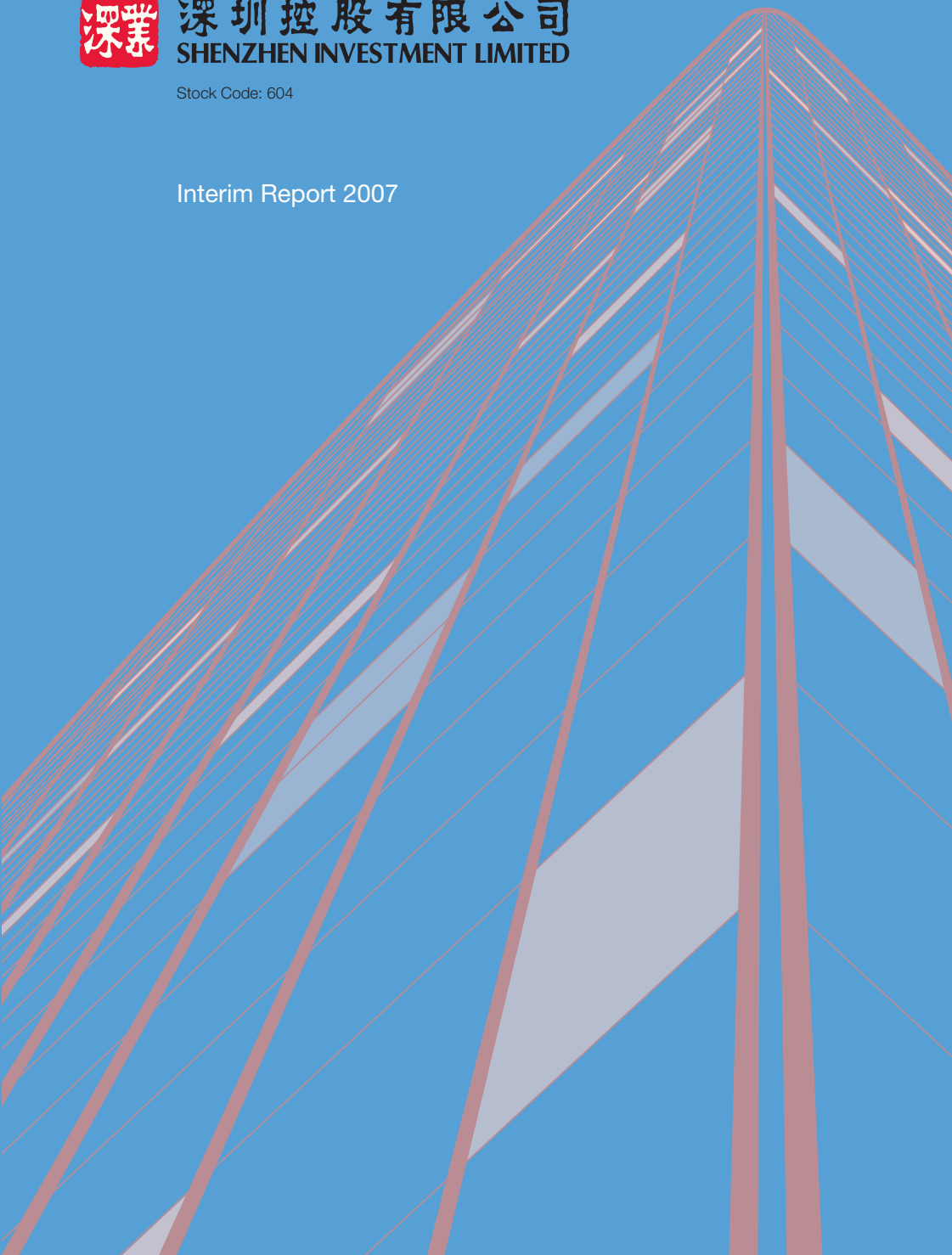




深圳控股有限公司  
SHENZHEN INVESTMENT LIMITED

Stock Code: 604

Interim Report 2007



## 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

Bank of China (Hong Kong) Ltd.  
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

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

### Website

<http://www.shenzheninvestment.com>

The board of directors (the “Directors”) of Shenzhen Investment Limited (the “Company”) present the interim condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2007 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.

## Interim Condensed Consolidated Income Statement

For the six months ended 30 June 2007

|  | Notes | For the six months<br>ended 30 June |                                 |
|--|-------|-------------------------------------|---------------------------------|
|  |       | 2007<br>(Unaudited)<br>HK\$'000     | 2006<br>(Unaudited)<br>HK\$'000 |
| <b>REVENUE</b>   |       | <b>913,052</b>                      | 580,500                         |
| Cost of sales  |       | <b>(426,354)</b>                    | (324,850)                       |
| Gross profit   |       | <b>486,698</b>                      | 255,650                         |
| Other income and gains                                       | 5     | <b>386,619</b>                      | 68,429                          |
| Increase in fair value of investment properties              |       | <b>452,903</b>                      | 120,012                         |
| Selling and distribution costs                               |       | <b>(23,093)</b>                     | (10,318)                        |
| Administrative expenses                                      |       | <b>(237,914)</b>                    | (144,672)                       |
| Other operating expenses                                     |       | <b>(65,528)</b>                     | (67,086)                        |
| Finance costs  | 6     | <b>(179,190)</b>                    | (85,942)                        |
| Share of profits and losses of associates                    |       | <b>186,178</b>                      | 138,684                         |
| <b>PROFIT BEFORE TAX</b>                                     | 7     | <b>1,006,673</b>                    | 274,757                         |
| Tax  | 8     | <b>(324,587)</b>                    | (36,064)                        |
| <b>PROFIT FOR THE PERIOD FROM<br/>CONTINUING OPERATIONS</b>  |       | <b>682,086</b>                      | 238,693                         |
| <b>DISCONTINUED OPERATIONS</b>                               |       |                                     |                                 |
| Profit/(loss) for the period from<br>discontinued operations | 9     | <b>152,933</b>                      | (53,413)                        |
| <b>PROFIT FOR THE PERIOD</b>                                 |       | <b>835,019</b>                      | 185,280                         |

# Interim Condensed Consolidated Income Statement (continued)

For the six months ended 30 June 2007

|   | Note | For the six months<br>ended 30 June |                                 |
|---|------|-------------------------------------|---------------------------------|
|   |      | 2007<br>(Unaudited)<br>HK\$'000     | 2006<br>(Unaudited)<br>HK\$'000 |
| <b>ATTRIBUTABLE TO:</b>   |      |                                     |                                 |
| Equity holders of the parent  |      | <b>701,084</b>                      | 77,088                          |
| Minority interests  |      | <b>133,935</b>                      | 108,192                         |
|   |      | <b>835,019</b>                      | 185,280                         |
| <b>EARNINGS PER SHARE ATTRIBUTABLE<br/>TO ORDINARY EQUITY HOLDERS<br/>OF THE PARENT</b> |      |                                     |                                 |
|   | 10   |                                     |                                 |
| Basic   |      |                                     |                                 |
| – For profit for the period   |      | <b>HK24.59 cents</b>                | HK3.09 cents                    |
| – For profit from continuing operations   |      | <b>HK19.57 cents</b>                | HK5.24 cents                    |
| Diluted   |      |                                     |                                 |
| – For profit for the period   |      | <b>HK23.72 cents</b>                | HK3.02 cents                    |
| – For profit from continuing operations   |      | <b>HK18.88 cents</b>                | HK5.12 cents                    |

## Interim Condensed Consolidated Balance Sheet

30 June 2007

|   | Notes | 30 June<br>2007<br>(Unaudited)<br>HK\$'000 | 31 December<br>2006<br>HK\$'000 |
|---|-------|--|---------------------------------|
| <b>NON-CURRENT ASSETS</b>   |       |  |                                 |
| Property, plant and equipment   |       | 3,440,263                                  | 3,435,323                       |
| Intangible assets   |       | 38,181                                     | 37,964                          |
| Prepaid land lease payments   |       | 3,874                                      | 3,803                           |
| Goodwill  |       | 199,130                                    | 195,932                         |
| Properties under development  |       | 3,923,356                                  | 2,288,385                       |
| Investment properties   |       | 3,249,491                                  | 3,083,941                       |
| Interests in associates   |       | 2,551,953                                  | 2,451,628                       |
| Available-for-sale investments  |       | 362,737                                    | 410,852                         |
| Deferred tax assets   |       | 178,847                                    | 25,495                          |
| Total non-current assets  |       | 13,947,832                                 | 11,933,323                      |
| <b>CURRENT ASSETS</b>   |       |  |                                 |
| Inventories   |       | 838,952                                    | 491,432                         |
| Properties under development for sales                                      |       | 289,414                                    | 238,054                         |
| Trade receivables   | 12    | 56,102                                     | 159,932                         |
| Prepayments, deposits and other receivables                                 |       | 424,793                                    | 617,290                         |
| Financial assets at fair value through profit or loss                       |       | 825,220                                    | 307,785                         |
| Amounts due from minority shareholders                                      | 15    | 4,615                                      | 48,613                          |
| Cash and cash equivalents   |       | 4,627,502                                  | 4,211,668                       |
|   |       | 7,066,598                                  | 6,074,774                       |
| Assets of a disposal group classified as held for sale                      | 9     | 191,455                                    | –                               |
| Interests in an associate classified as held for sale                       | 9     | –  | 125,845                         |
| Total current assets  |       | 7,258,053                                  | 6,200,619                       |
| <b>CURRENT LIABILITIES</b>  |       |  |                                 |
| Interest-bearing bank loans   | 13    | 3,074,043                                  | 1,876,557                       |
| Trade and notes payables  | 14    | 112,909                                    | 178,101                         |
| Other payables, receipts in advance and accruals                            |       | 1,990,364                                  | 2,252,416                       |
| Tax payable   |       | 341,031                                    | 157,023                         |
|   |       | 5,518,347                                  | 4,464,097                       |
| Liabilities directly associated with the assets classified as held for sale | 9     | 125,371                                    | –                               |
| Total current liabilities   |       | 5,643,718                                  | 4,464,097                       |
| <b>NET CURRENT ASSETS</b>   |       | <b>1,614,335</b>                           | <b>1,736,522</b>                |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                                |       | <b>15,562,167</b>                          | <b>13,669,845</b>               |

