



深圳控股有限公司
SHENZHEN INVESTMENT LIMITED

Stock Code: 604

Interim Report 2008



Corporate Information

Executive Directors

Mr. HU Aimin, *Chairman*
Mr. ZHANG Yijun, *President*
Mr. ZHAO Gesheng
Mr. LIU Weijin
Mr. TAM Ping Lung

Non-Executive Director

Dr. WU Jiesi

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”) presents the interim condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2008 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 2008

	Notes	For the six months ended 30 June	
		2008 (Unaudited) HK\$’000	2007 (Unaudited) HK\$’000
CONTINUING OPERATIONS			
REVENUE		646,034	808,435
Cost of sales		(434,862)	(373,271)
Gross profit		211,172	435,164
Other income and gains	5	125,489	165,350
Increase in fair value of investment properties		447,917	452,903
Fair value gains/(losses) of financial assets and financial liabilities at fair value through profit or loss, net		(221,922)	213,077
Selling and distribution costs		(55,657)	(23,093)
Administrative expenses		(190,182)	(212,511)
Other expenses		(52,028)	(60,490)
Finance costs	6	(92,199)	(125,434)
Share of profits and losses of associates		278,851	183,365
PROFIT BEFORE TAX	7	451,441	1,028,331
Tax	8	(110,832)	(369,273)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		340,609	659,058
DISCONTINUED OPERATIONS			
Profit/(loss) for the period from discontinued operations	9	(2,534)	175,961
PROFIT FOR THE PERIOD		338,075	835,019

Interim Condensed Consolidated Income Statement (continued)

For the six months ended 30 June 2008

	Notes	For the six months ended 30 June	
		2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
ATTRIBUTABLE TO:			
Equity holders of the parent		293,155	701,084
Minority interests		44,920	133,935
		338,075	835,019
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
	10		
Basic			
– For profit for the period		HK9.14 cents	HK24.59 cents
– For profit from continuing operations		HK8.59 cents	HK18.47 cents
Diluted			
– For profit for the period		HK9.06 cents	HK23.72 cents
– For profit from continuing operations		HK8.51 cents	HK17.82 cents

Interim Condensed Consolidated Balance Sheet

30 June 2008

	Notes	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	293,252	277,105
Goodwill		322,591	322,020
Properties under development		8,702,490	7,114,601
Investment properties		3,940,377	3,315,710
Interests in associates	13	4,278,638	3,726,544
Available-for-sale investments		16,830	28,987
Deferred tax assets		127,424	65,351
Total non-current assets		17,681,602	14,850,318
CURRENT ASSETS			
Inventories		392,930	372,183
Properties under development for sale		994,026	196,486
Trade receivables	14	194,288	305,941
Prepayments, deposits and other receivables		459,967	320,977
Financial assets at fair value through profit or loss		393,122	602,990
Derivative financial instruments		15,683	–
Amounts due from minority shareholders	17	90,509	82,612
Cash and cash equivalents		4,321,517	4,689,828
		6,862,042	6,571,017
Assets of disposal groups classified as held for sale	9	4,357,746	4,095,563
Total current assets		11,219,788	10,666,580
CURRENT LIABILITIES			
Interest-bearing bank loans	15	3,910,609	3,547,163
Trade and notes payables	16	73,485	86,965
Other payables and accruals		2,227,217	1,240,076
Derivative financial instruments		8,063	6,275
Tax payable		361,308	490,544
		6,580,682	5,371,023
Liabilities directly associated with the assets classified as held for sale	9	2,560,643	2,377,543
Total current liabilities		9,141,325	7,748,566
NET CURRENT ASSETS		2,078,463	2,918,014
TOTAL ASSETS LESS CURRENT LIABILITIES		19,760,065	17,768,332

Interim Condensed Consolidated Balance Sheet (continued)

30 June 2008

		30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
	Notes		
TOTAL ASSETS LESS CURRENT LIABILITIES		19,760,065	17,768,332
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	15	7,504,947	6,090,445
Deferred tax liabilities		569,368	452,939
Total non-current liabilities		8,074,315	6,543,384
Net assets		11,685,750	11,224,948
EQUITY			
Total equity attributable to equity holders of the parent			
Issued capital	19	160,665	161,417
Reserves	20	9,939,435	9,009,437
Proposed dividend	20	96,399	677,950
		10,196,499	9,848,804
Minority interests	20	1,489,251	1,376,144
Total equity		11,685,750	11,224,948

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2008

	Attributable to equity holders of the parent											Total equity HK\$'000		
	Issued capital HK\$'000	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Share option reserve HK\$'000	Asset revaluation reserve HK\$'000	Available- for-sale investment revaluation reserve HK\$'000	Statutory reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Proposed dividend HK\$'000		Total HK\$'000	Minority interests HK\$'000
At 1 January 2007	141,073	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)
Exchange realignment	-	-	-	-	-	-	-	166,102	-	-	-	166,102	32,114	198,216
Total income and expense for the period recognised directly in equity	-	-	-	-	-	-	(26,426)	166,102	-	-	-	139,676	32,114	171,790
Profit for the period	-	-	-	-	-	-	-	-	701,084	-	-	701,084	133,935	835,019
Total income and expense for the period	-	-	-	-	-	-	(26,426)	166,102	-	-	-	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
Share options exercised	4,397	125,118	-	-	(18,039)	-	-	-	-	-	111,476	-	-	111,476
Share issue expense	-	(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)	-	-	-	-
At 30 June 2007 (unaudited)	149,086	2,875,901	293	66,951	42,867	39,025	(20,249)	752,844	528,514	2,539,545	238,537	7,213,314	1,010,995	8,224,309

Interim Condensed Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2008

	Attributable to equity holders of the parent											Minority interests HK\$'000	Total HK\$'000	Total equity HK\$'000
	Issued capital HK\$'000	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Share option reserve HK\$'000	Asset revaluation reserve HK\$'000	Share investment revaluation reserve HK\$'000	Statutory reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Proposed dividend HK\$'000			
At 1 January 2008	161,417	4,247,673	293	66,538	45,312	39,025	3,319	759,231	997,461	2,850,585	677,950	9,848,804	1,376,144	11,224,948
Changes in fair value of available-for-sale investments	-	-	-	-	-	-	578	-	-	-	-	578	-	578
Exchange realignment	-	-	-	-	-	-	-	657,770	-	-	-	657,770	63,576	721,346
Total income and expense for the period recognised directly in equity	-	-	-	-	-	-	578	657,770	-	-	-	658,348	63,576	721,924
Profit for the period	-	-	-	-	-	-	-	293,155	-	-	-	293,155	44,920	338,075
Total income and expense for the period	-	-	-	-	-	-	578	657,770	293,155	-	-	951,503	108,496	1,059,999
Redemption of shares	(1,743)	-	1,743	-	-	-	-	-	(130,322)	-	-	(130,322)	-	(130,322)
Adjustment to prior year's final dividend	-	-	-	-	-	-	-	-	3,297	-	-	3,297	-	3,297
Final 2007 dividend declared	-	-	-	-	-	-	-	-	-	(677,950)	-	(677,950)	-	(677,950)
Share options exercised	991	31,027	-	-	(6,039)	-	-	-	-	-	-	25,179	-	25,179
Share issue expense	-	(24)	-	-	-	-	-	-	-	-	-	(24)	-	(24)
Disposal of a subsidiary	-	-	-	(24)	-	-	-	(97)	-	-	-	(421)	(509)	(930)
Equity-settled share option expenses	-	-	-	-	29,212	-	-	-	-	-	-	29,212	-	29,212
Share of reserves of associates	-	-	-	2,407	2,019	-	-	147,470	-	-	-	151,896	-	151,896
Disposal of available-for-sale investments	-	-	-	-	-	-	(4,675)	-	-	-	-	(4,675)	-	(4,675)
Establishment of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	5,120	5,120
Interim 2008 dividend	-	-	-	-	-	-	-	-	-	96,399	-	-	-	-
Transfer from retained profits	-	-	-	-	-	-	-	133,934	(133,934)	-	-	-	-	-
At 30 June 2008 (unaudited)	160,665	4,278,676*	2,036*	66,514*	70,092*	41,044*	(778)*	892,768*	1,802,701*	2,786,382*	96,399	10,196,499	1,489,251	11,685,750

* These reserve accounts comprise the consolidated reserves of HK\$9,939,435,000 (31 December 2007: HK\$9,009,437,000) in the interim condensed consolidated balance sheet.

