



深圳控股有限公司
SHENZHEN INVESTMENT LIMITED

股份代號 Stock Code: 604

Interim Report 中期報告

2010



Corporate Information

Executive Directors

Mr. GUO Limin, *Chairman*

Mr. XU Ruxin, *President*

Mr. MOU Yong

Mr. LIU Weijin

Non-Executive Directors

Dr. WU Jiesi

Mr. LIU Biao

Independent Non-Executive Directors

Mr. WONG Po Yan

Mr. WU Wai Chung, Michael

Mr. LI Wai Keung

Company Secretary

Mr. LEE Ka Sze, Carmelo

Authorised Representative

Mr. GUO Limin

Mr. XU Ruxin

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 Limited

26/F Tesbury Centre

28 Queen's Road East

Hong Kong

Website

<http://www.shenzheninvestment.com>

The board of directors (the “Board”) 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 2010 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 2010

	Notes	For the six months ended 30 June	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
CONTINUING OPERATIONS			
REVENUE		3,619,672	1,973,401
Cost of sales		(2,117,276)	(1,254,923)
Gross profit		1,502,396	718,478
Other income and gains	4	90,454	99,253
Increase in fair value of investment properties		213,545	132,696
Fair value gains/(losses) of financial assets and financial liabilities at fair value through profit or loss, net		48,126	52,275
Selling and distribution costs		(82,518)	(80,591)
Administrative expenses		(296,246)	(216,546)
Other expenses		(6,524)	(11,121)
Finance costs	5	(98,805)	(143,911)
Share of profits and losses of associates		171,068	208,994
PROFIT BEFORE TAX	6	1,541,496	759,527
Income tax expense	7	(551,607)	(147,138)
PROFIT FOR THE PERIOD		989,889	612,389

Interim Condensed Consolidated Income Statement (continued)
 For the six months ended 30 June 2010

	Note	For the six months ended 30 June	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
ATTRIBUTABLE TO:			
Equity holders of the parent		873,917	521,604
Non-controlling interests		115,972	90,785
		989,889	612,389
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
	9		
Basic			
– For profit for the period		HK24.72 cents	HK16.23 cents
Diluted			
– For profit for the period		HK24.71 cents	HK16.22 cents

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

		For the six months ended 30 June	
		2010	2009
		(Unaudited)	(Unaudited)
	Note	HK\$'000	HK\$'000
Profit for the period		989,889	612,389
Exchange differences on translation of foreign operations		153,908	(10,788)
Net gain/(loss) on an available-for-sale investment	8	(15,344)	27,457
Income tax		3,376	(6,864)
		(11,968)	20,593
Share of other comprehensive income of associates	8	12,440	11,067
Other comprehensive income for the period, net of tax		154,380	20,872
Total comprehensive income for the period, net of tax		1,144,269	633,261
Attributable to:			
Equity holders of the parent		1,014,146	542,967
Non-controlling interests		130,123	90,294
		1,144,269	633,261

Interim Condensed Consolidated Statement of Financial Position

At 30 June 2010

	Notes	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	584,891	587,414
Intangible assets		85,616	88,092
Prepaid land lease payment		4,073	4,118
Goodwill		322,600	322,600
Investment properties		4,380,214	4,105,782
Interests in associates		5,034,603	4,970,160
Held-to-maturity investments		385,714	383,518
Available-for-sale investments		35,004	46,744
Other long term assets	13	1,267,631	1,166,319
Deferred tax assets		311,224	262,642
Total non-current assets		12,411,570	11,937,389
CURRENT ASSETS			
Inventories		56,025	63,204
Completed properties held for sale		1,644,833	1,775,443
Properties under development		9,374,599	9,404,382
Trade receivables	14	356,899	532,936
Prepayments, deposits and other receivables		995,993	907,571
Financial assets at fair value through profit or loss		21,284	21,510
Cash and cash equivalents		6,549,519	6,434,237
Total current assets		18,999,152	19,139,283
Assets of disposal group classified as held for sale	15	118,466	–
Total current assets		19,117,618	19,139,283
CURRENT LIABILITIES			
Interest-bearing bank loans	16	4,008,624	3,262,263
Derivative financial instruments		120,527	168,880
Trade payables	17	166,764	88,250
Other payables and accruals		3,764,862	4,487,476
Amounts due to the ultimate holding company	23	99,853	102,390
Tax payable		1,348,940	1,148,643
Total current liabilities		9,509,570	9,257,902
Liabilities directly associated with the assets classified as held for sale	15	10,166	–
Total current liabilities		9,519,736	9,257,902