## Interim Condensed Consolidated Balance Sheet (continued)

30 June 2007

|  |       | <b>30 June<br/>2007<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2006<br>HK\$'000 |
|--|-------|--|---------------------------------|
|  | Notes |  |                                 |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                     |       | <b>15,562,167</b>                                    | 13,669,845                      |
| <b>NON-CURRENT LIABILITIES</b>                                   |       |  |                                 |
| Interest-bearing bank loans                                      | 13    | <b>6,711,962</b>                                     | 5,506,978                       |
| Deferred tax liabilities   |       | <b>625,896</b>                                       | 366,091                         |
| Total non-current liabilities                                    |       | <b>7,337,858</b>                                     | 5,873,069                       |
| Net assets   |       | <b>8,224,309</b>                                     | 7,796,776                       |
| <b>EQUITY</b>  |       |  |                                 |
| <b>Total equity attributable to equity holders of the parent</b> |       |  |                                 |
| Issued capital   |       | <b>149,086</b>                                       | 141,073                         |
| Reserves   | 17    | <b>6,825,691</b>                                     | 5,737,435                       |
| Proposed dividend  | 17    | <b>238,537</b>                                       | 564,008                         |
|  |       | <b>7,213,314</b>                                     | 6,442,516                       |
| <b>Minority interests</b>  | 17    | <b>1,010,995</b>                                     | 1,354,260                       |
| Total equity   |       | <b>8,224,309</b>                                     | 7,796,776                       |

## Interim Consolidated Statement of Changes in Equity

|   | Attributable to equity holders of the parent |                       |                            |                 |                      |                           |                           |  |                              |                  |                   |           |                    |              |
|---|--|-----------------------|----------------------------|-----------------|----------------------|---------------------------|---------------------------|--|------------------------------|------------------|-------------------|-----------|--------------------|--------------|
|   | Issued capital                               | Share premium account | Capital redemption reserve | Capital reserve | Share option reserve | Share revaluation reserve | Asset revaluation reserve | Available-for-sale investments revaluation reserve | Exchange fluctuation reserve | Retained profits | Proposed dividend | Total     | Minority interests | Total equity |
| Note  | 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 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 investments             | -  | -                     | -                          | -               | -                    | -                         | (1,365)                   | -  | -                            | -                | -                 | (1,365)   | (887)              | (2,252)      |
| Exchange realignment  | -  | -                     | -                          | -               | -                    | -                         | -                         | -  | 45,637                       | -                | -                 | 45,637    | 19,238             | 64,875       |
| Total income and expense for the year 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)         |
| Capital redemption  | (293)  | -                     | 293                        | -               | -                    | -                         | -                         | -  | -                            | (11,138)         | -                 | (11,138)  | -                  | (11,138)     |
| Equity-settled share option arrangements                            | 16   | -                     | -                          | -               | 53,166               | -                         | -                         | -  | -                            | -                | -                 | (11,138)  | -                  | (11,138)     |
| Share of reserves from associates                                   | -  | -                     | -                          | 15,456          | -                    | -                         | (355)                     | -  | 10,906                       | (74,905)         | -                 | 53,166    | -                  | 53,166       |
| Interim 2006 dividend   | -  | -                     | -                          | -               | -                    | -                         | -                         | -  | -                            | 74,905           | -                 | 26,007    | -                  | 26,007       |
| 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    |

# Interim Consolidated Statement of Changes in Equity (continued)

|   | Attributable to equity holders of the parent |                                   |                              |                             |                                  |                                       |                                       |   |  |                               | Total equity<br>HK\$'000 |  |                              |                               |                   |                                |
|---|--|-----------------------------------|------------------------------|-----------------------------|----------------------------------|---------------------------------------|---------------------------------------|---|--|-------------------------------|--------------------------|--|------------------------------|-------------------------------|-------------------|--------------------------------|
|   | Issued share capital<br>HK\$'000             | Share premium account<br>HK\$'000 | Share redemption<br>HK\$'000 | Capital reserve<br>HK\$'000 | Share option reserve<br>HK\$'000 | Share revaluation reserve<br>HK\$'000 | Asset revaluation reserve<br>HK\$'000 | Investments revaluation reserve<br>HK\$'000 | Available-for-sale investments revaluation reserve<br>HK\$'000 | Statutory reserve<br>HK\$'000 |                          | Exchange fluctuation reserve<br>HK\$'000 | Retained profits<br>HK\$'000 | Proposed dividend<br>HK\$'000 | Total<br>HK\$'000 | Minority interests<br>HK\$'000 |
| At 1 January 2007   | 141,023                                      | 2,396,850                         | 293                          | 74,898                      | 51,544                           | 43,665                                | 4,970                                 | 641,108                                     | 325,714  | 2,198,393                     | 564,008                  | 6,442,516                                | 1,354,260                    | 7,796,776                     |                   |                                |
| Changes in fair value of available-for-sale investments             | -  | -                                 | -                            | -                           | -                                | (26,426)                              | -                                     | -   | -  | -                             | (26,426)                 | -  | -                            | (26,426)                      | -                 | (26,426)                       |
| Exchange realignment  | -  | -                                 | -                            | -                           | -                                | -                                     | -                                     | 166,102                                     | -  | -                             | 166,102                  | -  | -                            | 166,102                       | -                 | 166,102                        |
| Total income and expense for the year recognised directly in equity | -  | -                                 | -                            | -                           | -                                | -                                     | (26,426)                              | -   | 166,102  | -                             | -                        | -  | -                            | 139,676                       | 32,114            | 171,790                        |
| Net profit for the period   | -  | -                                 | -                            | -                           | -                                | -                                     | -                                     | -   | 701,084  | -                             | 701,084                  | -  | -                            | 701,084                       | 133,995           | 835,079                        |
| Total income and expense for the period                             | -  | -                                 | -                            | -                           | -                                | -                                     | (26,426)                              | -   | 166,102  | -                             | 701,084                  | -  | -                            | 840,760                       | 166,049           | 1,006,809                      |
| Disposal of a group of assets                                       | -  | -                                 | -                            | -                           | -                                | -                                     | -                                     | -   | -  | -                             | -                        | -  | -                            | (427,273)                     | -                 | (427,273)                      |
| Adjustment to prior year's final dividend                           | -  | -                                 | -                            | -                           | -                                | -                                     | -                                     | -   | -  | -                             | (9,959)                  | -  | -                            | (9,959)                       | -                 | (9,959)                        |
| Final 2006 dividend declared  | -  | -                                 | -                            | -                           | -                                | -                                     | -                                     | -   | -  | -                             | (564,008)                | -  | -                            | (564,008)                     | -                 | (564,008)                      |
| Issue of shares   | 3,616  | 354,070                           | -                            | -                           | -                                | -                                     | -                                     | -   | -  | -                             | 357,686                  | -  | -                            | 357,686                       | -                 | 357,686                        |
| Share options exercised   | 4,397  | 125,118                           | -                            | -                           | (18,039)                         | -                                     | -                                     | -   | -  | -                             | 111,476                  | -  | -                            | 111,476                       | -                 | 111,476                        |
| Share issue expense   | -  | (137)                             | -                            | -                           | -                                | -                                     | -                                     | -   | -  | -                             | (137)                    | -  | -                            | (137)                         | -                 | (137)                          |
| Share options forfeited   | -  | -                                 | -                            | -                           | (300)                            | -                                     | -                                     | -   | -  | -                             | 300                      | -  | -                            | -                             | -                 | -                              |
| Equity-settled share option expenses                                | -  | -                                 | -                            | -                           | 9,662                            | -                                     | -                                     | -   | -  | -                             | -                        | -  | -                            | 9,662                         | -                 | 9,662                          |
| Share of reserves of associates                                     | -  | -                                 | -                            | 1,285                       | -                                | 498                                   | -                                     | -   | 36,698   | -                             | -                        | -  | -                            | 38,481                        | -                 | 38,481                         |
| Disposal of an associate  | -  | -                                 | -                            | (9,232)                     | -                                | -                                     | -                                     | -   | -  | -                             | -                        | -  | -                            | (9,232)                       | -                 | (9,232)                        |
| Interim 2007 dividend   | -  | -                                 | -                            | -                           | -                                | -                                     | -                                     | -   | -  | -                             | (238,537)                | -  | 238,537                      | -                             | -                 |                                |
| Dividends paid to minority shareholders                             | -  | -                                 | -                            | -                           | -                                | -                                     | -                                     | -   | -  | -                             | -                        | -  | -                            | (82,041)                      | -                 | (82,041)                       |
| Adjustment to prior year's deferred tax                             | -  | -                                 | -                            | -                           | -                                | (5,138)                               | 1,207                                 | -   | -  | -                             | -                        | -  | -                            | (3,931)                       | -                 | (3,931)                        |
| Transfer from retained profits                                      | -  | -                                 | -                            | -                           | -                                | -                                     | -                                     | 111,736                                     | -  | -                             | (111,736)                | -  | -                            | -                             | -                 | -                              |
| <b>At 30 June 2007 (unaudited)</b>                                  | <b>149,086</b>                               | <b>2,875,901*</b>                 | <b>293*</b>                  | <b>66,951*</b>              | <b>42,867*</b>                   | <b>39,025*</b>                        | <b>(20,249)*</b>                      | <b>752,844*</b>                             | <b>528,514*</b>  | <b>2,539,545*</b>             | <b>238,537</b>           | <b>7,413,314</b>                         | <b>1,010,995</b>             | <b>8,224,309</b>              |                   |                                |

\* These reserve accounts comprise the consolidated reserves of HK\$6,825,691,000 (31 December 2006: HK\$5,737,435,000) in the consolidated balance sheet.



## Interim Condensed Consolidated Cash Flow Statement

For the six month ended 30 June 2007

|   | For the six months<br>ended 30 June |                                 |
|---|-------------------------------------|---------------------------------|
|   | 2007<br>(Unaudited)<br>HK\$'000     | 2006<br>(Unaudited)<br>HK\$'000 |
| <b>CASH INFLOW FROM OPERATING ACTIVITIES</b>                    | <b>445,375</b>                      | 438,788                         |
| <b>CASH OUTFLOW FROM INVESTING ACTIVITIES</b>                   | <b>(2,147,880)</b>                  | (1,431,391)                     |
| <b>CASH INFLOW FROM FINANCING ACTIVITIES</b>                    | <b>2,118,339</b>                    | 231,861                         |
| <b>NET INCREASE/(DECREASE) IN CASH AND<br/>CASH EQUIVALENTS</b> | <b>415,834</b>                      | (760,742)                       |
| Cash and cash equivalents at beginning of period                | <b>4,211,668</b>                    | 3,508,530                       |
| <b>CASH AND CASH EQUIVALENTS AT<br/>END OF PERIOD</b>           | <b>4,627,502</b>                    | 2,747,788                       |

# Notes to Condensed Consolidated Financial Statement

## 1. Basis of Preparation and Accounting Policies

The unaudited interim 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.