Interim Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2008

	For the six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
CASH INFLOW FROM OPERATING ACTIVITIES	462,054	445,375
CASH OUTFLOW FROM INVESTING ACTIVITIES	(1,668,443)	(2,147,880)
CASH INFLOW FROM FINANCING ACTIVITIES	838,078	2,118,339
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(368,311)	415,834
Cash and cash equivalents at beginning of period	4,689,828	4,211,668
CASH AND CASH EQUIVALENTS AT END OF PERIOD	4,321,517	4,627,502

Notes to Interim Condensed Consolidated Financial Statements

1. Basis of Preparation

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 do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2007.

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 2007, except for the adoption of the new interpretations as noted below.

HK(IFRIC) – Int 11	<i>HKFRS 2 – Group and Treasury Share Transactions</i>
HK(IFRIC) – Int 12	<i>Service Concession Arrangements</i>
HK(IFRIC) – Int 14	<i>HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>

The adoption of the above new interpretations has had no material effect on the accounting policies of the Group and the methods of computation in the interim condensed consolidated financial statements except for the adoption of HK (IFRIC) – Int 12 “Service Concession Arrangements” (“IFRIC 12”).

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

Service Concession Arrangements

In previous years, the costs incurred for constructing the related infrastructures for toll roads under the service concession arrangements (“Service Concessions”) of the Group with relevant local governments were accounted for as property, plant and equipment of the Group and these expenditures were depreciated on an units-of-usage basis, making reference to the proportion of actual traffic volume achieved for a particular period over the total projected traffic volume throughout the periods within which the Group is granted the rights to operate these toll roads (the “units-of-usage method”). IFRIC 12 requires the Group to account for these Service Concessions under this interpretation from 1 January 2008 onwards. The application of the interpretation results in changes in accounting policies of the Group, which have been applied retrospectively and the comparative figures have been restated accordingly.

The Group has entered into contractual service arrangement with local government authorities for its participation in the development, financing, operation and maintenance of a toll road infrastructure. Under the arrangement, the Group carries out the construction or upgrade work of the toll road for the granting authorities and receives in exchange of a right to operate the toll road concerned and the entitlement to the toll fees collected from users of the toll road services. In accordance with IFRIC 12, the assets under the Service Concessions are classified as intangible assets or financial assets. The assets are classified as intangible assets if the Group receives a right to charge users of the respective toll roads or as financial assets if it is paid by the grantor.

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

Service Concession Arrangements (continued)

The Group applies the intangible asset model to account for the Service Concessions where the Group is paid by the users of the toll road and the concession grantors (the respective local governments) have not provided any contractual guarantees in respect of the amounts of construction costs incurred to be recoverable. The intangible asset corresponds to the right granted by the respective concession grantors to the Group to charge users of the toll road services.

Intangible assets resulting from the application of IFRIC 12 are recorded in the balance sheet as ‘Concession intangible assets’. Once the underlying infrastructure of the service concessions arrangements is completed, they are amortised, on the “units-of-usage method”, as allowed under HK Interpretation 1 (revised June 2006) The Appropriate Accounting Policies for Infrastructure Facilities (HK – Int 1) issued by HKICPA, over the respective concession periods granted.

As the assets and liabilities of the Group’s infrastructure segment have been classified as held for sale, the adoption of IFRIC 12 does not have any financial impact on the consolidated balance sheet as at 31 December 2007 and 30 June 2008. However, the assets of discontinued operations have been reclassified as follows:

	Increase/(decrease)	
	30 June	31 December
	2008	2007
	HK\$’000	HK\$’000
Property, plant and equipment	(3,332,727)	(3,133,406)
Concession intangible assets	3,332,727	3,133,406

Details refer to note 9 to the interim condensed consolidated 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 1 and HKAS 27 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards and HKAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i> ³
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment – Vesting Conditions and Cancellations</i> ³
HKFRS 3 (Revised)	Business Combinations ⁴
HKFRS 8	Operating Segments ³
HKAS 1 (Revised)	Presentation of Financial Statements ³
HKAS 23 (Revised)	Borrowing Costs ³
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ⁴
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation</i> ³
HK(IFRIC) – Int 13	Customer Loyalty Programmes ¹
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate ³
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation ²

¹ Effective for financial years beginning on or after 1 July 2008

² Effective for financial years beginning on or after 1 October 2008

³ Effective for financial years beginning on or after 1 January 2009

⁴ Effective for financial years beginning on or after 1 July 2009

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

4. Segment Information (continued)

For the six months ended 30 June 2007	Continuing operations			Discontinued operations			Consolidated HK\$'000		
	Property development HK\$'000	Property investment HK\$'000	Property management HK\$'000	Others HK\$'000	Total HK\$'000	Infrastructure investment HK\$'000		Transportation services HK\$'000	Manufacturing HK\$'000
Segment revenue:									
Sales to customers	399,251	152,668	212,464	44,052	808,435	25,259	79,358	129,197	233,814
Segment results before increase in fair value of investment properties	183,294	75,155	7,743	(1,980)	264,212	7,928	20,294	(3,030)	25,192
Increase in fair value of investment properties	-	452,903	-	-	452,903	-	-	-	-
Segment results after increase in fair value of investment properties	183,294	528,058	7,743	(1,980)	717,115	7,928	20,294	(3,030)	25,192
Interest income, dividend income and unallocated gains, net					312,132				193,374
Unallocated expenses					(58,847)				(2,059)
Finance costs					(125,434)				(57,292)
Share of profits and losses of associates	47,058	71,571	1,464	-	120,093	-	2,813	-	2,813
Unallocated share of profits and losses of associates					63,272				-
Profit before tax					1,028,331				162,028
Tax					(369,273)				13,933
Profit for the period					659,058				175,961
									835,019

5. Other Income and Gains

	For the six months ended 30 June	
	2008	2007
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest income	68,855	70,758
Rental income	1,162	12,329
Gain on disposal of available-for-sale investments	9,031	5,942
Exchange gain	–	15,545
Others	46,441	60,776
	125,489	165,350

6. Finance Costs

	For the six months ended 30 June	
	2008	2007
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest on bank loans	285,164	186,781
Less: Amounts capitalised under properties development projects	(192,965)	(61,347)
	92,199	125,434

7. Profit before Tax

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

	For the six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	49,034	36,996
Amortisation of intangible assets	3,606	934
Dividend income from financial assets at fair value through profit or loss	(9,915)	(3,796)
(Gain)/Loss on disposal of items of investment properties	6,001	(4,580)
Gain on disposal of items of property, plant and equipment, net	(331)	(2,033)
Impairment of trade receivables	792	2,435

8. Tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period (2007: Nil). 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.