Interim Condensed Consolidated Statement of Financial Position (continued)

At 30 June 2010

		30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
	Notes		
NET CURRENT ASSETS		9,597,882	9,881,381
TOTAL ASSETS LESS CURRENT LIABILITIES		22,009,452	21,818,770
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	16	6,936,065	7,704,433
Deferred tax liabilities		766,538	702,659
Total non-current liabilities		7,702,603	8,407,092
Net assets		14,306,849	13,411,678
EQUITY			
Total equity attributable to equity holders of the parent			
Issued capital	19	176,828	176,392
Reserves	20	12,996,460	12,213,617
		13,173,288	12,390,009
Non-controlling interests	20	1,133,561	1,021,669
Total equity		14,306,849	13,411,678

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010

	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	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	Non- controlling interests HK\$'000
At 1 January 2009	160,665	4,278,677	2,036	59,019	60,748	461	909,047	1,793,243	3,126,974	257,064	10,691,876	866,735	11,558,611
Profit for the period	-	-	-	-	-	-	-	-	521,604	-	521,604	90,785	612,389
Other comprehensive income	-	-	-	-	(1,015)	20,593	-	1,785	-	-	21,363	(491)	20,872
Total comprehensive income	-	-	-	-	(1,015)	20,593	-	1,785	521,604	-	542,967	90,294	633,261
Adjustment to prior year's final dividend	-	-	-	-	-	-	-	-	(323)	323	-	-	-
Final 2008 dividend declared	-	-	-	-	-	-	-	-	(257,387)	(257,387)	-	-	(257,387)
Share options exercised	376	12,279	-	-	(2,878)	-	-	-	-	9,777	-	-	9,777
Share issue expense	-	(8)	-	-	-	-	-	-	-	(8)	-	-	(8)
Share options lapsed	-	-	-	-	(240)	-	-	-	240	-	-	-	-
Equity-settled share option expenses	-	-	-	-	4,919	-	-	-	-	-	4,919	-	4,919
Transfer from a subsidiary to a jointly-controlled entity	-	-	-	-	-	-	-	-	-	-	-	(55,576)	(55,576)
Share of reserves of associates	-	-	-	-	-	-	118,984	-	(118,984)	-	-	-	-
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(15,379)	(15,379)
Transfer from retained profits	-	-	-	-	-	-	-	-	-	-	-	-	-
Proposed interim 2009 dividend	-	-	-	-	-	-	-	-	(161,041)	161,041	-	-	-
At 30 June 2009 (unaudited)	161,041	4,290,948	2,036	59,019	59,733	21,054	1,028,031	1,795,028	3,368,470	161,041	10,993,908	886,074	11,879,982

Interim Condensed Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2010

	Attributable to equity holders of the parent										Non-controlling interests	Total equity		
	Notes	Issued capital	Share premium account	Share Capital redemption reserve	Capital reserve	Share option reserve	Asset revaluation reserve	Available-for-sale investment revaluation reserve	Statutory reserve	Exchange fluctuation reserve			Retained profits	Proposed Dividend
	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 2010	176,392	5,384,872	2,036	60,940	59,019	46,211	20,235	1,040,666	1,793,102	3,559,588	246,948	12,390,009	1,021,669	13,411,678
Profit for the period	-	-	-	-	-	-	-	-	-	873,917	-	873,917	115,972	989,889
Other comprehensive income	-	-	-	-	-	2,362	(11,968)	-	149,835	-	-	140,229	14,151	154,380
Total comprehensive income	-	-	-	-	-	2,362	(11,968)	-	149,835	873,917	-	1,014,146	130,123	1,144,269
Adjustment to prior year's final dividend	-	-	-	-	-	-	-	-	-	(612)	612	-	-	-
Final 2009 dividend declared	-	-	-	-	-	-	-	-	-	-	(247,560)	(247,560)	(18,231)	(265,791)
Share options exercised	19	436	13,335	-	-	(2,939)	-	-	-	-	-	10,832	-	10,832
Share issue expense	19	-	(10)	-	-	-	-	-	-	-	-	(10)	-	(10)
Share options lapsed	18	-	-	-	-	(38,125)	-	-	-	38,125	-	-	-	-
Share of reserves of associates	-	-	-	-	-	5,871	-	-	-	-	-	-	-	5,871
Transfer from retained profits	-	-	-	-	-	-	-	45,111	-	(45,111)	-	-	-	-
Proposed interim 2010 dividend	-	-	-	-	-	-	-	-	-	(247,560)	247,560	-	-	-
At 30 June 2010 (unaudited)	176,828	5,398,197*	2,036*	59,019*	63,302*	11,018*	8,267*	1,085,777*	1,942,937*	4,178,347*	247,560*	13,173,288	1,133,561	14,306,849