The interim condensed consolidated financial statements does not include all the information and disclosures required in the financial statements, and should be read in conjunction with the annual financial statements for the year ended 31 December 2006.

## 2. Impact of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and interpretations)

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2006, except for the adoption of the new and revised HKFRSs as noted below.

|                    |   |
|--------------------|---|
| HKAS 1 Amendment   | Capital Disclosures   |
| HKFRS 7            | Financial Instruments: Disclosures  |
| HK(IFRIC) – Int 7  | Applying the Restatement Approach under HKAS 29<br>Financial Reporting in Hyperinflationary Economies |
| HK(IFRIC) – Int 8  | Scope of HKFRS 2  |
| HK(IFRIC) – Int 9  | Reassessment of Embedded Derivatives  |
| HK(IFRIC) – Int 10 | Interim Financial Reporting and Impairment  |

The adoption of the above new and revised standards and interpretations has had no material effect on the accounting policies of the Group and the methods of computation in the interim condensed financial statements.

### 3. Impact of Issued But not yet Effective HKFRSs

The Group has not applied the following new and revised HKFRSs relevant to the interim condensed consolidated financial statements that have been issued but are not yet effective.

|                     |                                       |
|---------------------|---------------------------------------|
| HKFRS 8             | Operating Segments                    |
| HK (IFRIC) – Int 11 | Group and Treasury Share Transactions |
| HK (IFRIC) – Int 12 | Service Concession Arrangements       |
| HKAS 23 (revised)   | Borrowing costs                       |

HKFRS 8 replacing HKAS 14 “Segmental Reporting” and will become effective for accounting periods beginning on or after 1 January 2009. The standard requires the disclosure of information about the operating segments of the Company, the products and services provided by the segments, the geographical areas which the Company operates, and revenues from the Company’s major customers.

HK (IFRIC) – Int 11, HK (IFRIC) – Int 12 and HKAS 23 (revised) shall be applied for annual periods beginning on or after 1 March 2007, 1 January 2008 and 1 January 2009, respectively.

#### 4. Segmental Information

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

| For the six months ended 30 June 2007                                  | Continuing operations   |                         |                         |                         |                           |                         |                         | Discontinued operations |                         |
|--|-------------------------|-------------------------|-------------------------|-------------------------|---------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
|  | Property development    | Property investment     | Property management     | Transportation services | Infrastructure investment | Others                  | Total                   | Manufacturing           | Consolidated            |
|  | (Unaudited)<br>HK\$'000 | (Unaudited)<br>HK\$'000 | (Unaudited)<br>HK\$'000 | (Unaudited)<br>HK\$'000 | (Unaudited)<br>HK\$'000   | (Unaudited)<br>HK\$'000 | (Unaudited)<br>HK\$'000 | (Unaudited)<br>HK\$'000 | (Unaudited)<br>HK\$'000 |
| <b>Segment revenue:</b>  |                         |                         |                         |                         |                           |                         |                         |                         |                         |
| Sales to customers   | 399,251                 | 152,668                 | 212,464                 | 79,358                  | 25,259                    | 44,052                  | 913,052                 | 129,197                 | 1,042,249               |
| Segment results before increase in fair value of investment properties | 183,294                 | 75,155                  | 7,743                   | 20,294                  | 7,928                     | (1,980)                 | 292,434                 | (3,030)                 | 289,404                 |
| Increase in fair value of investment properties                        | -                       | 452,903                 | -                       | -                       | -                         | -                       | 452,903                 | -                       | 452,903                 |
| Segment results after increase in fair value of investment properties  | 183,294                 | 528,058                 | 7,743                   | 20,294                  | 7,928                     | (1,980)                 | 745,337                 | (3,030)                 | 742,307                 |
| Interest income, dividend income and unallocated gains, net            |                         |                         |                         |                         |                           |                         | 315,254                 | 190,252                 | 505,506                 |
| Unallocated expenses   |                         |                         |                         |                         |                           |                         | (60,906)                | -                       | (60,906)                |
| Finance costs  |                         |                         |                         |                         |                           |                         | (179,190)               | (3,536)                 | (182,726)               |
| Share of profits and losses of associates                              | 47,058                  | 71,571                  | 1,464                   | 2,813                   | -                         | -                       | 122,906                 | -                       | 122,906                 |
| Unallocated share of profits of associates                             |                         |                         |                         |                         |                           |                         | 63,272                  | -                       | 63,272                  |
| Profit before tax  |                         |                         |                         |                         |                           |                         | 1,006,673               | 183,686                 | 1,190,359               |
| Tax  |                         |                         |                         |                         |                           |                         | (324,587)               | (30,753)                | (355,340)               |
| Profit for the period  |                         |                         |                         |                         |                           |                         | 682,086                 | 152,933                 | 835,019                 |

## 4. Segmental Information (continued)

| For the six months ended<br>30 June 2006   | Continuing operations                              |   |   |   |  | Discontinued operations                                 |                                   |                                  | Total<br>(Unaudited)<br>HK\$'000 |  |          |              |                |
|--|--|---|---|---|--|---|-----------------------------------|----------------------------------|----------------------------------|--|----------|--------------|----------------|
|  | Property<br>development<br>(Unaudited)<br>HK\$'000 | Property<br>investment<br>(Unaudited)<br>HK\$'000 | Property<br>management<br>(Unaudited)<br>HK\$'000 | Transportation<br>services<br>(Unaudited)<br>HK\$'000 | Manufacturing<br>(Unaudited)<br>HK\$'000 | Infrastructure<br>investment<br>(Unaudited)<br>HK\$'000 | Others<br>(Unaudited)<br>HK\$'000 | Total<br>(Unaudited)<br>HK\$'000 |                                  | Information<br>technology<br>(Unaudited)<br>HK\$'000 |          |              |                |
|  | 134,256  | 159,678   | 164,318   | 77,468  | 328                                      | -   | 44,452                            | 580,500                          |                                  | 158,964  |          |              |                |
| <b>Segment revenue:</b>  |  |   |   |   |  |   |                                   |                                  |                                  |  |          |              |                |
| Sales to customers   |  |   |   |   |  |   |                                   |                                  |                                  |  |          |              |                |
| Segment results before increase<br>in fair value of investment<br>properties         | 29,961   | 87,448  | 7,237   | 14,911  | (704)                                    | 349   | 1,797                             | 140,999                          | 5,353                            | -  | -        | 5,353        | 146,352        |
| Increase in fair value of<br>investment properties                                   | -  | 120,012   | -   | -   | -  | -   | -                                 | 120,012                          | -                                | -  | -        | -            | 120,012        |
| <b>Segment results after<br/>increase in fair value of<br/>investment properties</b> | <b>29,961</b>                                      | <b>207,460</b>                                    | <b>7,237</b>                                      | <b>14,911</b>   | <b>(704)</b>                             | <b>349</b>  | <b>1,797</b>                      | <b>261,011</b>                   | <b>5,353</b>                     | <b>-</b>   | <b>-</b> | <b>5,353</b> | <b>266,364</b> |
| Interest income, dividend<br>income and unallocated<br>gains, net                    |  |   |   |   |  |   |                                   | 39,488                           |                                  |  |          | 248          | 39,736         |
| Unallocated expenses   |  |   |   |   |  |   |                                   | (78,484)                         |                                  |  |          | -            | (78,484)       |
| Finance costs  |  |   |   |   |  |   |                                   | (85,942)                         |                                  |  |          | (3,131)      | (89,073)       |
| Share of profits and losses<br>of associates   | 13,687   | 1,121   | 1,293   | 3,406   | -  | 119,177   | -                                 | 138,684                          | (19,674)                         | (35,082)   | (54,756) | 83,928       | 83,928         |
| Profit before tax  |  |   |   |   |  |   |                                   | 274,757                          |                                  |  |          | (52,286)     | 222,471        |
| Tax  |  |   |   |   |  |   |                                   | (36,064)                         |                                  |  |          | (1,127)      | (37,191)       |
| Profit for the period  |  |   |   |   |  |   |                                   | 238,693                          |                                  |  |          | (53,413)     | 185,280        |

## 5. Other Income and Gains

|  | For the six months<br>ended 30 June |                                 |
|--|-------------------------------------|---------------------------------|
|  | 2007<br>(Unaudited)<br>HK\$'000     | 2006<br>(Unaudited)<br>HK\$'000 |
| Interest income  | 71,207                              | 35,763                          |
| Rental income  | 17,650                              | 11,329                          |
| Fair value gains, net:                                   |                                     |                                 |
| Financial assets at fair value through<br>profit or loss |                                     |                                 |
| Investments in securities                                | 62,404                              | –                               |
| Investment in convertible bonds                          | 150,673                             | –                               |
| Gain on disposal of associates                           | –                                   | 951                             |
| Gain on disposal of available-for-sale investments       | 5,942                               | –                               |
| Exchange gain  | 16,913                              | 1,673                           |
| Others   | 61,830                              | 18,713                          |
|  | <b>386,619</b>                      | 68,429                          |

## 6. Finance Costs

|  | For the six months<br>ended 30 June |                                 |
|--|-------------------------------------|---------------------------------|
|  | 2007<br>(Unaudited)<br>HK\$'000     | 2006<br>(Unaudited)<br>HK\$'000 |
| Interest on:   |                                     |                                 |
| Bank loans   | 240,537                             | 108,362                         |
| Less: Amounts capitalised under properties<br>development projects | (61,347)                            | (22,420)                        |
|  | <b>179,190</b>                      | 85,942                          |

## 7. Profit before Tax

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

|  | <b>For the six months<br/>ended 30 June</b> |             |
|--|---|-------------|
|  | <b>2007</b>                                 | 2006        |
|  | <b>(Unaudited)</b>                          | (Unaudited) |
|  | <b>HK\$'000</b>                             | HK\$'000    |
| Depreciation   | <b>36,996</b>                               | 25,570      |
| Amortisation of intangible assets  | <b>934</b>                                  | 885         |
| Increase in fair value of investment properties                          | <b>(452,903)</b>                            | (120,012)   |
| Gain on disposal of associates   | –   | (951)       |
| Net (gain)/loss on disposal of items of<br>property, plant and equipment | <b>(2,033)</b>                              | 2,099       |
| Provision for doubtful debts   | <b>2,435</b>                                | 3,543       |

## 8. Tax

Hong Kong profits tax in Hong Kong had not been provided in the financial statements as the Group did not derive any assessable profits in Hong Kong during the period. Taxes on profits assessable in Mainland China 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.