Major subsidiaries of the Group operate in Shenzhen, Mainland China, which are subject to the corporate income tax rate of 18% for the year 2008, according to the new PRC Enterprise Income Tax Law which was effective on 1 January 2008.

8. Tax (continued)

PRC land appreciation tax (“LAT”) 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. LAT of HK\$5,007,000 is charged to the consolidated income statement for the six months ended 30 June 2008 (six months ended 30 June 2007: HK\$198,215,000).

	For the six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Current – Mainland China corporate income tax	49,766	98,715
Current – LAT in Mainland China	5,007	198,215
Deferred – Mainland China corporate income tax	56,961	182,091
Deferred – LAT in Mainland China	(902)	(109,748)
Total tax charge for the period	110,832	369,273

The share of tax attributable to associates of approximately HK\$124,150,000 (six months ended 30 June 2007: HK\$28,137,000) is included in “Share of profits and losses of associates” on the face of the interim condensed consolidated income statement.

9. Discontinued operations

On 18 June 2007, the Group entered into preliminary sales and purchase agreements to dispose of 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 referred to as the “Manufacturing Group”). On 3 December 2007, the Company announced to dispose of the remaining 51% interests in Huayin Traffic Development Company Limited (“Huayin Traffic”) and the entire 80% interests in Shum Yip Shum Kang (Group) Co., Ltd. and its subsidiaries (“Shum Yip Shumkang”) (collectively referred to as the “Disposal Groups”). The Disposal Groups engage in the manufacturing and sale of industrial and commercial products, construction and operation of expressway and provision of transportation services and they are separate business segments of the Group’s operations. The Group has decided to cease its manufacturing business, infrastructure business and transportation business because it plans to focus its resources on its real estate business. The disposal of the Disposal Groups is expected to be completed in 2008. As at 30 June 2008, final negotiations for the sales were in progress and the Disposal Groups were classified as a disposal group held for sale.

9. Discontinued operations (continued)

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

	Infrastructure For the six months ended 30 June		Information Technology For the six months ended 30 June		Transportation For the six months ended 30 June		Manufacturing For the six months ended 30 June		Total For the six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Revenue	28,685	25,259	–	–	91,576	79,358	148,984	129,197	269,245	233,814
Cost of sales	(13,628)	(11,584)	–	–	(53,470)	(41,499)	(114,067)	(110,891)	(181,165)	(163,974)
Other income and gains	41	448	–	–	34,696	7,744	1,737	3,946	36,474	202,269
Selling and distribution costs	(224)	–	–	190,131	(97)	–	(7,290)	(9,980)	(7,611)	(9,980)
Administrative expenses	(3,407)	(5,057)	–	–	(23,995)	(20,346)	(20,993)	(11,584)	(48,395)	(36,987)
Other expenses	(35)	(802)	–	–	(1,639)	(4,236)	(141)	(3,597)	(1,815)	(8,635)
Finance costs	(62,374)	(52,779)	–	–	(4,694)	(977)	(782)	(3,536)	(67,850)	(57,292)
Share of profits and losses of associates	–	–	–	–	2,496	2,813	–	–	2,496	2,813
Profit/(loss) before tax from discontinued operations	(50,942)	(44,515)	–	190,131	44,873	22,857	7,448	(6,445)	1,379	162,028
Tax	–	47,991	–	(30,585)	(3,082)	(3,305)	(831)	(168)	(3,913)	13,933
Profit/(loss) for the period from discontinued operations	(50,942)	3,476	–	159,546	41,791	19,552	6,617	(6,613)	(2,534)	175,961

9. Discontinued operations (continued)

The major classes of assets and liabilities of the Disposal Groups were classified as held for sale as at the balance sheet date as follows:

	Infrastructure		Information Technology		Transportation		Manufacturing		Total	
	30 June 2008	31 December 2007	30 June 2008	31 December 2007	30 June 2008	31 December 2007	30 June 2008	31 December 2007	30 June 2008	31 December 2007
	(Unaudited) HK\$'000	(Audited and restated) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited) HK\$'000	(Unaudited) HK\$'000	(Audited and restated) HK\$'000
Assets										
Property, plant and equipment	13,531	14,733*	-	-	186,272	180,430	52,316	53,393	252,119	248,556*
Concession intangible assets	3,332,727	3,133,406*	-	-	-	-	-	-	3,332,727	3,133,406*
Intangible assets	-	-	-	-	99,379	96,749	-	-	99,379	96,749
Prepaid land lease payment	-	-	-	-	4,310	3,987	-	-	4,310	3,987
Goodwill	99,926	99,926	-	-	222,547	197,470	3,453	3,526	99,926	99,926
Interests in associates	-	-	-	-	-	-	-	-	226,000	200,996
Available-for-sale investments	-	-	-	-	-	620	-	-	-	620
Inventories	-	-	-	-	2,241	2,258	36,607	43,970	38,848	46,228
Trade receivables	871	1,139	-	-	12,628	6,992	53,945	58,094	67,444	66,225
Prepayments, deposits and other receivables	3,094	3,249	-	-	83,267	67,102	13,260	10,238	99,621	80,589
Cash and cash equivalents	36,255	55,012	-	-	58,757	34,800	42,360	28,469	137,372	118,281
Assets classified as held for sale	3,486,404	3,307,465	-	-	669,401	590,408	201,941	197,690	4,357,746	4,095,563
Liabilities										
Interest-bearing bank loans (note 15(b))	1,815,769	1,705,805	-	-	101,129	103,911	24,543	27,656	1,941,441	1,837,372
Trade payables	61,005	28,436	-	-	1,186	1,180	29,121	36,358	91,312	65,974
Other payables and accruals	39,967	77,880	-	-	217,643	161,758	109,122	73,401	366,732	313,039
Deferred tax liabilities	161,158	161,158	-	-	-	-	-	-	161,158	161,158
Liabilities directly associated with the assets classified as held for sale	2,077,899	1,973,279	-	-	319,958	266,849	162,786	137,415	2,560,643	2,377,543
Net assets directly associated with assets classified as held for sale	1,408,505	1,334,186	-	-	349,443	323,559	39,155	60,275	1,797,103	1,718,020

* Restated to reflect the reclassification of a toll road from property, plant and equipment to concession intangible assets upon the adoption of HK(IFRIC) – Int 12 “Service Concession Arrangements”.

9. Discontinued operations (continued)

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

	Infrastructure		Information Technology		Transportation		Manufacturing		Total	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Operating activities	43,617	(7,476)	–	–	(17,910)	(570)	17,785	(7,005)	43,492	(15,051)
Investing activities	–	–	–	151,533	49,343	–	–	73,126	49,343	224,659
Financing activities	(62,374)	(52,799)	–	–	(7,476)	10,498	(3,894)	4,116	(73,744)	(38,185)
Net cash inflow/(outflow)	(18,757)	(60,275)	–	151,533	23,957	9,928	13,891	70,237	19,091	171,423

9. Discontinued operations (continued)

	For the six months ended 30 June	
	2008 (Unaudited)	2007 (Unaudited)
Earnings per share:		
Basic, from the discontinued operations	HK0.55 cents	HK6.12 cents
Diluted, from the discontinued operations	HK0.55 cents	HK5.90 cents

The calculations of basic and diluted earnings per share amounts from the discontinued operations are based on:

	For the six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Profit/(loss) for the period from discontinued operations	(2,534)	175,961
Results attributable to minority interests	20,177	(1,445)
Profit attributable to ordinary equity holders of the parent from the discontinued operations	17,643	174,516
Number of shares as at the balance sheet date	3,213,295,090	2,981,718,090
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	3,208,650,751	2,850,743,335
Weighted average number of ordinary shares used in the diluted earnings per share calculation	3,235,867,468	2,955,485,319

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 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.