* These reserve accounts comprise the consolidated reserves of HK\$12,996,460,000 (31 December 2009: HK\$12,213,617,000) in the interim condensed consolidated statement of financial position.

Interim Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2010

	For the six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
CASH INFLOW FROM OPERATING ACTIVITIES	498,713	1,671,976
CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	110,808	(924,332)
CASH OUTFLOW FROM FINANCING ACTIVITIES	(494,239)	(169,180)
NET INCREASE IN CASH AND CASH EQUIVALENTS	115,282	578,464
Cash and cash equivalents at beginning of period	6,434,237	4,570,861
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6,549,519	5,149,325

Notes to Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

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 2009.

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 2009, except for the adoption of the new standards and interpretations as noted below.

HKFRS 1(Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i>
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards Additional Exemptions for First-time Adopters</i>
HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment – Vesting Conditions and Cancellations</i>

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

HKFRS 3 (Revised)	<i>Business Combinations</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>
HKAS 32 Amendments	<i>Amendments to HKAS 32 Financial Instruments: Presentation- Classification of Rights Issues</i>
Amendments to HKFRS 5 included in <i>Improvements to HKFRSs</i> issued in October 2008	<i>Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary</i>
HK(IFRIC) – Int 9 and HKAS 39 Amendments	<i>Amendments to HK(IFRIC) – Int 9 Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives</i>
Annual Improvements Project	<i>Improvements to HKFRSs 2009</i>
HK Interpretation 4	<i>Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i>
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i>

The adoption of the above new standards and 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.

3. Operating segment Information

For management purpose, the Group is organised into business units based on their products and services, and has six reportable operating segments as follows:

- (a) the property development segment engages in the development of residential, industrial and commercial properties;
- (b) the property investment segment invests in residential, industrial and commercial properties for their rental income potential;
- (c) the property management segment engages in the management of both properties developed by the Group and external parties;
- (d) the transportation services segment consists of the provision of passenger and freight transportation services, automobile maintenance, cargo services and other related services;
- (e) the manufacturing segment engages in the manufacture and sale of industrial and commercial products; and
- (f) the “others” segment comprises, principally, the service income of land reconstruction, the manufacture and sale of aluminum alloys and other businesses.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group’s profit before tax except that interest income, finance costs, dividend income, fair value gains/(losses) from the Group’s financial instruments as well as head office and corporate expenses are excluded from such measurement.

3. Operating segment Information (continued)

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

For the six months ended 30 June 2010	Property development HK\$'000	Property investment HK\$'000	Property management HK\$'000	Transportation services HK\$'000	Manufacturing HK\$'000	Others HK\$'000	Total HK\$'000
Segment revenue:							
Sales to customers	2,703,740	188,585	368,255	119,404	128,743	110,945	3,619,672
Intersegment sales	-	-	2,088	-	-	21,754	23,842
	2,703,740	188,585	370,343	119,404	128,743	132,699	3,643,514
Reconciliation							
Elimination of intersegment sales							(23,842)
Revenue							<u>3,619,672</u>
Segment results before increase in fair value of investment properties	1,044,372	160,108	22,803	20,616	555	80,751	1,329,205
Increase in fair value of investment properties	-	213,545	-	-	-	-	213,545
Segment results after increase in fair value of investment properties	1,044,372	373,653	22,803	20,616	555	80,751	1,542,750
Reconciliation							
Elimination of intersegment result							(4,434)
Interest income							77,323
Dividend income and unallocated gains							8,804
Fair value gain of the financial instruments							48,126
Corporate and other unallocated expense							(32,268)
Finance costs							<u>(98,805)</u>
Profit before tax							<u>1,541,496</u>