Land appreciation tax ("LAT") in Mainland China is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures.

## 8. Tax (continued)

|   | For the six months<br>ended 30 June |                         |
|---|-------------------------------------|-------------------------|
|   | 2007                                | 2006                    |
|   | (Unaudited)<br>HK\$'000             | (Unaudited)<br>HK\$'000 |
| Current – Mainland China corporate<br>income tax  | <b>98,715</b>                       | 33,506                  |
| Current – LAT in Mainland China                   | <b>201,520</b>                      | –                       |
| Deferred – Mainland China corporate<br>income tax | <b>134,100</b>                      | 2,558                   |
| Deferred – LAT in Mainland China                  | <b>(109,748)</b>                    | –                       |
| <b>Total tax charge for the period</b>            | <b>324,587</b>                      | 36,064                  |

Share of tax attributable to associates amounting to HK\$28,137,000 (six months ended 30 June 2006: HK\$19,888,000) is included in “Share of profits and losses of associates” on the face of the interim condensed consolidated income statement.

On 16 March 2007, the National People’s Congress approved the Corporate Income Tax Law of the People’s Republic of China (the “New CIT Law”), which will be effective from 1 January 2008. Under the New CIT Law, the corporate income tax rate applicable to domestic companies from 1 January 2008 will be decreased from 33% to 25% or progressively increased from 15% to 25% within 5 years. This unification in the corporate income tax rate will directly reduce or increase the Group’s effective tax rate prospectively from 2008. According to HKAS 12, the deferred tax assets and deferred tax liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. As a result, the temporary differences of the deferred tax assets and liabilities which are expected to be realised or settled after 1 January 2008 are measured at the tax rate of 25%.



## 8. Tax (continued)

At the date of approval of the interim condensed consolidated financial statements, detailed implementation and administrative requirements relating to the New CIT Law have yet to be announced. These detailed requirements include regulations concerning the computation of taxable income, as well as specific preferential tax treatments and their related transitional provisions. The Group will further evaluate the impact on its operating results and financial position of future periods as more detailed requirements are issued.

## 9. Discontinued operations

On 18 June 2007, the Group entered into contracts to dispose its entire equity interests in three subsidiaries, Shenzhen PJLD Securities Products Co., Ltd., Shenzhen Shum Yip Steel Centre Ltd. and Shenzhen Jinghua LCD Ltd. (collectively refer to as the “Disposal Group”). The Disposal Group engages in manufacturing and sale of industrial and commercial products and is a separate business segment of the Group’s operations. The Group has decided to cease its manufacturing business because it plans to focus its resources on its property development business. The disposal of the Disposal Group is expected to be completed before end of 2007. As at 30 June 2007, final negotiations for the sales were in progress and the Disposal Group was classified as a disposal group held for sale.

The Group has decided to dispose its entire 31.1% interest in Shenzhen Topway Video Communication Co., Ltd. (“Shenzhen Topway”), an associate of the Group established in Mainland China. Shenzhen Topway engages in the provision of cable TV and other communication network technology services in Shenzhen. On 22 December 2006, the transaction was published for public bidding in the Shenzhen Enterprise Ownership Exchange Centre and was completed in January 2007. The Group has entered into a contract to sell all its interests in Shenzhen Topway to Shenzhen Media Group Co., Ltd (the “SMG”), an independent third party incorporated in Mainland China. The disposal of Shenzhen Topway was completed as at 30 June 2007.

## 9. Discontinued operations (continued)

The results of the discontinued operation for the period are presented below:

|  | Manufacturing<br>For the six months<br>ended 30 June |                                 | Information Technology<br>For the six months<br>ended 30 June |                                 |
|--|--|---------------------------------|---|---------------------------------|
|  | 2007<br>(Unaudited)<br>HK\$'000                      | 2006<br>(Unaudited)<br>HK\$'000 | 2007<br>(Unaudited)<br>HK\$'000                               | 2006<br>(Unaudited)<br>HK\$'000 |
| Revenue  | <b>129,197</b>                                       | 158,964                         | –   | –                               |
| Cost of sales  | <b>(110,891)</b>                                     | (137,823)                       | –   | –                               |
| Other income and gains                                       | <b>3,946</b>   | 9,983                           | <b>190,131</b>  | –                               |
| Selling and distribution costs                               | <b>(9,980)</b>                                       | (8,463)                         | –   | –                               |
| Administrative expenses                                      | <b>(11,584)</b>                                      | (16,679)                        | –   | –                               |
| Other operating expenses                                     | <b>(3,597)</b>                                       | (381)                           | –   | –                               |
| Finance costs  | <b>(3,536)</b>                                       | (3,131)                         | –   | –                               |
| Share of profits and losses<br>of associates                 | –  | (19,674)                        | –   | (35,082)                        |
| Profit/(loss) before tax from<br>discontinued operations     | <b>(6,445)</b>                                       | (17,204)                        | <b>190,131</b>  | (35,082)                        |
| Tax  | <b>(168)</b>   | (1,127)                         | <b>(30,585)</b>   | –                               |
| Profit/(loss) for the period from<br>discontinued operations | <b>(6,613)</b>                                       | (18,331)                        | <b>159,546</b>  | (35,082)                        |

## 9. Discontinued operations (continued)

The major classes of assets and liabilities of the Disposal Group and interest in Shenzhen Topway were classified as held for sale as at the balance sheet date as follows:

|   | Manufacturing                              |                                 | Information Technology                     |                                 |
|---|--|---------------------------------|--|---------------------------------|
|   | 30 June<br>2007<br>(Unaudited)<br>HK\$'000 | 31 December<br>2006<br>HK\$'000 | 30 June<br>2007<br>(Unaudited)<br>HK\$'000 | 31 December<br>2006<br>HK\$'000 |
| <b>Assets</b>   |  |                                 |  |                                 |
| Fixed assets  | 55,173                                     | –                               | –  | –                               |
| Interests in associates   | 3,388                                      | –                               | –  | –                               |
| Cash and cash equivalents   | 31,047                                     | –                               | –  | –                               |
| Trade receivables   | 48,101                                     | –                               | –  | –                               |
| Prepayments, deposits and<br>other receivables                                    | 12,885                                     | –                               | –  | –                               |
| Inventories   | 40,861                                     | –                               | –  | –                               |
| Assets classified as<br>held for sale   | 191,455                                    | –                               | –  | –                               |
| Interests in an associate<br>classified as held for sale                          | –  | –                               | –  | 125,845                         |
| <b>Liabilities</b>  |  |                                 |  |                                 |
| Interest-bearing bank loans   | 35,506                                     | –                               | –  | –                               |
| Trade payables  | 25,756                                     | –                               | –  | –                               |
| Tax payable   | 1,017                                      | –                               | –  | –                               |
| Other payables, receipts in<br>advance and accruals                               | 63,092                                     | –                               | –  | –                               |
| Liabilities directly associated<br>with the assets classified<br>as held for sale | 125,371                                    | –                               | –  | –                               |
| Net assets directly associated  | 66,084                                     | –                               | –  | 125,845                         |

## 9. Discontinued operations (continued)

The net cash flows from the discontinued operations are as follows:

|                      | Manufacturing      |             | Information Technology |          |
|----------------------|--------------------|-------------|------------------------|----------|
|                      | For the six months |             | For the six months     |          |
|                      | ended 30 June      |             | ended 30 June          |          |
|                      | 2007               | 2006        | 2007                   | 2006     |
| (Unaudited)          | (Unaudited)        | (Unaudited) | (Unaudited)            |          |
|                      | HK\$'000           | HK\$'000    | HK\$'000               | HK\$'000 |
| Operating activities | <b>(7,005)</b>     | 77,959      | -                      | -        |
| Investing activities | <b>73,126</b>      | -           | <b>151,533</b>         | -        |
| Financing activities | <b>4,116</b>       | (74,077)    | -                      | -        |
| Net cash inflow      | <b>70,237</b>      | 3,882       | <b>151,533</b>         | -        |

|   | For the six months  |                |
|---|---------------------|----------------|
|   | ended 30 June       |                |
|   | 2007                | 2006           |
|   | (Unaudited)         | (Unaudited)    |
| Earnings/(loss) per share:                |                     |                |
| Basic, from the discontinued operations   | <b>HK5.02 cents</b> | (HK2.15 cents) |
| Diluted, from the discontinued operations | <b>HK4.84 cents</b> | (HK2.10 cents) |

## 9. Discontinued operations (continued)

The calculations of basic and diluted profit/(loss) per share amounts from the discontinued operations are based on:

|  | For the six months<br>ended 30 June |                  |
|--|-------------------------------------|------------------|
|  | 2007                                | 2006             |
| Profit/(loss) for the period from discontinued operations  | <b>HK\$152,933,000</b>              | HK\$(53,413,000) |
| Results attributable to minority interests   | <b>HK\$(9,802,000)</b>              | HK\$(116,000)    |
| Profit/(loss) attributable to ordinary equity holders of the parent from the discontinued operations                 | <b>HK\$143,131,000</b>              | HK\$(53,529,000) |
| Weighted average number of ordinary shares in issue during the period used in the basic profit per share calculation | <b>2,850,743,335</b>                | 2,493,822,344    |
| Weighted average number of ordinary shares used in the diluted profit per share calculation                          | <b>2,955,485,319</b>                | 2,550,603,529    |

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

The calculation of basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the period.

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

## 10. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent (continued)

The calculations of basic and diluted earnings per share amounts are based on:

|   | Note | For the six months<br>ended 30 June |                  |
|---|------|-------------------------------------|------------------|
|   |      | 2007<br>HK\$'000                    | 2006<br>HK\$'000 |
| <b>Earnings</b>   |      |                                     |                  |
| Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation |      |                                     |                  |
| From continuing operations  |      | <b>557,953</b>                      | 130,617          |
| From discontinued operations  | 9    | <b>143,131</b>                      | (53,529)         |
|   |      | <b>701,084</b>                      | 77,088           |

|  |  | For the six months<br>ended 30 June |               |
|--|--|-------------------------------------|---------------|
|  |  | 2007                                | 2006          |
| <b>Shares</b>  |  |                                     |               |
| Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation |  | <b>2,850,743,335</b>                | 2,493,822,344 |
| Effect of dilution – weighted average number of ordinary shares:   |  |                                     |               |
| Share options  |  | <b>104,741,984</b>                  | 56,781,185    |
|  |  | <b>2,955,485,319</b>                | 2,550,603,529 |

## 11. Dividend

At a meeting of the board of directors held on 11 September 2007, the directors resolved to pay an interim dividend to shareholders of HK8.00 cents per share (six months ended 30 June 2006: HK3.00 cents per share).