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

	Note	For the six months ended 30 June	
		2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Earnings			
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation			
From continuing operations		275,512	526,568
From discontinued operations	9	17,643	174,516
		293,155	701,084

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

	For the six months ended 30 June	
	2008	2007
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	3,208,650,751	2,850,743,335
Effect of dilution – weighted average number of ordinary shares:		
Share options	27,216,717	104,741,984
	3,235,867,468	2,955,485,319

11. Dividend

At a meeting of the board of directors held on 22 September 2008, the directors resolved to pay an interim dividend to shareholders of HK3.00 cents per share (six months ended 30 June 2007: HK8.00 cents per share).

12. Property, plant and equipment

During the six months ended 30 June 2008, the Group acquired assets with a cost of HK\$96,925,000 (six months ended 30 June 2007: HK\$166,456,000) on additions to property, plant and equipment.

Assets with a net book value of HK\$22,012,000 were disposed of by the group during the six months ended 30 June 2008 (six months ended 30 June 2007: HK\$3,320,000), resulting in a net gain on disposal of HK\$331,000 (six months ended 30 June 2007: HK\$2,033,000).

13. Interests in Associates

Particulars of the principal associates are as follows:

Name of associates	Business structure	Place of establishment/ incorporation and operations	Nominal value of issued and fully paid-up capital/registered capital	Percentage of ownership interest attributable to the Group		Principal activities
				2008 %	2007 %	
Road King Infrastructure Limited ("Road King")*	Corporate	Bermuda	HK\$69,008,000	22.06	22.06	Investment and management of toll roads and property development
Shenzhen Tianan Cyber Park Co., Ltd.	Corporate	PRC	US\$18,000,000	37.53	37.53	Property investment and development
Coastal Greenland Limited	Corporate	Bermuda	HK\$221,290,000	21.71	21.71	Property development and investment

* Road King is a limited liability company incorporated in Bermuda and its ordinary shares with a nominal value of HK\$0.10 each are listed on the Main Board of The Stock Exchange of Hong Kong Limited. The principal location of Road King's business is Mainland China.

During 2007, Road King through its 88.46% owned subsidiary, acquired the entire equity interests in two companies established in the People's Republic of China (collectively referred to as the "Investee Companies") at a consideration of RMB563,180,000 (equivalent to HK\$625,756,000).

13. Interests in Associates (continued)

After completion of the acquisition in July 2007, Road King was not able to obtain effective control over the Investee Companies despite the fact that the board of directors of the Investee Companies was appointed by Road King as the former management of the Investee Companies have not yet allowed the representatives of Road King to access the office of the Investee Companies, and have not yet handed over the official seals, the books and records as well as other relevant documents of the Investee Companies. Without such access to the official seals and books and records, Road King has not yet effectively obtained control of the Investee Companies.

Despite the fact that Road King has taken steps with a view to obtaining effective control over the Investee Companies, Road King has not yet obtained effective control or exercise significant influence over the operating and financing policies of the Investee Companies. In view of this, the Investee Companies are not currently considered to be subsidiaries or associates of Road King and therefore they are accounted for as available-for-sale investments. Based on the impairment review on the investments in the Investee Companies, in the opinion of the directors of Road King, no impairment on the investment cost of HK\$625,756,000 (31 December 2007: HK\$592,821,000) (the amount attributable to the Group: HK\$138,042,000 (31 December 2007: HK\$130,776,000)) in the Investee Companies is considered as necessary.

13. Interests in Associates (continued)

Road King commenced legal proceedings in the Tianjin Nankai District People's Court in October 2007 to enforce its rights and to assume effective control over the Investee Companies. However, the legal proceedings against the former management of the Investee Companies were temporarily suspended during the current interim period and Road King have been taking steps to uplift the suspension of the legal proceedings, which, if successful, will result in the effective continuation of Road King's legal proceedings against the former management of the Investee Companies. The directors of Road King, based on advice of Road King's PRC legal advisor, are of the belief that the court ruling will be favourable to Road King and accordingly, Road King can assume effective control over the Investee Companies in the foreseeable future.

At 30 June 2008, Road King provided guarantees in favour of banks to provide credit facilities to the Investee Companies amounting to HK\$333,333,000 (31 December 2007: HK\$315,789,000) (the amount attributable to the Group: HK\$73,533,000 (31 December 2007: HK\$69,663,000)). The bank loans are pledged by the properties including land and properties under development for sale held by the Investee Companies.

14. Trade Receivables

Under normal circumstances, the Group does not grant any credit terms to its customers. The Group seeks to maintain strict control over its outstanding receivables and to minimise credit risk. 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.

14. Trade Receivables (continued)

An aged analysis of the trade receivables as at the balance sheet date, based on the contract date, is as follows:

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Within one year	193,214	300,902
One to two years	1,074	3,426
Two to three years	–	1,613
Total	194,288	305,941

15. Interest-bearing Bank Loans

	Effective interest rate (%)	Maturity	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Current				
Unsecured	4.5225%-8.5905%	2008-2009	3,910,609	3,547,163
			3,910,609	3,547,163
Non-current				
Secured	6.225%-7.65%	2010-2013	194,994	132,531
	6.075%-9.07%			
Unsecured	LIBOR+0.48%	2009-2011	7,309,953	5,957,914
	HIBOR+0.48%			
			7,504,947	6,090,445
			11,415,556	9,637,608

15. Interest-bearing Bank Loans (continued)

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Analysed into:		
Bank loans repayable:		
Within one year	3,910,609	3,547,163
In the second year	2,081,991	2,329,984
In the third to fifth years, inclusive	5,341,732	3,670,682
Beyond five years	81,224	89,779
	11,415,556	9,637,608

- (a) Bank loans amounting to HK\$194,994,000 (31 December 2007: HK\$132,531,000) were secured by:
- (i) certain of the Group's properties under development with a net book value of approximately HK\$364,979,000 as at 30 June 2008 (31 December 2007: HK\$368,290,000); and
 - (ii) certain of the Group's completed properties for sale with a net book value of approximately HK\$16,945,000 as at 30 June 2008 (31 December 2007: HK\$15,919,000).
- (b) Bank loans included in the Disposal Groups of HK\$1,941,441,000 (31 December 2007: HK\$1,710,614,000) were secured by:
- (i) the concession intangible assets with a net book value of HK\$3,332,727,000 as at 30 June 2008 (31 December 2007: HK\$3,133,406,000); and

15. Interest-bearing Bank Loans (continued)

- (ii) land and buildings which have an aggregate net book value of approximately HK\$6,852,000 as at 30 June 2008 (31 December 2007: HK\$6,437,000).
- (c) Except for the bank loans equivalent to approximately HK\$3,777,962,460 (31 December 2007: HK\$3,627,930,000) and HK\$1,450,000,000 (31 December 2007: nil), which are denominated in United States dollars and Hong Kong dollars, respectively, all borrowings are in Renminbi.

16. Trade and Notes Payables

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

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Within one year	22,194	46,285
One to two years	10,570	2,825
Two to three years	2,931	2,792
Over three years	37,790	35,063
	73,485	86,965

17. Amounts due from Minority Shareholders

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

18. 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 2008 was four years.

The period under which an option may be exercised will be determined by the board of directors at their absolute discretion and notified by the directors to each grantee as being the period during which an option may be exercised, and shall expire no later than 10th anniversary of the date upon which the option is granted and accepted in accordance with the Scheme. Unless otherwise determined by the board and specified in the offer letter at the time of the offer, there is no minimum period for which an option must be held before the option can be exercised.