3. Operating segment Information (continued)

For the six months ended 30 June 2009	Property development HK\$'000	Property investment HK\$'000	Property management HK\$'000	Transportation services HK\$'000	Manufacturing HK\$'000	Others HK\$'000	Total HK\$'000
Segment revenue:							
Sales to customers	1,127,353	181,615	327,073	115,451	92,945	128,964	1,973,401
Intersegment sales	-	-	2,392	-	-	4,362	6,754
	1,127,353	181,615	329,465	115,451	92,945	133,326	1,980,155
Reconciliation							
Elimination of intersegment sales							(6,754)
Revenue							1,973,401
Segment results before increase in fair value of investment properties							
	302,719	174,771	13,285	28,934	1,786	127,824	649,319
Increase in fair value of investment properties							
	-	132,696	-	-	-	-	132,696
Segment results after increase in fair value of investment properties							
	302,719	307,467	13,285	28,934	1,786	127,824	782,015
Reconciliation							
Elimination of intersegment result							(2,169)
Interest income							63,223
Dividend income and unallocated gains							29,795
Fair value gain of the financial instruments							52,275
Corporate and other unallocated expense							(21,701)
Finance costs							(143,911)
Profit before tax							759,527

4. Other Income and Gains

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income	77,323	63,223
Rental income	–	346
Others	13,131	35,684
	90,454	99,253

5. Finance Costs

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on:		
Bank loans	163,672	230,930
Other loans	–	16,757
Other finance costs	71,912	42,679
Less: Amounts capitalised under properties development projects	(136,779)	(146,455)
	98,805	143,911

6. Profit before Tax

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

	For the six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Depreciation	37,709	38,346
Amortisation of intangible assets	3,510	2,971
Loss on disposal of items of investment properties	–	250
Gain on disposal of items of property, plant and equipment, net	(521)	(6,140)
Write-back of impairment of trade receivables	(1,481)	(17,053)

7. Income Tax Expense

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period (2009: 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 22% (2009: 20%) for the year 2010, according to the new PRC Enterprise Income Tax Law which became effective on 1 January 2008.

7. Income Tax Expense (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\$234,894,000 was charged to the condensed consolidated income statement for the six months ended 30 June 2010 (six months ended 30 June 2009: HK\$58,796,000).

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Mainland China corporate income tax	265,569	108,065
Current – Withholding tax on dividend	24,937	34,873
Current – LAT in Mainland China	234,894	58,796
Deferred – Mainland China corporate income tax	62,732	9,948
Deferred – Withholding tax on dividend	12,721	(16,936)
Deferred – LAT in Mainland China	(49,246)	(47,608)
Total tax charge for the period	551,607	147,138

The share of tax attributable to associates of approximately HK\$212,661,000 (six months ended 30 June 2009: HK\$176,008,000) is included in “Share of profits and losses of associates” on the face of the interim condensed consolidated income statement.

8. Components of Other Comprehensive Income

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<hr/>		
Available-for-sale financial investments:		
Gains/(losses) arising during the period	(15,344)	27,457
	<hr/>	
	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
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Share of the other comprehensive income of associates:		
Asset revaluation	2,362	(1,015)
Exchange differences on translation of foreign operations	10,078	12,082
	12,440	11,067
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9. Earnings per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of basic earnings per share amount 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 amount 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:

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	873,917	521,604

9. Earnings per Share Attributable to Ordinary Equity Holders of the Parent
(continued)

	For the six months ended 30 June	
	2010	2009
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	3,534,617,362	3,214,747,423
Effect of dilution – weighted average number of ordinary shares:		
Share options	1,700,296	1,893,417
	3,536,317,658	3,216,640,840

10. Dividend Paid and Proposed

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Dividends on ordinary shares declared and paid during the six-month period:		
Final dividend for 2009: HK7.00 cents (2008: HK8.00 cents)	247,560	257,387
Dividends on ordinary shares proposed for approval (not recognised as a liability as at 30 June)		
First dividend for 2010: HK7.00 cents (2009: HK5.00 cents)	247,560	161,041

The 2010 interim dividend was resolved by the board of directors on 25 August 2010.