## 12. 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:

|                    | <b>30 June<br/>2007<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2006<br>HK\$'000 |
|--------------------|--|---------------------------------|
| Within one year    | <b>51,652</b>  | 147,903                         |
| One to two years   | <b>4,301</b>   | 11,921                          |
| Two to three years | <b>149</b>   | 108                             |
| <b>Total</b>       | <b>56,102</b>  | 159,932                         |

## 13. Interest-bearing Bank Loans

|  | Effective<br>interest<br>rate (%) | Maturity  | 30 June<br>2007<br>(Unaudited)<br>HK\$'000 | 31 December<br>2006<br>HK\$'000 |
|--|-----------------------------------|-----------|--|---------------------------------|
| <b>Current</b>                         |                                   |           |  |                                 |
| Secured                                | 5.841%                            | 2007      | <b>8,215</b>                               | 17,941                          |
|  | 4.1850%-6.7320%,<br>LIBOR+1%,     |           |  |                                 |
| Unsecured                              | HIBOR+0.48%                       | 2007-2008 | <b>3,065,828</b>                           | 1,858,616                       |
|  |                                   |           | <b>3,074,043</b>                           | 1,876,557                       |
| <b>Non-current</b>                     |                                   |           |  |                                 |
| Secured                                | 5.751%-6.8400%                    | 2008-2020 | <b>1,731,353</b>                           | 1,610,667                       |
|  | 4.5225%-6.7500%,                  |           |  |                                 |
| Unsecured                              | LIBOR+0.48%                       | 2008-2011 | <b>4,980,609</b>                           | 3,896,311                       |
|  |                                   |           | <b>6,711,962</b>                           | 5,506,978                       |
|  |                                   |           | <b>9,786,005</b>                           | 7,383,535                       |
| <b>Analysed into:</b>                  |                                   |           |  |                                 |
| <b>Bank loans repayable:</b>           |                                   |           |  |                                 |
| Within one year                        |                                   |           | <b>3,074,043</b>                           | 1,876,557                       |
| In the second year                     |                                   |           | <b>1,417,122</b>                           | 279,076                         |
| In the third to fifth years, inclusive |                                   |           | <b>3,655,908</b>                           | 3,637,169                       |
| Beyond five years                      |                                   |           | <b>1,638,932</b>                           | 1,590,733                       |
|  |                                   |           | <b>9,786,005</b>                           | 7,383,535                       |



### 13. Interest-bearing Bank Loans (continued)

- (a) Bank loans amounting to HK\$1,739,568,000 (31 December 2006: HK\$1,628,608,000) were secured by:
- (i) certain of the Group's properties under development with a net book value of approximately HK\$364,979,000 (31 December 2006: HK\$122,737,000 and land and buildings with an aggregate value of approximately HK\$5,730,000);
  - (ii) certain of the Group's completed properties for sale with a net book value of approximately HK\$3,230,000 (31 December 2006: HK\$6,209,000); and
  - (iii) the ownership of Jingdong Expressway. The net book value of Jingdong Expressway was approximately HK\$3,016,253,000 (31 December 2006: HK\$2,913,082,000).
- (b) Except for the bank loan equivalent to approximately HK\$3,835,370,000, which is denominated in United States dollars, all borrowings are in Renminbi ("RMB").

### 14. Trade and Notes Payables

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

|                    | <b>30 June<br/>2007<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2006<br>HK\$'000 |
|--------------------|--|---------------------------------|
| Within one year    | <b>73,816</b>  | 121,078                         |
| One to two years   | <b>3,381</b>   | 6,642                           |
| Two to three years | <b>2,616</b>   | 3,069                           |
| Over three years   | <b>33,096</b>  | 47,312                          |
| <b>Total</b>       | <b>112,909</b>                                       | 178,101                         |

## 15. Amounts due from Minority Shareholders

The amounts due from minority shareholders at 30 June 2007 are unsecured, interest-free and repayable within one year.

## 16. 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 2007 was five 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.

20,000,000 share options were granted to a director during the current period with vesting period of 3 years. The fair value of the share options granted during the period was HK\$16,857,000, of which HK\$9,662,000 (six months ended 30 June 2006: HK\$53,166,000) was charged to current period's condensed consolidated income statement as expenses.

## 17. Reserves

The amounts of the Group's reserves and the movements therein for the current and prior period are presented in the condensed consolidated statement of changes in equity on pages 6 to 7 of the financial statements.

## 18. Capital Commitments

|  | <b>30 June<br/>2007<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2006<br>HK\$'000 |
|--|--|---------------------------------|
| Commitments in respect of acquisition of land and buildings, and development costs attributable to properties under development: |  |                                 |
| Contracted, but not provided for   | <b>4,445,007</b>                                     | 268,075                         |

## 19. Contingent Liabilities

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

|  | <b>30 June<br/>2007<br/>(Unaudited)<br/>HK\$'000</b> | 31 December<br>2006<br>HK\$'000 |
|--|--|---------------------------------|
| (i) Guarantees for credit facilities granted to: |  |                                 |
| Associates                                       | <b>7,086</b>   | 6,877                           |
| A third party                                    | –  | 19,934                          |
|  | <b>7,086</b>   | 26,811                          |

## 19. Contingent Liabilities (continued)

- (ii) At 30 June 2007, the Group has given guarantees to a maximum extent of approximately HK\$747,983,000 (31 December 2006: HK\$678,246,000) to banks for housing loans extended by the banks to the purchasers of the Group's properties.

Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The Group's guarantee period commences from the dates of grant of the relevant mortgage loans and ends after the buyer obtained the individual property ownership certificate or up to a maximum of two years after the full repayment of mortgaged loan by the purchasers of the Group's properties.

The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty and therefore no provision has been made in connection with the guarantees.

### *(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.

## 19. Contingent Liabilities (continued)

### *(iii) Pending litigation* (continued)

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.

## 20. Related Party Transactions

### (a) Transactions with related parties

|                                       | Note | For the six months<br>ended 30 June |                                 |
|---------------------------------------|------|-------------------------------------|---------------------------------|
|                                       |      | 2007<br>(Unaudited)<br>HK\$'000     | 2006<br>(Unaudited)<br>HK\$'000 |
| Transactions with the holding company |      |                                     |                                 |
| – Shum Yip Holdings                   |      |                                     |                                 |
| Rental expenses paid                  | (i)  | <b>913</b>                          | 1,301                           |

Note:

- (i) The rentals were determined by the directors with reference to the market prices of similar transactions.

### (b) Compensation of key management personnel of the Group

|   | For the six months<br>ended 30 June |                                 |
|---|-------------------------------------|---------------------------------|
|   | 2007<br>(Unaudited)<br>HK\$'000     | 2006<br>(Unaudited)<br>HK\$'000 |
| Short-term employee benefits                        | <b>4,199</b>                        | 3,196                           |
| Share-based payments                                | <b>9,662</b>                        | 34,130                          |
| Total compensation paid to key management personnel | <b>13,861</b>                       | 37,326                          |

## 21. Post Balance Sheet Event

- (i) On 26 June 2007, the Group entered into a letter of intent to dispose of its entire interest in Shenzhen Gaofa Investment Holding Company Limited (“Shenzhen Gaofa”), an associate as at 30 June 2007, to an independent third party. The disposal of Shenzhen Gaofa is subjected to various conditions and expected to be completed by end of 2007. Up to date of this report, certain conditions were not yet satisfied.
- (ii) On 19 July 2007, a Master Framework Agreement was entered into in respect of the proposed disposal of the entire equity interest in Shenzhen Ya Bao Property Development Company Limited (“Shenzhen Ya Bao”) to Shenzhen Fangzhong Investment Development Company Limited, an independent third party. The final consideration of the disposal is subjected to the result of a public bidding, which can not be estimated up to date of this report. On 20 July 2007, a deposit of RMB400,000,000 (equivalent to approximately HK\$410,760,000) was received.
- (iii) On 23 July 2007, the Company has exercised the conversion right in respect of the convertible bonds with a nominal value of US\$40,000,000 issued by Coastal Greenland Limited (“Coastal Greenland”). 443,862,857 ordinary shares of HK\$0.10 each of Coastal Greenland were allotted and issued to the Company upon conversion at a conversion price of HK\$0.7 per share. The 443,862,857 ordinary shares represent approximately 16.1% of the enlarged issued share capital of Coastal Greenland. Upon completion of the conversion, the percentage of the Company’s ownership interest in Coastal Greenland will be increased from 7.00% to 21.96%.
- (iv) On 24 July 2007, Shum Yip Holdings, the Company and a placing agent entered into the Placing and Subscription Agreement pursuant to which the placing agent agreed to place 200,000,000 of the Company’s shares at a price of HK\$6.56 per share to independent investors. While Shum Yip Holdings agreed to subscribe, and the Company agreed to allot and issue 200,000,000 of its shares to Shum Yip Holdings at a price of HK\$6.56 per share.

## 21. Post Balance Sheet Event (continued)

- (v) On 30 April 2007, the Company through its wholly-owned subsidiary entered into share transfer agreements with the shareholders of 深圳市碧海紅樹投資發展有限公司, 深圳市紅鷹園投資發展有限公司, 深圳市路泰來實業發展有限公司, 深圳市望達欣實業發展有限公司 and 深圳市振祿源投資發展有限公司 (the "SPVs"), in respect of the acquisitions of certain equity interests in the SPVs. The SPVs hold in aggregate 26% equity interest in Shenzhen Terra (Holdings) Company Limited ("Terra"), a subsidiary of the Company.

The Company has subsequently paid the first and the second payments of the considerations of approximately RMB368,789,000 (approximately HK\$378,709,000) in total on 10 July 2007 and 30 July 2007 respectively.

Upon completion of the acquisitions, the Group's equity interest in Terra will be increased to 75.05%

Details of the acquisitions were set out in the Company's circular dated 25 May 2007.

## 22. Comparative Amounts

The comparative condensed consolidated income statement has been restated as if the operations discontinued during the current period had been discontinued at the beginning of the comparative period (note 9).