The fair value of the 24,000,000 share options granted during the period to a director which will be exercisable within five years was HK\$20,714,000 (six months ended 30 June 2007: HK\$16,857,000) of which the Group recognised a share option expense of HK\$12,524,000 (six months ended 30 June 2007: HK\$9,662,000) during the six months ended 30 June 2008. The fair value of HK\$16,688,000 of the 78,780,000 share options granted in the year of 2007 to a director and employees which will be exercisable within five years, was charged to current period’s condensed consolidated income statement as expenses.

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.

19. Share Capital

A summary of the transactions during the period is as follows:

	Number of shares in issue	Issued capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 31 December 2007 and 1 January 2008	3,228,332,090	161,417	4,247,673	4,409,090
Share redemption (a)	(34,860,000)	(1,743)	–	(1,743)
Share options exercised (b)	19,823,000	991	31,027	32,018
	3,213,295,090	160,665	4,278,700	4,439,365
Share issue expenses	–	–	(24)	(24)
At 30 June 2008	3,213,295,090	160,665	4,278,676	4,439,341

- (a) During the period, a total of 34,860,000 shares of HK\$0.05 each were repurchased and cancelled by the Company at prices ranging from HK\$3.522 to HK\$3.879 per share. The aggregate cash consideration and expenses paid by the Company for such repurchases, HK\$130,322,000, was charged to the retained profits, as disclosed in the interim condensed consolidated statement of changes in equity to the interim financial statements.
- (b) The subscription rights attaching to 19,823,000 share options were exercised at the subscription price ranging from HK\$1.088 to HK\$1.330 per share, resulting in the issue of 19,823,000 shares of HK\$0.05 each for a total cash consideration, before expenses, of HK\$25,179,758.

20. Reserves

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

21. Capital Commitments

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Commitments in respect of acquisition of land and buildings, and development costs attributable to properties under development:		
Contracted, but not provided for	3,727,698	2,106,952

In addition, the Group's share of the associates' own capital commitment at the balance sheet date, which is not included above, was as follows:

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Contracted, but not provided for	353,310	104,928

22. Contingent Liabilities

- (i) At 30 June 2008, the Group has given guarantees to a maximum extent of approximately HK\$1,361,148,000 (31 December 2007: HK\$1,040,309,000) 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 for repaying 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 the mortgaged loans 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.

(ii) *Pending litigation*

A statement of claim dated 27 August 2002 was issued by Fancheng Property Development Co., Limited (the "Plaintiff") as the plaintiff against Shum Yip Group (Shenzhen) Co., Ltd. ("Shum Yip Shenzhen", renamed as Shum Yip Southern Land (Holdings) Co., Ltd. in the year of 2007), 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.

22. Contingent Liabilities (continued)

(ii) *Pending litigation* (continued)

The Plaintiff claimed against Shum Yip Shenzhen for, inter alia, damages suffered by the Plaintiff as a result of the breach by Shum Yip Shenzhen of the terms of a cooperation agreement entered into between the Plaintiff and Shum Yip Shenzhen dated 8 July 1991, which include (i) Shum Yip Shenzhen's deliberate register of the properties named Shenfa Garden under the name of Shum Yip Shenzhen and its refusal to give the properties to the Plaintiff and (ii) Shum Yip Shenzhen's appropriation of the Plaintiff's sales proceeds to compensate the individual owners and the construction party of Shenfa Garden while 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 RMB170,000,000 against Shum Yip Shenzhen. Shum Yip Shenzhen lodged a defence and a 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.

On 4 January 2008, the Plaintiff and Shum Yip Shenzhen entered into an Amicable Settlement Agreement, pursuant to which the Plaintiff agreed to partially waive the claim mentioned above.

However, the remaining claim of approximately HK\$40,000,000 was still subject to final judgement of the court.

22. Contingent Liabilities (continued)

(ii) Pending litigation (continued)

As advised by 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 could be able to claim indemnity from Shum Yip Holdings if the Plaintiff and/or the applicant is successful in its claim against Shum Yip Shenzhen on the grounds that Shum Yip Shenzhen had materially breached the cooperation agreement, and the circumstances which gave rise to the above litigation were already in existence at the time of execution of the Deed.

23. Related Party Transactions

(a) Transactions with related parties

		For the six months ended 30 June	
		2008	2007
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Transactions with Shum Yip Holdings, the ultimate holding company:			
– Rental expenses paid	(i)	2,471	913
– Dispose of a subsidiary	(ii)	49,343	–

23. Related Party Transactions (continued)

(a) *Transactions with related parties* (continued)

Notes:

- (i) The rentals were determined by the directors with reference to the market prices of similar transactions.
- (ii) During the period, the Group disposed of a subsidiary, Shum Yip Transportation Company Limited, to Shum Yip Holdings, the ultimate holding company, at the consideration of RMB43,371,116 (equivalent to approximately HK\$49,343,000), based on the valuation of the total assets and liabilities performed by an independent valuer. The transaction was completed in the period.
- (iii) On 5 March 2008, the Group entered into a sales and purchase agreement to dispose of its remaining 51% interests in Huayin Traffic, to Shenzhen Shum Yip Investment Development Company Limited, a related company with common directors, for a consideration of RMB609,430,000 (equivalent to approximately HK\$693,349,000). As at 30 June 2008, the transaction was in progress and Huayin Traffic was classified as Disposal Groups held for sale. Subsequent to 29 August 2008, the Group received the cash consideration and the business license of Huayin Traffic has been changed.

23. Related Party Transactions (continued)

(b) *Outstanding balances with related parties:*

- (i) As disclosed in the interim condensed consolidated balance sheet, the Group had outstanding other receivables from and other payables to the associates of HK\$609,401,000 (2007: HK\$471,590,000) and HK\$16,494,000 (2007: HK\$9,330,000), respectively, as at the balance sheet date.
- (ii) As disclosed in the interim condensed consolidated balance sheet and note 17 to the interim financial statements, the Group had outstanding receivables from minority shareholders of HK\$90,509,000 (2007: HK\$82,612,000) as at the balance sheet date.

(c) *Compensation of key management personnel of the Group*

	For the six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Short-term employee benefits	4,423	4,199
Share-based payments	17,577	9,662
Total compensation paid to key management personnel	22,000	13,861

24. 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).

25. Approval of Interim Condensed Consolidated Financial Statements

These interim condensed consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 22 September 2008.

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 39 which comprises the condensed consolidated balance sheet of Shenzhen Investment Limited as at 30 June 2008 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.

Report on Review of Interim Financial Information (continued)

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.

Without qualifying our review conclusion we draw attention to note 13 to the interim financial information. One of the Group's associates (the "Associate") currently has not obtained effective control over two of the Associate's investee companies established in the People's Republic of China (collectively referred to as the "Investee Companies") despite the fact that the board of directors of the Investee Companies was appointed by the Associate, due to the circumstances described in note 13. The Associate has commenced legal proceedings against the former management of the Investee Companies with a view to obtaining effective control over these companies. However, the legal proceedings against the former management of the Investee Companies are temporarily suspended and the Associate is taking steps to uplift the suspension of the legal proceedings, which, if successful, will result in the effective continuation of the Associate's legal proceedings against the former management of the Investee Companies. As the timing of re-opening of the court hearing and the eventual outcome of the court proceedings cannot be determined with certainty, there exist significant uncertainties which may affect the following:

- the Associate being unable to obtain effective control over the Investee Companies or otherwise realise the underlying properties of the Investee Companies, thereby impacting the recoverability of the Associate's investments in these companies, of which the amount attributable to the Group is HK\$138,042,000 as at 30 June 2008.