11. Property, Plant and Equipment

During the six months ended 30 June 2010, the Group acquired assets with a cost of HK\$30,783,000 (six months ended 30 June 2009: HK\$17,225,000) as additions to property, plant and equipment.

Assets with a net book value of HK\$1,300,000 were disposed of by the Group during the six months ended 30 June 2010 (six months ended 30 June 2009: HK\$11,642,000), resulting in a net gain on disposal of HK\$521,000 (six months ended 30 June 2009: HK\$6,140,000).

12. Interests in Jointly-controlled Entities

As at 30 June 2010, the Group had interests in the following principal jointly-controlled entity:

Name of jointly-controlled entity	Nominal value of registered capital	Place of registration and operations	Percentage of the nominal value of registered capital	Group's percentage of voting power	Group's percentage of profit sharing	Principal activities
Taizhou Shum Yip Investment Development Limited ("Taizhou Shum Yip")	RMB100,000,000	PRC/Mainland China	51	50	51	Provision of land development service

The Group is entitled to share the operating result, assets and liabilities of this jointly controlled entity based on the Group's ownership interest.

12. Interests in Jointly-controlled Entities (continued)

The above table lists the jointly-controlled entity of the Group which, in the opinion of the directors, principally affected the results for the reporting period or formed a substantial portion of the net assets of the Group. To give details of other jointly-controlled entities would, in the opinion of the directors, result in particulars of excessive length.

The summarised financial information in respect of the Group's interests in jointly-controlled entities which are accounted for using proportionate consolidation with the line-by-line reporting format is as follows:

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Non-current assets	746,388	1,491
Current assets	221,182	441,491
Current liabilities	(470,188)	(329,690)
Non-current liabilities	(333,676)	–
Net assets	163,706	113,292

	For the six months ended 30 June 2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Income	38,571	54,272
Expense	(607)	(703)
Tax	(9,491)	(12,675)
Profit for the period	28,473	40,894

13. Other Long Term Assets

As at 30 June 2010, the balances mainly represented loan to certain independent third parties and prepayments paid to certain local government authorities for land acquisition. The carrying amounts of the loan to independent third parties and prepayments approximate to their fair value.

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.

An aged analysis of the trade receivables as at the end of reporting period, based on the contract date, is as follows:

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Within one year	204,109	409,575
One to two years	136,965	118,986
Two to three years	11,911	4,375
Over three years	3,914	–
Total	356,899	532,936

15. Assets of disposal group classified as held for sale/Liabilities directly associated with the assets classified as held for sale

On 19 April 2010, the Group has entered into a sale and purchase agreement with Shenzhen Nuode Communication Technology Company Limited (“Nuode Company”) to dispose its 100% interest in Huizhou Zhongkai Venture Plaza Development Company Limited (惠州仲愷創業廣場發展有限公司) (“Zhongkai”), a wholly owned subsidiary of the Group for a cash consideration of RMB198 million. Zhongkai owned a piece of land which was located at Huizhou, Guangdong province.

As Zhongkai was available for immediate sale in its present condition at 30 June 2010 and its sales are highly probable. As such, it should be classified as held for sale as its carrying amount would be recovered principally through a sale transaction rather than through continuing use. According to HKFRS 5, assets and liabilities of Zhongkai should be stated at the lower of their carrying amounts and fair values less costs to sell.

Zhongkai had no operation in these years and accordingly, no discontinued operation was disclosed in the condensed consolidated income statement during the current period. Assets and liabilities of Zhongkai were disclosed as assets classified as held for sale and liabilities directly associated with the assets classified as held for sale on the Group’s condensed consolidated statement of financial position, respectively.