## 23. Approval of Interim Condensed Consolidated Financial Statements

These interim condensed consolidated financial statements were approved and authorised for issue by the Board of the Company on 11 September 2007.



# Report on Review of Interim Financial Information

To the Board of Directors

## **Shenzhen Investment Limited**

(Incorporated in Hong Kong with limited liability)

### **Introduction**

We have reviewed the interim financial information set out on pages 2 to 31 which comprises the condensed consolidated balance sheet of Shenzhen Investment Limited as at 30 June 2007 and the related condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made 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 this report.

### **Scope of review**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

### **Ernst & Young**

*Certified Public Accountants*

18/F, Two International Finance Centre

8 Finance Street, Central

Hong Kong

11 September 2007

# Management Discussions and Analyses

## Business review

In the first half of 2007, the Group's turnover reached HK\$913.1 million, representing an increase of 57.3% over the same period last year. Profit before tax amounted to HK\$1,006.7 million, representing an increase of 266.4% over the same period last year. Net profit attributable to shareholders was HK\$701.1 million, representing a rise of 809.5% as compared with the same period last year. Net profit attributable to shareholders, if the change in fair value of investment property and the effects of the relevant deferred tax were excluded, would amount to HK\$421.7 million, as compared with HK\$7.5 million over the same period last year.

## Property development

During the period, the total completed area of property of the Group amounted to 137,000 square meters, of which 95,000 square meters were attributable to our subsidiaries. Share of the total completed area of property interests of our associates (excluding Road King Infrastructure Limited and Coastal Greenland Limited) amounted to 42,000 square meters.

As most of the units expected to be recognized in this year will be delivered in the second half of this year, the total area recognized under the subsidiaries of the Group in the period, which amounted to 95,000 square meters, represents sales of remaining units. Among the above area, 25,000 square meters were transferred to our investment property portfolio, and the rest (70,000 square meters) were sold externally. Sales revenue was HK\$399.3 million, up 197.4% from the same period last year. Our average gross profit margin was 70%, 26 percentage points higher than the same period last year. The increase was not attributable to any special or one-off factor. As of 30 June 2007, the gross floor area of Shumyip Coast Phase II, which was contracted for pre-sale but has not yet been accounted for, was approximately 85,000 square meters, the contract value of which amounted to HK\$873.6 million. Such pre-sale income will be recognised in the second half of the year.

## Property under construction and land reserves

During the period, the Group's 13 property projects under construction with a total gross floor area of 1,355,000 square meters progressed on schedule. Seven of these projects with a total gross floor area of 703,000 square meters, will commence pre-sale in the second half of the year.

Currently, the Group has relatively sufficient land resources in major cities of the Pearl River Delta and central China with a total gross floor area of approximately 14,344,000 square meters, of which 10,148,000 square meters are attributable to the Group. These figures do not include the Group's attributable portions in Coastal Greenland and Road King, amounting to 1,035,000 square meters and 1,467,000 square meters, respectively. Among the additional land reserve obtained during 2007 with a total gross floor area of 7,345,000 square meters, 6,082,000 square meters are attributable to the Group.

**Table of Land Reserve by Location (including projects in progress)**

| Provinces    | Cities    | Attributable      |                   | Percentage    |
|--------------|-----------|-------------------|-------------------|---------------|
|              |           | GFA<br>sqm        | GFA<br>sqm        |               |
| Guangdong    | Shenzhen  | 2,326,452         | 1,738,377         | 17.1%         |
|              | Huizhou   | 1,457,917         | 1,435,487         | 14.2%         |
|              | Dongguan  | 2,560,318         | 1,011,362         | 10.0%         |
|              | Panyu     | 488,118           | 183,044           | 1.8%          |
|              | Nanhai    | 291,979           | 109,492           | 1.1%          |
|              | Foshan    | 1,572,737         | 1,572,737         | 15.5%         |
|              | Heyuan    | 1,530,000         | 1,530,000         | 15.1%         |
| Hubei        | Wuhan     | 509,918           | 348,117           | 3.4%          |
| Hunan        | Changsha  | 993,749           | 794,999           | 7.8%          |
| Anhui        | Chaohu    | 162,100           | 129,680           | 1.3%          |
| Jiangsu      | Taicang   | 850,000           | 318,750           | 3.1%          |
|              | Changzhou | 718,437           | 269,414           | 2.6%          |
|              | Taizhou   | 627,103           | 627,103           | 6.2%          |
| Liaoning     | Shenyang  | 255,380           | 79,575            | 0.8%          |
| <b>Total</b> |           | <b>14,344,208</b> | <b>10,148,137</b> | <b>100.0%</b> |

## Table of Land Reserve by Location (including projects in progress) (continued)

In Huizhou, Guangdong Province, we signed a framework agreement with Huidong County Government to jointly develop a 17-square-kilometer coastal resort. In Taizhou City, Jiangsu Province, we signed another framework agreement with the city government to jointly develop a 12-square-kilometer new city centre. The respective joint ventures will build infrastructure in these two places by connecting the landsites to supplies of electricity, water and telecoms. In some cases, the work involves building a road loop. Once the land is developed and auctioned off, we will split the profit with the governments. This business model involves less capex and less risk-taking on our part, and enhances our probability of eventually securing land reserves. On a risk-adjusted basis, we think this business model is highly attractive.

### Property investment

During the period, the Group's property investment business remained on a steady upward track, recording a rental income of HK\$152.7 million (similar to the corresponding period last year) despite a significant reduction in the total area of our investment property portfolio from approximately 932,000 square meters in the beginning of the year to approximately 700,000 square meters due to the splitting off of a subsidiary during the period. During the period, revaluation gain of our investment property amounted to HK\$452.9 million. Such gain has been included in the profit of the period.

## Returns of Property Investment

|  | <b>As at<br/>30 June<br/>2007</b>                    | As at<br>30 June<br>2006          | As at<br>31 December<br>2006      |
|--|--|-----------------------------------|-----------------------------------|
| Total gross floor area (sqm)                                 | <b>702,609</b>                                       | 919,905                           | 932,823                           |
| Attributable gross floor (sqm)                               | <b>543,841</b>                                       | 631,486                           | 673,312                           |
| Fair value of investment property (HK\$'000)                 | <b>3,249,491</b>                                     | 2,871,046                         | 3,083,941                         |
| Total assets of the Group (HK\$'000)                         | <b>21,205,885</b>                                    | 12,823,409                        | 18,133,942                        |
| Total liabilities of the Group (HK\$'000)                    | <b>7,213,314</b>                                     | 4,729,741                         | 6,442,516                         |
| Ratio of investment property<br>to total assets (%)          | <b>15.3%</b>   | 22.4%                             | 17.0%                             |
| Ratio of investment property to<br>net assets (%)            | <b>45.0%</b>   | 60.7%                             | 47.9%                             |
|  | <b>For the six months<br/>ended 30 June<br/>2007</b> | Year ended<br>31 December<br>2006 | Year ended<br>31 December<br>2006 |
| Rental income (HK\$'000)                                     | <b>152,668</b>                                       | 159,678                           | 335,993                           |
| Segment results before change<br>in fair value (HK\$'000)    | <b>75,155</b>  | 87,448                            | 246,851                           |
| Increase in fair value during the period<br>(HK\$'000)       | <b>452,903</b>                                       | 120,012                           | 257,739                           |
| Segment results including change<br>in fair value (HK\$'000) | <b>528,058</b>                                       | 207,460                           | 504,590                           |

## Infrastructure

During the period, Road King Infrastructure Limited, a Hong Kong listed company in which the Group has invested, showed satisfactory performance and contributed HK\$69.1 million to the Group's net profit, representing an increase of 13.6% from the same period last year.

Jingdong Expressway, which is managed and operated by our subsidiary, Hubei Jingdong Expressway Construction and Development Company Limited, was still at the stage of trial operation, and thus its vehicles flow has not reached the expected normal level. The Group's share of loss of the company amounted to HK\$40.0 million during the period.

## Discontinued operations

During the period, the Group completed the disposal of 31.1% shares in Shenzhen Topway Video Communication Co., Ltd., achieving a net gain after tax of approximately HK\$159.5 million. Such gain has been included in the profit of the period.

During the period, pursuant to the Company's strategy of concentrating on core activities, most of our industrial operations were disposed of.

## Post balance sheet events

On 30 April 2007, the Group entered into a sale and purchase agreement through a wholly-owned subsidiary for the acquisition of shares in five special purpose companies. These five special purpose companies hold an aggregate of 26% equity interest in Shenzhen Terra (Holdings) Co., Ltd. ("Terra"), a subsidiary of the Group. The Group has settled part of the consideration on 10 July 2007 and 30 July 2007 respectively in the aggregate amount of RMB368.8 million (equivalent approximately to HK\$378.7 million). As at the end of the period, the Group directly held 51% equity interest in Terra. The Group will hold an addition of 26% indirect equity interest in Terra subject to the completion of such transaction. Details of the transaction have been set out in the circular of the Company dated 25 May 2007.

On 26 June 2007, the Group signed a letter of intent for the proposed disposal of its 29% equity interest in Shenzhen Gaofa Investment Holding Ltd ("Shenzhen Gaofa"). Shenzhen Gaofa is a professional real estate development company. This transaction is expected to be completed within the year.

On 19 July 2007, the Group received the first instalment of payment from Ping An Insurance (Group) Company of China, Ltd. for the acquisition of a 49% equity interest in Hubei Huayin Traffic Development Company Limited. The transaction is progressing on schedule and is currently in its final stages. It is expected to be completed during the year.

On 19 July 2007, the Group signed a framework agreement for the disposal of its 100% equity interest in Shenzhen Yabao Property Development Co., Ltd.. Such transaction is pending authorization.

On 23 July 2007, the Group converted its convertible bonds of US\$40 million in Coastal Greenland Limited ("Coastal Greenland") into 443,862,857 shares thereof at the price of HK\$0.7 per share, representing approximately 16.1% of the enlarged issued share capital of the company. As a result, the Group's interest in Coastal Greenland increased to 21.96%.

## Post balance sheet events (continued)

On 24 July 2007, the Group placed 200,000,000 new shares to various professional institutional investors at a price of HK\$6.56 per share. The net proceeds from this placing amounted to HK\$1,283.0 million, and will be mainly used for land acquisitions and property development.

