during	during	during	changes	June	grant of	period of	price of	date of	date of
2006	the period	the period	the period	the period	during	2006	share	share	share	options	options	options
					the period					HK\$	HK\$	HK\$
LIANG Kaiping	4,000,000	-	-	-	-	-	4,000,000	18/5/2005	18/5/2005 - 17/5/2010	1.088	-	-
	-	4,000,000	-	-	-	-	4,000,000	9/3/2006	9/3/2006 - 8/3/2006	1.330	1.390	-
XU Ruixin (resigned on 11/5/2006)	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	-	-
	-	3,300,000	-	-	-	-	3,300,000	9/3/2006	9/3/2006 - 8/3/2011	1.330	1.390	-
ZHU Huoyang (resigned on 11/5/2006)	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	-	-
	-	3,300,000	-	-	-	-	3,300,000	9/3/2006	9/3/2006 - 8/3/2011	1.330	1.390	-
LIU Weijin (appointed on 11/5/2006)	-	-	-	-	-	2,000,000 (Note 4)	2,000,000	18/5/2005	18/5/2005 - 17/5/2010	1.088	-	-
	-	-	-	-	-	4,000,000 (Note 4)	4,000,000	9/3/2006	9/3/2006 - 8/3/2011	1.330	1.390	-
ZHANG Huaqiao (appointed on 11/5/2006)	-	-	-	-	-	24,000,000 (Note 5)	24,000,000	9/3/2006	9/3/2006 - 8/3/2011	1.330	1.390	-
TAM Ping Lung (appointed on 11/5/2006)	-	-	-	-	-	1,200,000 (Note 6)	1,200,000	3/7/2002	3/7/2002 - 2/7/2007	1.265	-	-
	-	-	-	-	-	2,800,000 (Note 6)	2,800,000	18/5/2005	18/5/2005 - 17/5/2010	1.088	-	-
	-	-	-	-	-	4,000,000 (Note 6)	4,000,000	9/3/2006	9/3/2006 - 8/3/2011	1.330	1.390	-
LEE Yip Wah, Peter	2,000,000	-	2,000,000	-	-	-	-	27/6/2002	27/6/2002 - 26/6/2007	1.265	-	2.725
	600,000	-	600,000	-	-	-	-	18/5/2005	18/5/2005 - 17/5/2010	1.088	-	2.725

Share Option Scheme (continued)

	Number of share options						At 30 June 2006	Date of grant of share options	Exercise period of share options	Price of Company's shares*		
	At 1 January 2006	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Other changes during the period				Exercise price of share options HK\$	At grant date of options HK\$	At exercise date of options HK\$
	-	800,000	800,000	-	-	-	-	9/3/2006	9/3/2006 - 8/3/2011	1.330	1.390	2.250
WU Jiesi (appointed on 11/5/2006)	-	3,333,333	-	-	-	-	3,333,333	29/5/2006	29/5/2006 - 28/5/2011	2.165	2.200	-
	-	3,333,333	-	-	-	-	3,333,333	29/5/2006	29/5/2007 - 28/5/2011	2.165	2.200	-
	-	3,333,334	-	-	-	-	3,333,334	29/5/2006	29/5/2008 - 28/5/2011	2.165	2.200	-
HU Zuoyuan	-	4,000,000	-	-	-	-	4,000,000	9/3/2006	9/3/2006 - 8/3/2011	1.330	1.390	-
WONG Po Yan	2,000,000	-	2,000,000	-	-	-	-	27/6/2002	27/6/2002 - 26/6/2007	1.265	-	2.175
	600,000	-	600,000	-	-	-	-	18/5/2005	18/5/2005 - 17/5/2010	1.088	-	2.175
	-	800,000	800,000	-	-	-	-	9/3/2006	9/3/2006 - 8/3/2011	1.330	1.390	2.150
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	-	-
	-	800,000	-	-	-	-	800,000	9/3/2006	9/3/2006 - 8/3/2011	1.330	1.390	-
LI Wai Keung	600,000	-	-	-	-	-	600,000	18/5/2005	18/5/2005 - 17/5/2010	1.088	-	-
	-	800,000	-	-	-	-	800,000	9/3/2006	9/3/2006 - 8/3/2011	1.330	1.390	-
	43,600,000	45,800,000	20,300,000	2,000,000	-	46,000,000	113,100,000					

Share Option Scheme (continued)

	Number of share options						At 30 June 2006	Date of grant of share options*	Exercise period of share options	Price of Company's shares*		
	At 1 January 2006	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Other changes during the period				Exercise price of share options HK\$	At grant date of options HK\$	At exercise date of options HK\$
Other employees												
In aggregate	2,000,000	-	-	-	-	-	2,000,000	27/6/2002	27/6/2002 - 26/6/2007	1.265	-	-
	16,400,000	-	-	-	-	(1,200,000) (Note 6)	15,200,000	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	-	-	1,000,000	-	(4,800,000) (Notes 4 & 6)	17,800,000	18/5/2005	18/5/2005 - 17/5/2010	1.088	-	-
	- 76,500,000	-	-	-	-	(40,000,000) (Notes 1, 2, 4 to 6)	36,500,000	9/3/2006	9/3/2006 - 8/3/2011	1.330	1.390	-
	63,000,000	76,500,000	-	2,000,000	-	(46,000,000)	91,500,000					
	106,600,000	122,300,000	20,300,000	4,000,000	-	- 204,600,000						

* 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.