16. Interest-bearing Bank Loans

	Effective interest rate (%)	Maturity	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Current				
Secured	4.500-5.841	2011	255,197	266,549
Unsecured	3.9825-5.400 Hibor+0.42 - Hibor+0.59	2011	3,753,427	2,995,714
			4,008,624	3,262,263
Non-current				
Unsecured	4.200-5.760 Libor+0.48 - Libor+0.7 Hibor+0.7	2011-2014	6,936,065	7,704,433
			6,936,065	7,704,433
			10,944,689	10,966,696

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Analysed into:		

Bank loans repayable:

Within one year	4,008,624	3,262,263
In the second year	5,723,834	6,109,396
In the third to fifth years, inclusive	1,212,231	1,595,037
	10,944,689	10,966,696

16. Interest-bearing Bank Loans (continued)

- (a) Bank loans amounting to HK\$255,197,000 (31 December 2009: HK\$266,549,000) were secured by:
 - (i) certain of the Group's properties under development with a net book value of approximately HK\$54,950,000 as at 30 June 2010 (31 December 2009: HK\$58,872,000); and
 - (ii) certain of the Group's investment property with a net book value of approximately HK\$388,730,000 as at 30 June 2010 (31 December 2009: HK\$395,926,000)
- (b) Except for the bank loans equivalent to approximately HK\$3,769,875,819 (31 December 2009: HK\$3,755,203,650) and HK\$950,000,000 (31 December 2009: HK\$1,450,000,000), which are denominated in United States dollars and Hong Kong dollars, respectively, all borrowings are in Renminbi.
- (c) The carrying amounts of the Group's borrowings approximate to their fair values, which have been calculated by discounting the expected future cash flows at the prevailing interest rates.

17. Trade Payables

An aged analysis of the trade payables as at the end of reporting period, based on the payment due date, is as follows:

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (Audited) HK\$'000
Within one year	112,402	39,684
One to two years	13,149	5,872
Two to three years	1,060	3,333
Over three years	40,153	39,361
	166,764	88,250

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 2010 was two years.

18. Share Option Scheme (continued)

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.

During the period, (i) the options to subscribe for 8,733,000 shares have been exercised; (ii) options to subscribe for 3,400,000 shares have lapsed; and (iii) options to subscribe for 54,280,000 shares have cancelled. As at the date of the reporting period, options carrying rights to subscribe for 4,300,000 shares remained outstanding and yet to be exercised.

The Group recognised no share option expense (six months ended 30 June 2009: HK\$4,918,721) during the six months ended 30 June 2010.

On 28 June 2010, the board of directors of the Company announced to offer to grant a total of 93,862,000 share options (the "Share Options") to the executive directors and certain employees of the Company and its subsidiaries (collectively, the "Grantees") to subscribe for a total of 93,862,000 ordinary shares of HK\$0.05 each in the share capital of the Company (the "Shares") under the Scheme and the scheme limit under the Scheme as refreshed on 12 June 2006 subject to the acceptance by the Grantees within 28 days from the date of offer of the grant (the "Offer Date"). Subsequently on 19 July 2010, all the 93,862,000 share options were accepted by the Grantees.

Subsequent to the end of the reporting period, (i) no options to subscribe for shares were exercised; (ii) no options to subscribe for shares were lapsed or cancelled. As at the date of this report, options carrying rights to subscribe for 98,162,000 shares remained outstanding and yet to be exercised, which represented approximately 2.78% of the Company's shares in issue as that date.

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 2009 and 1 January 2010	3,527,835,090	176,392	5,384,872	5,561,264
Share option exercised (a)	8,733,000	436	13,335	13,771
Share issue expenses	–	–	(10)	(10)
At 30 June 2010	3,536,568,090	176,828	5,398,197	5,575,025

- (a) The subscription rights attaching to 8,733,000 share options were exercised at the subscription price ranging from HK\$1.088 to HK\$1.330 per share, resulting in the issue of 8,733,000 shares of HK\$0.05 each for a total cash consideration, before expenses, of HK\$10,832,504.

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 7 to 8 of the financial statements.

21. Capital Commitments

	30 June 2010 (Unaudited) HK\$'000	31 December 2009 (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	4,820,521	5,148,123
Authorised, but not contracted for	52,742	94,808

22. Contingent Liabilities

- (i) At 30 June 2010, the Group has given guarantees to a maximum extent of approximately HK\$1,414,258,000 (31 December 2009: HK\$676,101,000) 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 titles of the related properties. The Group's guarantee period commences from the dates of grant of the relevant mortgage loans and ends after the buyers have obtained the individual property ownership certificates 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.