Report on Review of Interim Financial Information (continued)

- the banks seeking payment from the Associate in relation to credit facilities to the Investee Companies, of which the amount attributable to the Group is HK\$73,533,000 as at 30 June 2008 which has been guaranteed by the Associate as described in note 13, in the event that the Investee Companies are not in a position to repay the credit facilities by the maturity date in June 2009.

Ernst & Young

Certified Public Accountants

18/F, Two International Finance Centre

8 Finance Street, Central

Hong Kong

22 September 2008

Management Discussions and Analysis

Business review

In the first half of 2008, the Group achieved sales revenue of HK\$646.0 million in its continuing operations, 20% below the same period of last year. Pre-tax profit amounted to HK\$451.4 million, down 56% from the same period of last year. Net profit attributable to shareholders was HK\$293.2 million, down 58% from a year earlier. Stripping out discontinued operations, net profit attributable to shareholders in the first half of 2008 amounted to HK\$275.5 million, a decline of 48% from a year earlier.

Excluding the impact of revaluation of financial assets and investment property, net profit attributable to shareholders in the Group's continuing operations would amount to HK\$204.5 million, an increase of 500% from a year earlier. This was mainly due to a volatile stock market, the market value of the Group's holdings of stocks and other financial assets fell sharply in the period, hurting its net profit.

Property development

In the period concerned, the Group completed 27,000 square meters in its property development business, of which 14,000 square meters were in its subsidiaries, and the rest was in its associated companies (but excluding Road King and Coastal Greenland).

As most of the Group's property projects are scheduled for completion in the second half of 2008, property completion in the first half of the year was mainly left-over units of old projects. In the first six months, completed property sales revenue amounted to HK\$127.7 million, a decline of 68% from a year earlier.

As end of August 2008, the Group had 7 projects at the pre-sale stage. A total of 241,000 square meters of property had been pre-sold but not booked, amounting to contracted sales of approximately HK\$1,890 million, of which 150,000 square meters (and a contract sales amount of HK\$1,379 million) came from the Group's subsidiaries. They will all be booked in the second half of 2008.

Property under construction and land reserves

In the period concerned, the Group had 25 property projects under construction, with a total gross floor area of 3,067,000 square meters. These projects were progressing smoothly. A total of 5 projects will enter the pre-sale stage in the fourth quarter of 2008, with a total gross floor area of 142,000 square meters.

At present, the Group has gross land reserves of 16,682,000 square meters (in gross floor areas), and the attributable figure is 12,088,000 square meters. These figures do not include those at Road King and Coastal Greenland. In the period concerned, the Group did not acquire any land reserves.

Property investment

In the first half of 2008, the Group's investment property continued to perform well. With a total rental property of 720,000 square meters, it achieved a rental income of HK\$158.1 million, the same as a year earlier. The Group recorded a revaluation gain of HK\$447.9 million in its investment property which had already been booked in the profit under the period.

Returns of Property Investment

	As at 30 June 2008	As at 30 June 2007
Total gross floor area (sqm)	717,000	702,609
Attributable gross floor area (sqm)	652,000	543,841
Fair value of investment property (HK\$'000)	3,940,377	3,249,491
Total assets of the Group at end of period (HK\$'000)	28,901,390	21,205,885
Net assets of the Group at end of period (HK\$'000)	10,196,499	7,213,314
Ratio of investment property to total assets at end of period (%)	13.6	15.3
Ratio of investment property to net assets at end of period (%)	38.6	45.0

Returns of Property Investment (continued)

	For the six months ended	
	30 June	
	2008	2007
Rental income (HK\$'000)	158,144	152,668
Segment results before change in fair value (HK\$'000)	74,917	75,155
Increase in fair value during the period (HK\$'000)	447,917	452,903
Segment results including change in fair value (HK\$'000)	522,834	528,058

Performance by associated companies

In the period under review, the Group's investment in a listed associated company, Road King Infrastructure Ltd, performed well as which Road King made a net profit contribution to the Group of HK\$102 million, up 48% from a year earlier. Another listed associated company Coastal Greenland Limited, made a net profit contribution of HK\$80.3 million to the Group, compared to a net loss share of HK\$5.8 million a year earlier. In the meantime, Shenzhen Tianan Cyber-city Limited made a net profit contribution of HK\$86.5 million to the Group, an increase of 20% from a year earlier.

Discontinued operations

On 3 December 2007, the Group signed a letter of intent to sell the 80% stake in ShumYip Shengang (Group) Company Limited. At present, this disposal is still in progress, and we therefore reported related assets under "Discontinued operations".

On 18 June 2007, the Group signed letters of intent to sell some industrial assets. At present, these disposals are still in progress, and we therefore report related assets under "Discontinued operations".

Discontinued operations (continued)

In June 2008, the Group completed the disposal of the 100% stake in Shum Yip Transportation Company Limited. Details of the transaction have been set out in the Company's announcement dated 18 December 2007.

On 5 March 2008, the Group signed an agreement to sell the remaining 51% stake in Hubei Shum Yip Huayin Traffic Development Company (hereinafter referred to as "Hubei Huayin"). In August 2008, Hubei Huayin has been granted a new business license. On 29 August 2008, the Group received the remaining balance of the sales consideration. Details of the transaction have been set out in the circular of the Company dated 18 April 2008.

Financial conditions

As of 30 June 2008, the Group's cash balance was HK\$4,321.5 million (31 December 2007: HK\$4,689.8 million), of which 79% and 21% was in the form of renminbi and other currencies (mainly in US\$ and HK\$), respectively. While the renminbi is not a freely convertible currency, the Group has been authorized to convert renminbi into other currencies via banks authorized to conduct foreign exchange business. The Group's cash balance figure does not include the consideration received in August 2008 from the disposal of Hubei Huayin.

On 30 June 2008, the Group's total bank loans amounted to HK\$11,415.5 million (31 December 2007: HK\$9,637.6 million), of which HK\$5,623.0 million were floating-rate loans (31 December 2007: HK\$3,724.0 million), and the rest was fixed-rate loans. Of all the loans, long-term loans amounted to HK\$7,504.9 million (31 December 2007: HK\$6,090.4 million), and short-term loans were HK\$3,910.6 million (31 December 2007: HK\$3,547.2 million).

Financial conditions (continued)

As of 30 June 2008, the Group had net assets (after minority interests) of HK\$10,196.5 million (31 December 2007: HK\$9,848.8 million), and therefore, the ratio of net debts to net assets stood at 69.6% (31 December 2007: 50.2%). In the second-half of 2008, the Group's gearing will decline on the back of property pre-sales and the proceeds from the disposal of Hubei Huayin.

The Group's main operating cash flows are in renminbi, while its assets and debts are in the form of renminbi and the US dollar, respectively. In the near term, exchange rate movements have benefited the Group. In the period under review, the Group did not hedge its financial exposure.

Shareholding structure

In the period under review, the Group granted 24 million stock options to directors at exercise prices of HK\$3.85 and HK\$3.49, and a total of 19,823,000 stock options were exercised. Also in the period, the Group bought back a total of 34,860,000 shares from the open market.

As of 30 June 2008, the Group had a total number of outstanding shares of 3,213,295,090 (31 December 2007: 3,228,332,090).

Staff numbers and remunerations

As of 30 June 2008, the Group had a total staff number of 12,855, of which 42 were stationed in Hong Kong (mainly managerial and finance-related personnel), and the rest were in China.

The Group's staff remuneration is based on individual performance, industry experience and labour market trends. The Group reviews regularly its compensation policies and the performance of its employees.