Notes:

1. Mr. ZHAO Gesheng was formerly an employee of the Group and was appointed as a director of the Company on 11th May, 2006.
2. Mr. XIAO Rihai was formerly an employee of the Group and was appointed as a director of the Company on 11th May, 2006.
3. Mr. LIU Jianhua resigned as a director of the Company on 23rd December, 2005 and his share options lapsed on 23rd March, 2006.

Share Option Scheme (continued)

4. Mr. LIU Weijin was formerly an employee of the Group and was appointed as a director of the Company on 11th May, 2006.
5. Mr. ZHANG Huaqiao was formerly an employee of the Company and was appointed as a director of the Company on 11th May, 2006.
6. Mr. TAM Ping Lung was formerly an employee of the Company and was appointed as a director of the Company on 11th May, 2006.
7. On 9th February, 2006, a total of 9,500,000 share options were exercised at a price of HK\$1.088. These options were granted on 18th May, 2005. The weighted average closing price of the shares of the Company on 8th February, 2006 was HK\$1.340.
8. On 9th March, 2006, a total of 112,300,000 share options were granted to directors and certain employees of the Company which entitle the directors or employees to subscribe for shares of the Company at a price of HK\$1.330 each during the period from 9th March, 2006 to 8th March, 2011.
9. On 22nd March, 2006, a total of 4,000,000 share options were exercised at a price of HK\$1.088. These options were granted on 18th May, 2005. The weighted average closing price of the shares of the Company on 21st March, 2006 was HK\$1.990.
10. On 19th April, 2006, a total of 2,000,000 and 600,000 share options were exercised at a price of HK\$1.265 and HK\$1.088 respectively. These options were granted on 27th June, 2002 and 18th May, 2005. The weighted average closing price of the shares of the Company on 18th April, 2006 was HK\$2.775.
11. On 22nd May, 2006, a total of 2,000,000 and 600,000 share options were exercised at a price of HK\$1.265 and HK\$1.088 respectively. These options were granted on 27th June, 2002 and 18th May, 2005. The weighted average closing price of the shares of the Company on 19th May, 2006 was HK\$2.450.

Share Option Scheme (continued)

12. On 29th May, 2006, a total of 800,000 share options were exercised at a price of HK\$1.330. These options were granted on 9th March, 2006. The weighted average closing price of the shares of the Company on 26th May, 2006 was HK\$2.200.
13. On 29th May, 2006, a total of 10,000,000 share options were granted to a director of the Company which entitle the director to subscribe for (a) 3,333,333 shares of the Company at a price of HK\$2.165 each during the period from 29th May, 2006 to 28th May, 2011, (b) 3,333,333 shares of the Company at a price of HK\$2.165 each during the period from 29th May, 2007 to 28th May, 2011 and (c) 3,333,334 shares of the Company at a price of HK\$2.165 each during the period from 29th May, 2008 to 28th May, 2011.
14. On 5th June, 2006, a total of 800,000 share options were exercised at a price of HK\$1.330. These options were granted on 9th March, 2006. The weighted average closing price of the shares of the Company on 2nd June, 2006 was HK\$2.350.

No share options had been cancelled during the period.

The fair value of the share options granted during the period was HK\$53,166,000.

The fair value of equity-settled share options granted during the period was estimated as at the date of grant, using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the six months ended 30th June, 2006:

Dividend yield (%)	8%
Expected volatility (%)	56%
Risk-free interest rate (%)	4.47%/4.63%
Expected life of option (year)	5
Exercise price (HK)	1.330/2.165
Stock price on date of grant (HK)	1.390/2.200

Directors' Rights 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 2006, 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 of the Company

Name	Capacity	Number of shares	Percentage of shares of the Company in issue
Shum Yip Holdings Company Limited	Beneficial owner	1,401,123,966	56.12

Save as disclosed above, as at 30 June 2006, 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 has resolved to declare an interim dividend of HK3.00 cents per share for the six months ended 30 June 2006 (six months ended 30 June 2005: HK2.00 cents). The total amount of the dividend will be HK\$74,905,000 (six months ended 30 June 2005: HK\$49,648,000). The dividend will be payable on 27 October 2006 to shareholders whose names appear on the Register of Members on 20 October 2006.

Closure of Register of Members

The Register of Members of the Company will be closed from Wednesday, 18 October 2006, to Friday, 20 October 2006 (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, 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:00 p.m. on Tuesday, 17 October 2006.

Corporate Governance

During the six months ended 30 June 2006, the Company has complied with the code provisions of the Code on Corporate Governance Practices set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

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 2006.

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 during the six months ended 30th June, 2006.

Purchase, Sale or Redemption of The Company's Securities

During the six months ended 30 June 2006, the Company repurchased and subsequently cancelled the following shares of the Company on the Stock Exchange:

Date of Repurchase	Number of shares repurchased HK\$0.05 each	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate consideration paid HK\$
27/06/2006	5,864,000	1.90	1.86	11,105,780

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities during the six months ended 30 June 2006.

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, 15 September 2006