22. **Contingent Liabilities** (continued)

(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.

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 million 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.

22. **Contingent Liabilities** (continued)

(ii) ***Pending litigation*** (continued)

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, and the remaining claim was RMB40,000,000 (equivalent to approximately HK\$45,432,000). On 4 August 2009, the High Court of Guangdong province arbitrated the partial waiver of the claim.

On 23 December 2009, the High Court of Guangdong province arbitrated to overrule both the claims of the Plaintiff and the counter-claim of Shum Yip Shenzhen. On 2 February 2010, the Plaintiff appealed to the Supreme People's Court of the PRC, in which the Plaintiff claimed for revocation of the judgement of the Guangdong High Court and affirmed part of their original claims of RMB26,000,000 (equivalent to approximately HK\$29,530,800). The claim was still subject to final judgement of the Supreme People's Court of PRC, which will be in court on 9 September 2010.

As advised by Hong Kong lawyers, pursuant to a deed (the "Deed") entered into on 12 February 1997 by Shum Yip Holdings as covenanter 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	
		2010 (Unaudited)	2009 (Unaudited)
	Note	HK\$'000	HK\$'000
Transactions with Shum			
Yip Holdings Company Limited, the intermediate holding company:			
– Rental expenses paid	(i)	2,470	2,483

Note:

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

(b) *Outstanding balances with related parties*

As disclosed in the interim condensed consolidated statement of financial position, the Group had payables amounting to HK\$99,853,000 (31 December 2009: HK\$102,389,918) to 深業集團有限公司, the ultimate holding company. The payables are unsecured, interest-free and have no fixed terms of repayment.

23. Related Party Transactions (continued)

(c) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Short-term employee benefits	1,624	1,594
Share-based payments	–	–
Total compensation paid to key management personnel	1,624	1,594

24. 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 25 August 2010.

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 34 which comprises the condensed consolidated statement of financial position of Shenzhen Investment Limited as at 30 June 2010 and the related condensed consolidated statements of income, comprehensive 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.

Report on Review of Interim Financial Information (continued)

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

25 August 2010

Management Discussion and Analysis

Business review

In the first half of 2010, affected by the state's macroeconomic measures in property sector, the PRC real estate market entered into an adjustment phase again. Facing the rapid changing market environment, the Group focused its efforts in accelerating property sales, strengthening internal control and ensuring safety of funds, thereby able to maintain a sound developing momentum.

The Group achieved a turnover of HK\$3,619.7 million, representing an increase of 83% over the same period of last year. Gross profit was HK\$1,502.4 million, representing an increase of 109% over the same period of last year. Gross profit margin was 41.5%, representing an increase of 5.1 percentage points over the same period of last year. Net profit attributable to shareholders was HK\$873.9 million, representing an increase of 68% over the same period of last year. Basic earnings per share was HK24.72 cents, representing an increase of 52% over the same period of last year.

Property development

During the period, the Group recorded 231,000 square meters in property sales (excluding the interests attributable to the Group in its three principal associated companies) and achieved a net income in property sales of HK\$2,703.7 million (net of business tax), representing an increase of 166% and 140% respectively over the same period of last year. Sales income was mainly derived from selling the entire Times Industrial Park project, Red Pine Mansion, Nanhu Rose Bay, Royal Spring Villas, Coast Phase III and other projects.

The Group achieved contracted sales income of approximately RMB2.26 billion (approximately HK\$2.6 billion) in the first seven months of the year, which were mainly derived from Red Pine Mansion, Snow Pine Building, Shum Yip City Phase I, Purple Kylin Hill Phase I (Villa), Royal Spring Villas Phase I, Garden Hill Phase 1 and Wanlin Lake Phase III and other property projects.

Management Discussion and Analysis (continued)

Property under construction and land reserves

As at 30 June 2010, the Group had 17 property projects under construction, with a total gross floor area of approximately 1.604 million square meters. Development of these projects was progressing smoothly.