Staff numbers and remunerations (continued)

Staff compensation includes salary, allowances, medical insurance and compulsory retirement benefits. The Group also issues bonuses and grants stock options to employees based on individual performance as well the Group's overall performance.

Business outlook

In 2008, inflation and natural disasters posed severe challenges to the Chinese economy. An economic slowdown, and credit tightening aimed at the property sector have combined to cause sharp declines in property prices and transaction volumes, particularly in the Pearl-River Delta. In the long term, however, we believe that the fundamental factors underpinning the property sector's healthy growth remain intact. We believe that the rational correction in the property market should be followed by more sustainable growth and more opportunities to the Group.

On that basis, the Group will continue to accelerate property pre-sales and cash inflows in the second half of 2008 when a total of 12 property projects are scheduled for pre-sales. These projects are mainly in city proper, such as Tianan Golf-Seaview, Shumyip Coast, and Purple Kylin Hill. These projects are located in prime areas with convenient transportation and comprehensive facilities.

The Groups aims at improving products quality in boosting its sales. We will continue to make efforts in improving the quality of our projects as core objective, enhance construction progress, product quality and management services. The purpose is to build up our brand image in enlarging more market share.

By controlling product costs, the Group will ensure stable earnings. Facing increases in raw material prices, the Group will improve its operation efficiency and lower its overall costs through strengthening cost and operation control and this will ensure a stable profitability level.

The Group believes that after getting through these tough market sentiments, our enterprise will become healthier, stronger and more competitive.

Expected Completion in the second half of 2008

Project	Location	Type	GFA sqm	% of interest Attributable	
				held	GFA sqm
Noah Mountain Forest Phase II	Changsha	Residential	68,225	80%	54,580
Wanlin Lake Phase II	Huizhou	Residential	117,806	100%	117,806
Garden Hill Phase I	Huizhou	Residential	41,500	100%	41,500
Wuhan Nanhu Rose Bay Phase I	Wuhan	Residential	152,539	52.5%	80,083
Water Pine Building	Shenzhen	Industrial	32,600	75%	24,450
Longgang Purple Kylin Hill Phase I	Shenzhen	Residential	63,795	100%	63,795
Shumyip Coast Phase III (Part 1)	Shenzhen	Residential, commercial	170,000	100%	170,000
Tian An Golf Seaview Garden Phase III	Shenzhen	Residential	151,838	37.5%	56,939
Total			798,303		609,153

Directors' Interests in Shares

As at 30 June 2008, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:–

Long positions in the shares and underlying shares of the Company:

Name of director	Capacity	Nature of interests	Number of shares	Underlying shares pursuant to share options	Aggregate interests	Percentage of issued share capital
HU Aimin	Beneficial owner	Beneficial interest	10,924,000	–	10,924,000	0.34
ZHANG Yijun	Beneficial owner	Beneficial interest	11,500,000	–	11,500,000	0.36
ZHAO Gesheng	Beneficial owner	Beneficial interest	4,000,000	–	4,000,000	0.12
LIU Weijin	Beneficial owner	Beneficial interest	4,500,000	–	4,500,000	0.14
ZHANG Huaqiao*	Beneficial owner	Beneficial interest	4,012,000	37,340,000	41,352,000	1.29
TAM Ping Lung	Beneficial owner	Beneficial interest	8,176,000	–	8,176,000	0.25
WU Jiesi	Beneficial owner	Beneficial interest	6,600,000	3,400,000	10,000,000	0.31
WONG Po Yan	Beneficial owner	Beneficial interest	3,400,000	–	3,400,000	0.11
LI Wai Keung	Beneficial owner	Beneficial interest	790	–	790	0.00

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

Name of director	Capacity	Nature of interests	Number of shares	Underlying shares pursuant to share options	Underlying shares of equity derivatives	Aggregate interests	Percentage of issued share capital
HU Aimin	Beneficial owner	Beneficial interest	–	500,000	–	500,000	0.07
ZHANG Yijun	Beneficial owner	Beneficial interest	–	500,000	–	500,000	0.07
ZHANG Huaqiao*	Beneficial owner	Beneficial interest	2,614,500	950,000	861,000 (Note)	4,425,500	0.59
TAM Ping Lung	Beneficial owner	Beneficial interest	20,000	–	–	20,000	0.00
WONG Po Yan	Beneficial owner	Beneficial interest	50,000	–	–	50,000	0.01

Note: The interest in the underlying shares of equity derivatives represents rights to acquire shares in Road King Infrastructure Limited by Mr. ZHANG Huaqiao under the 1-year Equity Accumulators with Guarantee First Period on Road King Infrastructure Limited.

Long positions in the shares and underlying shares of the associated corporation – Coastal Greenland Limited:

Name of director	Capacity	Nature of interests	Number of shares	Underlying shares pursuant to share options	Underlying shares of equity derivatives	Aggregate interests	Percentage of issued share capital
HU Aimin	Beneficial owner	Beneficial interest	–	6,000,000	–	6,000,000	0.22
ZHANG Yijun	Beneficial owner	Beneficial interest	–	6,000,000	–	6,000,000	0.22
ZHANG Huaqiao*	Beneficial owner	Beneficial interest	–	6,000,000	–	6,000,000	0.22

* Mr. ZHANG Huaqiao resigned as an executive director on 22 September 2008.

Share Options

Details of the share option scheme adopted by the Company on 5 June 2002 and the 10 per cent. limit under the share option scheme refreshed on 12 June 2006 are set out in note 18 to the financial statements.

Share Options (continued)

The following share options were outstanding under the share option scheme during the period:

	At 1 January 2008	Granted during the period	Number of share options			At 30 June 2008	Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$ per share
			Exercised during the period	Lapsed during the period	Cancelled during the period				
Directors									
ZHAO Gesheng	1,330,000	-	(1,330,000)	-	-	-	9/3/2006	9/3/2006- 8/3/2011	1.330
LIANG Kaiping (retired on 2/6/2008)	1,330,000	-	(1,330,000)	-	-	-	9/3/2006	9/3/2006- 8/3/2011	1.330
LIU Weijin	1,330,000	-	(1,330,000)	-	-	-	9/3/2006	9/3/2006- 8/3/2011	1.330
ZHANG Huaqiao*	13,340,000	-	-	-	-	13,340,000	9/3/2007	9/3/2007- 8/3/2012 *	3.540
	-	12,000,000	-	-	-	12,000,000	11/4/2008	27/8/2009- 26/8/2014 **	3.850
	-	12,000,000	-	-	-	12,000,000	2/6/2008	27/8/2009- 26/8/2014 **	3.490
WU Jiesi	3,400,000	-	-	-	-	3,400,000	29/5/2006	29/5/2006- 28/5/2011 *	2.165
	20,730,000	24,000,000	(3,990,000)	-	-	40,740,000			
Other employees									
In aggregate	10,989,000	-	(4,896,000)	-	-	6,093,000	18/5/2005	18/5/2005- 17/5/2010	1.088
	31,917,000	-	(10,937,000)	-	-	20,980,000	9/3/2006	9/3/2006- 8/3/2011	1.330
	58,580,000	-	-	-	-	58,580,000	4/7/2007	4/7/2007- 3/7/2012	4.768
	101,486,000	-	(15,833,000)	-	-	85,653,000			
	122,216,000	24,000,000	(19,823,000)	-	-	126,393,000			

* Mr. ZHANG Huaqiao resigned as an executive director on 22 September 2008.