## Financial conditions

As at 30 June 2007, the Group's financial position remained healthy, with net asset after minority interests amounting to HK\$7,213.3 million, cash on hand of HK\$4,627.5 million, and total bank borrowings of HK\$9,786.0 million (including specific borrowings of HK\$1,639.0 million for infrastructure projects), among which, approximately HK\$5,561.1 million were borrowings with floating interest rate while the remaining were borrowings with fixed interest rate. The long-term and short-term borrowings amounted to HK\$6,712.0 million and HK\$3,074.0 million respectively. The ratio of net debt to net asset after minority interests was 71.5%. However, the Group's ratio of net debt to net asset after minority interests would only be 48.8% if the specific borrowings for infrastructure projects were excluded.

As the Group's cash inflow from operations is mainly denominated in Renminbi, while our assets held and liabilities assumed are mostly denominated in Renminbi and US dollar. The fluctuations in the exchange rate of Renminbi has brought positive financial impact to the Group in the shortrun. Moreover, during the period, the Group did not enter into any financial instrument for hedging purposes.

## Shareholding structure

During the period, the Group granted 20,000,000 share options to its employees with an exercise price of HK\$3.54 per share. During the period 87,950,000 share options were exercised, and 2,000,000 options were cancelled.

During the period, the Company paid the 2006 final dividend and special dividend by way of scrip, and 72,318,124 new shares were issued to shareholders who chose to receive shares in lieu of cash. As at 30 June 2007, the Company's issued share capital amounted to 2,981,718,090 shares (31 December 2006: 2,821,449,966 shares).



## Number of Employees and Remuneration

As at 30 June 2007, the Group employed 12,017 staff, 37 of which are in Hong Kong mainly responsible for management and financial matters. The remaining staff worked in the mainland.

The staff's remuneration of the Group is determined by reference to personal working performance, professional qualification, industry experiences and relevant market trends. The management of the Group will regularly review our remuneration policy and evaluate the staff's working performance.

The staff's remuneration includes salary, allowance, medical insurance and the Mandatory Provision Fund. The Group will allocate bonus based on factors such as individual performance and the results of the Group and grant share options to the staff under the share option scheme of the Group.

## Business outlook

China's household incomes have risen rapidly in recent years on the backdrop of a strong economy. The combined effects of urbanisation, demographic changes and appreciation of Renminbi have attracted more capital inflow towards the property market and resulted in higher prices in land and property and more business opportunities for the real estate industry. In the meantime, the PRC government has issued a series of land and credit policies to tighten the entry barrier for the industry and accelerate the reallocation of resources. We believe that the new operating environment for the industry will create new opportunities for outstanding enterprises. The Group is therefore confident about the future development of the Company.

The Group puts emphasis on cultivating its ability to achieve sustainable development. We believe our path to success and leadership in the industry can be achieved by building up quality land reserves, accelerating growth momentum as well as improving profitability and financial management. We aim at maintaining land reserves with an planned gross floor area of approximately 15.0 million square meters.

## Business outlook (continued)

Looking forward, the Group will continue speeding up its development to improve its profitability. During the second half of 2007, the Group will launch two featuring property projects, namely, Noah Mountain Forest in Changsha and Wanlin Lake in Huizhou for pre-sale and plan to deliver the projects by the end of the year. We estimate that the total areas booked for the year will amount to approximately 317,000 square meters and the gross floor area attributable to the Group will be approximately 290,000 square meters. It is expected that the gross floor area of the Group's completed projects will reach 1,407,000 square meters and the gross floor area attributable to the Group will be approximately 840,000 square meters in 2008.

### Expected completion in the second half of 2007

| Project                                      | Location | Usage                      | GFA<br>sqm     | Attributable |                |
|--|----------|----------------------------|----------------|--------------|----------------|
|  |          |                            |                | Stake        | GFA<br>sqm     |
| Noah Mountain Forest Phase I                 | Changsha | Residential                | 112,053        | 80.0%        | 89,642         |
| Wanlin Lake Phase I (Part I)                 | Huizhou  | Residential                | 80,000         | 100.0%       | 80,000         |
| Tian'an (Longgang)<br>Digital City Phase I   | Shenzhen | Industrial                 | 66,323         | 37.5%        | 24,871         |
| Tian'an (Panyu) Phase III                    | Panyu    | Industrial                 | 91,930         | 37.5%        | 34,474         |
| Shumyip Coast Phase II (Part 2)              | Shenzhen | Residential/<br>Commercial | 126,900        | 100.0%       | 126,900        |
| Tianan (Panyu) Hi-tech<br>Phase IV (Factory) | Panyu    | Industrial                 | 71,251         | 37.5%        | 26,719         |
| <b>Total</b>                                 |          |                            | <b>548,457</b> |              | <b>382,606</b> |

## Expected completion in 2008

| Project                                     | Location | Usage                      | GFA<br>sqm       | Attributable |                |
|---|----------|----------------------------|------------------|--------------|----------------|
|   |          |                            |                  | Stake        | GFA<br>sqm     |
| Noah Mountain Forest Phase II               | Changsha | Residential                | 120,000          | 80.0%        | 96,000         |
| Wanlin Lake Phase I (Part 2, 3)             | Huizhou  | Residential                | 119,967          | 100.0%       | 119,967        |
| Longdian Industrial City                    | Shenzhen | Industrial                 | 88,819           | 100.0%       | 88,819         |
| Wuhan Nanhu Rose Bay<br>Phase I (Part 2/3)  | Wuhan    | Residential                | 152,539          | 52.5%        | 80,083         |
| Golf Seaview Garden Phase III               | Shenzhen | Residential                | 151,838          | 37.5%        | 56,939         |
| Tian'an (Longgang)<br>Digital City Phase II | Shenzhen | Industrial                 | 100,000          | 37.5%        | 37,500         |
| Tian'an (Nanhai)<br>Digital City Phase I    | Nanhai   | Industrial                 | 68,523           | 37.5%        | 25,696         |
| Tian'an (Panyu) Phase IV<br>(Residential)   | Panyu    | Residential                | 55,022           | 37.5%        | 20,633         |
| Tian'an (Buji) Hongda Building              | Shenzhen | Residential/<br>Commercial | 95,559           | 37.5%        | 35,835         |
| Shumyip Coast Phase III (Part I)            | Shenzhen | Residential/<br>Commercial | 170,000          | 100.0%       | 170,000        |
| Dongguan Nancheng<br>Project (villa part)   | Dongguan | Residential/<br>Commercial | 29,400           | 100.0%       | 29,400         |
| Shenyang Wuai Project                       | Shenyang | Residential/<br>Commercial | 205,170          | 28.8%        | 59,089         |
| Jiangxi Taihe Bus Station                   | Jiangxi  | Residential/<br>Commercial | 50,210           | 40.8%        | 20,486         |
| <b>Total</b>                                |          |                            | <b>1,407,047</b> |              | <b>840,447</b> |

In the future, we will make Shenzhen our base while expanding our business to the central regions such as the Pearl River Delta and the Yangtze River Delta. Through reasonable distribution of land reserves, we can avoid the risks arising from regional changes and gradually expand our business presence throughout the PRC to achieve success and leadership in the industry.

## Directors' Interests in Shares

As at 30 June 2007, 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         | Number of shares | Underlying shares pursuant to share options (Note) | Aggregate interests | Percentage of issued share capital as at 30 June 2007 |
|--------------------|------------------|------------------|--|---------------------|---|
| HU Aimin           | Beneficial owner | 6,584,000        | 6,670,000  | 13,254,000          | 0.44  |
| ZHANG Yijun        | Beneficial owner | 5,856,000        | 5,870,000  | 11,726,000          | 0.39  |
| ZHAO Gesheng       | Beneficial owner | 1,333,000        | 2,667,000  | 4,000,000           | 0.13  |
| XIAO Rihai         | Beneficial owner | 1,330,000        | 2,670,000  | 4,000,000           | 0.13  |
| LIANG Kaiping      | Beneficial owner | 1,533,000        | 6,667,000  | 8,200,000           | 0.28  |
| LIU Weijin         | Beneficial owner | 2,660,000        | 3,340,000  | 6,000,000           | 0.20  |
| ZHANG Huaqiao      | Beneficial owner | 14,000,000       | 20,000,000   | 34,000,000          | 1.14  |
| TAM Ping Lung      | Beneficial owner | 4,576,000        | 3,600,000  | 8,176,000           | 0.27  |
| LEE Yip Wah, Peter | Beneficial owner | 3,537,416        | –  | 3,537,416           | 0.12  |
| WU Jiesi           | Beneficial owner | –                | 10,000,000   | 10,000,000          | 0.34  |
| HU Zuoyuan         | Beneficial owner | 4,161,665        | –  | 4,161,665           | 0.14  |
| WONG Po Yan        | Beneficial owner | 3,400,000        | –  | 3,400,000           | 0.11  |
| LI Wai Keung       | Beneficial owner | 6,970,790        | –  | 6,970,790           | 0.23  |

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         | Number of shares | Underlying shares pursuant to share options (Note) | Aggregate interests | Percentage of issued share capital as at 30 June 2007 |
|------------------|------------------|------------------|--|---------------------|---|
| HU Aimin         | Beneficial owner | –                | 250,000  | 250,000             | 0.03  |
| ZHANG Yijun      | Beneficial owner | –                | 250,000  | 250,000             | 0.03  |
| ZHANG Huaqiao    | Beneficial owner | 200,000          | 700,000  | 900,000             | 0.12  |
| WONG Po Yan      | Beneficial owner | 50,000           | –  | 50,000              | 0.01  |