Share Options (continued)

* Options will be exercisable in the following manner:–

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

** Options will be exercisable in the following manner:–

Maximum proportion of option exercisable including proportion of option previously exercised

Exercisable Period

1/3	a year from 27 August 2009
2/3	a year from 27 August 2010
3/3	27 August 2011 till 26 August 2014

Notes:

1. During the period 24,000,000 options were granted and 19,823,000 options were exercised under the Share Option Scheme.
2. During the period, no options were lapsed or cancelled under the Share Option Scheme.
3. The weighted average share price at the date of exercise for share options exercised during the period was HK\$3.6118 per share (2007: HK\$3.2179 per share)

Share Options (continued)

4. The closing price of share immediately before the grant date of options during the period are as follows:

Number of share options	Date of grant of share options	Closing price of share immediately before the grant date of options
12,000,000	11/4/2008	HK\$3.67
12,000,000	2/6/2008	HK\$3.22

5. 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, 2008:

	11 April 2008	2 June 2008
Dividend yield (%)	7.53	8.29
Expected volatility (%)	50.31-59.53	51.26-60.26
Risk-free interest rate (%)	0.664-1.708	1.644-2.521
Expected life of option (year)	1.5-3.5	1.5-3.5
Exercise price (HK\$)	3.85	3.49
Stock price on date of grant (HK\$)	3.85	3.49

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, such option pricing model requires input of highly subjective assumptions, including the expected stock price volatility. As the characteristics of the options granted during the period are significantly different from those of publicly traded options and changes in the subjective inputs may materially affect the fair value estimate, the Black-Scholes option pricing model does not necessarily provide a reliable measure of the fair value of the share options.

Share Options (continued)

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.

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 2008, the interests and short positions of the shareholders other than a director or chief executive of the Company in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:–

Long positions in shares of the Company

Name	Capacity	Nature of interest	Number of shares	Percentage of shares of the Company in issue
Shum Yip Holdings Company Limited	Beneficial owner	Beneficial interest	1,505,835,489	47.07
UBS AG	(Note)	–	294,647,399	9.17

Substantial Shareholders (continued)

Long positions in shares of the Company (continued)

Note:

The 294,647,399 shares were held by UBS AG in the following capacities:–

Capacity	No. of shares
Beneficial owner	229,631,647
Person having a security interest in shares	6,782,000
Interest of controlled corporation	58,233,752

Save as disclosed above, the register which was required to be kept under Section 336 of the SFO showed that the Company had not been notified of any interests or short positions in the shares or underlying shares of the Company as at 30 June 2008.

Save as disclosed above, no person, other than the directors of the Company, whose interest are set out in the section “Directors interests in shares” above, had registered an interest in the share capital of the Company that were required to be recorded.

Interim Dividend

The board of directors of the Company have resolved to declare an interim dividend of HK3.00 cents per share for the six months ended 30 June 2008 (2007: HK8.00 cents). The total amount of the dividend will be HK\$96,398,853 (2007: HK\$238,537,000). The dividend will be payable on Thursday 23rd October, 2008 to shareholders whose names appear on the Register of Members on Wednesday, 15th October, 2008.

Closure of Register of Members

The Register of Members of the Company will be closed from Monday, 13th October 2008, to Wednesday, 15th October 2008 (both dates inclusive), during which period no transfers of shares will be registered. 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, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong no later than 4:00 p.m. on Friday, 10th October 2008.

Corporate Governance

The Company has adopted all the code provisions in the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules ("Code") as its own code on corporate governance practices. During the six months ended 30 June 2008, the Company has complied with the code provisions set out in the Code and there have been no material deviations from the Code.

The Audit Committee comprises three independent non-executive directors namely Mr. LI Wai Keung, Mr. WONG Po Yan and Mr. WU Wai Chung, Michael. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters including the review of the unaudited interim results for the six months ended 30 June 2008.

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, the Company repurchased and subsequently cancelled the following shares of the Company on the Stock Exchange:

Date of Repurchase	Number of shares repurchased HK\$0.05 each	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate consideration paid HK\$
24/01/2008	9,972,000	4.00	3.55	37,873,500.00
25/01/2008	3,470,000	3.95	3.78	13,459,640.00
28/01/2008	5,000,000	3.80	3.70	18,703,940.00
29/01/2008	6,706,000	3.80	3.74	25,249,760.00
30/01/2008	5,000,000	3.79	3.47	18,100,360.00
31/01/2008	4,712,000	3.58	3.41	16,597,580.00

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities during the period.

Continuing Disclosure Requirements Under Rule 13.21 of The Listing Rules

By an agreement ("1st 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 of up to USD\$465 million ("1st Facility") is made available by the Lenders to the Company on the terms and conditions as stated therein. The 1st Facility will be made available to the Company within 6 months from the date of the 1st 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 1st Facility Agreement. The Company intends to use the 1st Facility to first refinance in full all outstanding loan amounts under certain existing bank loans to the Company, and thereafter finance the general corporate funding requirements of the Company and its subsidiaries.

Continuing Disclosure Requirements Under Rule 13.21 of The Listing Rules (continued)

By an agreement (“2nd Facility Agreement”) dated 6 February 2008 entered into between the Company as borrower and the Bank of China (Hong Kong) Limited as lender (“BOC”) a transferable term loan facility of up to HK\$1,000 million (“2nd Facility”) is made available by BOC to the Company on the terms and conditions as stated therein. The 2nd Facility will be made available to the Company within 6 months from the date of the 2nd Facility Agreement and the Company shall repay to BOC in full any outstanding advances made thereunder by way of three instalments namely, (i) HK\$200 million be repaid in full on the date falling 12 months from the date of the first advance of the 2nd Facility (“First Advance”) (“1st Repayment Date”); (ii) HK\$300 million be repaid in full on the date falling 24 months from the First Advance (2nd Repayment Date”); and (iii) HK\$500 million be repaid in full on the date falling 36 months from the First Advance. The Company intends to use the 2nd Facility to finance the general corporate funding requirements of the Company and its subsidiaries.

By an agreement (“3rd Facility Agreement”) dated 18 March 2008 entered into between the Company as borrower and DBS Bank Ltd., Hong Kong Branch as lender (“DBS”) a term loan facility of up to HK\$300 million (“3rd Facility”) is made available by DBS to the Company on the terms and conditions as stated therein. The 3rd Facility will be made available to the Company within 6 months from the date of the 3rd Facility Agreement and the Company shall repay to DBS in full any outstanding advances made thereunder on the date falling 36 months from the date of the first advance of the 3rd Facility. The Company intends to use the 3rd Facility to finance the acquisition by the Company and its subsidiaries of interests in property development projects and/or shareholding interest in property development company(ies).

Continuing Disclosure Requirements Under Rule 13.21 of The Listing Rules (continued)

By an agreement (“4th Facility Agreement”, together with the 1st Facility Agreement, 2nd Facility Agreement and 3rd Facility Agreement, collectively known as the “Facility Agreements”) dated 3 April 2008 entered into between the Company as borrower and China Construction Bank Corporation, Hong Kong Branch as lender (“CCB”) a transferable term loan facility of up to HK\$300 million (“4th Facility”) is made available by CCB to the Company on the terms and conditions as stated therein. The 4th Facility shall be made available to the Company within 6 months from the date of the 4th Facility Agreement and the Company shall repay to CCB in full any outstanding advances made thereunder on the date falling 60 months from the date of the 4th Facility Agreement. The Company intends to use the 4th Facility to finance the general corporate funding requirements of the Company and its subsidiaries.

Under the Facility Agreements, it will be an event of default if Shum Yip Holdings Company Limited (“Shum Yip Holdings”), 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, ceases to have management control of the Borrower, 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 due under the Facility may be declared to be immediately due and payable.

Appreciation

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

By Order of the Board

HU Aimin

Chairman

Hong Kong, 22 September 2008