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 |                           |                             |                          |                             | Date of grant of share options | Exercise period of share options | Exercise price of share options HK\$ per share | Closing price of share immediately before the grant date of options HK\$ per share | Weighted average closing price of share immediately before the exercise dates of options HK\$ per share |
|------------------|-------------------------|---------------------------|-----------------------------|--------------------------|-----------------------------|--------------------------------|----------------------------------|--|--|---|
|                  | At 1 January 2007       | Granted during the period | Exercised during the period | Lapsed during the period | Cancelled during the period |                                |                                  |  |  |   |
| <b>Directors</b> |                         |                           |                             |                          |                             |                                |                                  |  |  |   |
| HU Aimin         | 3,000,000               | -                         | (1,000,000)                 | -                        | -                           | 18/5/2005                      | 18/5/2005-17/5/2010              | 1.088  | -  | 4.490   |
|                  | 7,000,000               | -                         | (2,330,000)                 | -                        | -                           | 9/3/2006                       | 9/3/2006-8/3/2011                | 1.330  | -  | 4.490   |
| ZHANG Yijun      | 2,500,000               | -                         | (830,000)                   | -                        | -                           | 18/5/2005                      | 18/5/2005-17/5/2010              | 1.088  | -  | 4.490   |
|                  | 6,300,000               | -                         | (2,100,000)                 | -                        | -                           | 9/3/2006                       | 9/3/2006-8/3/2011                | 1.330  | -  | 4.490   |
| ZHAO Gesheng     | 4,000,000               | -                         | (1,333,000)                 | -                        | -                           | 9/3/2006                       | 9/3/2006-8/3/2011                | 1.330  | -  | 4.490   |
| XIAO Rihai       | 4,000,000               | -                         | (1,330,000)                 | -                        | -                           | 9/3/2006                       | 9/3/2006-8/3/2011                | 1.330  | -  | 4.800   |
| LIANG Kaiping    | 4,000,000               | -                         | -                           | -                        | -                           | 18/5/2005                      | 18/5/2005-17/5/2010              | 1.088  | -  | -   |
|                  | 4,000,000               | -                         | (1,333,000)                 | -                        | -                           | 9/3/2006                       | 9/3/2006-8/3/2011                | 1.330  | -  | 4.490   |

## Share Option Scheme (continued)

|                       | Number of share options |                           |                             |                          |                             | At 30 June 2007 | Date of grant of share options | Exercise period of share options | Exercise price of share options HK\$ per share | Closing price of share immediately before the grant date of options HK\$ per share | Weighted average closing price of share immediately before the exercise dates of options HK\$ per share |
|-----------------------|-------------------------|---------------------------|-----------------------------|--------------------------|-----------------------------|-----------------|--------------------------------|----------------------------------|--|--|---|
|                       | At 1 January 2007       | Granted during the period | Exercised during the period | Lapsed during the period | Cancelled during the period |                 |                                |                                  |  |  |   |
| LIU Weijin            | 2,000,000               | –                         | (1,330,000)                 | –                        | –                           | 670,000         | 18/5/2005-17/5/2010            | 1,088                            | –  | 5,050  |   |
|                       | 4,000,000               | –                         | (1,330,000)                 | –                        | –                           | 2,670,000       | 9/3/2006-8/3/2011              | 1,330                            | –  | 5,050  |   |
| ZHANG Huaqiao         | 14,000,000              | –                         | (14,000,000)                | –                        | –                           | –               | 9/3/2006-8/3/2011              | 1,330                            | –  | 3,550  |   |
|                       | –                       | 20,000,000                | –                           | –                        | –                           | 20,000,000      | 9/3/2007-8/3/2012*             | 3,540                            | 3,520  | –  |   |
| TAM Ping Lung         | 1,200,000               | –                         | (1,200,000)                 | –                        | –                           | –               | 3/7/2002-2/7/2007              | 1,265                            | –  | 4,581  |   |
|                       | 2,800,000               | –                         | (1,870,000)                 | –                        | –                           | 930,000         | 18/5/2005-17/5/2010            | 1,088                            | –  | 4,581  |   |
|                       | 4,000,000               | –                         | (1,330,000)                 | –                        | –                           | 2,670,000       | 9/3/2006-8/3/2011              | 1,330                            | –  | 4,581  |   |
| WU Jiesi              | 10,000,000              | –                         | –                           | –                        | –                           | 10,000,000      | 29/5/2006-28/5/2011*           | 2,165                            | –  | –  |   |
| WU Wai Chung, Michael | 1,200,000               | –                         | (1,200,000)                 | –                        | –                           | –               | 5/7/2002-4/7/2007              | 1,265                            | –  | 4,490  |   |
|                       | 600,000                 | –                         | (600,000)                   | –                        | –                           | –               | 18/5/2005-17/5/2010            | 1,088                            | –  | 4,490  |   |
|                       | 800,000                 | –                         | (800,000)                   | –                        | –                           | –               | 9/3/2006-8/3/2011              | 1,330                            | –  | 4,490  |   |

## Share Option Scheme (continued)

### Number of share options

|              | At 1 January 2007 | Granted during the period | Exercised during the period | Lapsed during the period | Cancelled during the period | At 30 June 2007 | Date of grant of share options | Exercise period of share options | Exercise price of share options HK\$ per share | Closing price of share immediately before the grant date of options HK\$ per share | Weighted average closing price of share immediately before the exercise dates of options HK\$ per share |
|--------------|-------------------|---------------------------|-----------------------------|--------------------------|-----------------------------|-----------------|--------------------------------|----------------------------------|--|--|---|
| Li Wai Keung | 600,000           | –                         | (600,000)                   | –                        | –                           | –               | 18/5/2005-17/5/2010            | 1,088                            | –  | 3,980  |   |
|              | 800,000           | –                         | (800,000)                   | –                        | –                           | –               | 9/3/2006-8/3/2011              | 1,330                            | –  | 3,980  |   |
|              | 76,800,000        | 20,000,000                | (35,316,000)                | –                        | –                           | 61,484,000      |                                |                                  |  |  |   |

### Other employees

|              |             |            |              |             |   |             |                     |       |   |       |
|--------------|-------------|------------|--------------|-------------|---|-------------|---------------------|-------|---|-------|
| In aggregate | 6,000,000   | –          | (4,000,000)  | (2,000,000) | – | –           | 27/6/2002-26/6/2007 | 1,265 | – | 4,852 |
|              | 11,800,000  | –          | (11,800,000) | –           | – | –           | 3/7/2002-2/7/2007   | 1,265 | – | 4,852 |
|              | 17,000,000  | –          | (17,000,000) | –           | – | –           | 5/7/2002-4/7/2007   | 1,265 | – | 4,852 |
|              | 20,600,000  | –          | (8,321,000)  | –           | – | 12,279,000  | 18/5/2005-17/5/2010 | 1,088 | – | 4,852 |
|              | 47,800,000  | –          | (11,513,000) | –           | – | 36,287,000  | 9/3/2006-8/3/2011   | 1,330 | – | 4,852 |
|              | 103,200,000 | –          | (52,634,000) | (2,000,000) | – | 48,566,000  |                     |       |   |       |
|              | 180,000,000 | 20,000,000 | (87,950,000) | (2,000,000) | – | 110,050,000 |                     |       |   |       |



## Share Option Scheme (continued)

\* Options will be exercisable in the following manner:-

### Maximum proportion of option exercisable including proportion of option previously exercised

| Maximum proportion of option exercisable including proportion of option previously exercised | Exercisable Period                                    |
|--|---|
| 1/3  | 1st year from the date of grant of option             |
| 2/3  | 2nd year from the date of grant of option             |
| 3/3  | 3rd year to 5th year from the date of grant of option |

Notes:

1. During the period, 20,000,0000 options were granted and 87,950,000 options were exercised under the Share Option Scheme.
2. During the period, 2,000,000 options were lapsed under the Share Option Scheme. No options were cancelled under the Share Option Scheme.
3. The fair value of the share options granted during the period was HK\$16,857,000.

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, 2007:

|                                     |             |
|-------------------------------------|-------------|
| Dividend yield (%)                  | 8           |
| Expected volatility (%)             | 57.71       |
| Risk-free interest rate (%)         | 3.930-3.990 |
| Expected life of option (year)      | 1-3         |
| Exercise price (HK\$)               | 3.540       |
| Stock price on date of grant (HK\$) | 3.540       |

## 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 2007, 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

| <b>Name</b>                       | <b>Capacity</b>  | <b>Number of shares</b> | <b>Total Interests</b> | <b>Percentage of shares of the Company in issue as at 30 June 2007</b> |
|-----------------------------------|------------------|-------------------------|------------------------|--|
| Shum Yip Holdings Company Limited | Beneficial owner | 1,457,752,489           | 1,457,752,489          | 48.89  |
| JPMorgan Chase & Co.              | (Note 1)         | 171,379,100<br>(Note 1) | 171,379,100            | 5.75   |
|                                   |                  | 170,611,100<br>(Note 2) | 170,611,100            | 5.72   |

## Substantial Shareholders (continued)

Notes:

1. The 171,379,100 shares were held by JPMorgan Chase & Co. in the following capacities:–

| <b>Capacity</b>                             | <b>No. of shares</b> |
|---|----------------------|
| Beneficial owner                            | 768,000              |
| Custodian corporation/Approved lending pool | 170,611,100          |

2. The 170,611,100 shares are shares in the lending pool and are included in the 171,379,100 shares referred to in note 1 above.

Save as disclosed above, as at 30 June 2007, 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 HK8.00 cents per share for the six months ended 30 June 2007 (2006: HK3.00 cents). The total amount of the dividend will be HK\$238,537,000 (2006: HK\$74,905,000). The dividend will be payable on 25th October 2007 to shareholders whose names appear on the Register of Members on 17th October 2007.

## Closure of Register of Members

The Register of Members of the Company will be closed from Monday, 15th October 2007, to Wednesday, 17th October 2007 (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, Tricor Standard Limited, 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, 12th October 2007.

## Corporate Governance

During the six months ended 30 June 2007, the Company has complied with the code provisions of the Code on Corporate Governance Practices in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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 2007.

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.

## Purchase, Sale or 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.

## Continuing Disclosure Requirements Under Rule 13.21 of The Listing Rules

Banking facilities with covenants relation to specific performance of the controlling shareholder:

By an agreement (the “Facility Agreement”) dated 29 September 2006 entered into between, among others, the Company as borrower and a syndicate of lenders (“Lenders”), a transferable term loan facility in an aggregate amount of USD\$465 million (the “Facility”) is made available by the Lenders to the Company on terms and conditions as stated therein. The Facility shall be made available to the Company within 6 months from the date of the Facility Agreement and the Company shall repay to the Lenders in full any outstanding advances made thereunder on the date falling 60 months from the date of the Facility Agreement. Under the Facility Agreement, it will be an event of default of Shum Yip Holdings Company Limited (深業(集團)有限公司) (“Shum Yip Holdings”), the controlling shareholder ceases to own beneficially at least 35% of the issued share capital of the Company, ceases to be the single largest shareholder of the Company or cease to have management control of the Company, or Shum Yip Holdings ceases to remain beneficially owned as to at least 51% by the Shenzhen Municipal People’s Government of the People’s Republic of China and in which event all amounts under the Facility may be declared to be immediately due and payable. The Company intends to use the Facility to first refinance in full all outstanding loan amounts under certain existing bank loans to the Company, and thereafter finance the general funding requirements of the Company and its subsidiaries.

## 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, 11th September 2007