During the period, the Group had newly acquired the Chengdu Northern New Town land site, which is located at the city centre of Qingbaijiang, Chengdu, with a site area of approximately 119,000 square meters, gross floor area of 420,000 square meters, and land premium of RMB112.2 million.

As at the end of June 2010, the Group had a total gross land reserve of 10.52 million square meters (in gross floor area) with attributable gross floor area of 9.26 million square meters (excluding the interests attributable to the Group in its three principal associated companies). Our current land reserves are sufficient to meet the development needs in the next five to six years. The Group will also continue to increase high quality land reserves through various means.

	Province	City	Gross Floor Area (sq. m.)	Attributable gross floor area (sq. m.)	Percentage of attributable area %	
Land premium paid	Guangdong	Shenzhen	1,463,512	1,238,312	13.37%	
		Huizhou	1,261,210	1,261,210	13.62%	
		Dongguan	385,344	385,344	4.16%	
			Foshan	685,110	685,110	7.40%
	Hubei	Wuhan	300,527	157,777	1.70%	
	Hunan	Changsha	1,145,843	916,674	9.90%	
	Anhui	Chaohu	162,098	129,678	1.40%	
	Jiangsu	Jiangyan	626,538	626,538	6.77%	
	Liaoning	Shenyang	201,283	94,603	1.02%	
	Sichuan	Chengdu	767,148	575,361	6.21%	
	Sub-total		6,998,613	6,070,607		

Management Discussion and Analysis (continued)

Property under construction and land reserves (continued)

	Province	City	Gross Floor Area (sq. m.)	Attributable gross floor area (sq. m.)	Percentage of attributable area %
Land premium unpaid		Heyuan	1,530,000	1,530,000	16.52%
		Foshan	889,651	889,651	9.61%
		Maanshan	1,100,000	770,000	8.32%
	Sub-total		3,519,651	3,189,651	
	Total		10,518,264	9,260,258	100%

Disposal of project

In April 2010, the Group entered into a sale and purchase agreement through its wholly-owned subsidiary to dispose of the 100% equity interest of Huizhou Zhongkai Venture Plaza Development Company Limited (惠州仲愷創業廣場發展有限公司) (“Zhongkai”) to an independent third party at a consideration of RMB198 million (approximately HK\$227.7 million). Zhongkai primarily holds a parcel of land in Huizhou, Guangdong Province for commercial development purposes with a gross floor area of 40,000 square meters. It is expected that the gain before tax of approximately HK\$119 million of such disposal will be recognized in the second half year.

Property investment

In the period, the Group’s investment property continued to maintain steady growth. With a total area in investment property of approximately 600,000 square meters, it had achieved a rental income of HK\$188.6 million, increase by 4% from a year earlier. The Group recorded a revaluation gain of HK\$213.5 million in its investment property portfolio which had already been booked in the profit under the period.

Management Discussion and Analysis (continued)

Performance of associated companies

In the period, the performance of the Group's investments in associated companies was within our expectation. Of which, Road King Infrastructure Limited, a listed company in Hong Kong, made a net profit contribution of HK\$72.6 million to the Group, an increase of 4% from a year earlier. Coastal Greenland Limited, another listed company in Hong Kong, made a net loss of HK\$33.8 million, compared with a net loss of HK\$37.5 million in the same period of last year. In the meantime, Shenzhen Tianan Cyberpark Co., Ltd. made a net profit contribution of HK\$139.5 million to the Group, an increase of 12% from a year earlier.

Financial conditions

As at 30 June 2010, the Group's cash balance was HK\$6,549.5 million (31 December 2009: HK\$6,434.2 million), of which 90% and 10% was denominated in Renminbi and other currencies (mainly in US\$ and HK\$) respectively. While Renminbi is not a freely convertible currency, however, under the Foreign Exchange Control Regulations of the PRC and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment of the PRC, the Group had been authorized to convert Renminbi into other currencies via authorized banks that can conduct foreign exchange businesses.

At 30 June 2010, the Group's total bank loans amounted to HK\$10,944.7 million (31 December 2009: HK\$10,966.7 million), of which HK\$9,930.1 million were floating-rate loans (31 December 2009: HK\$9,735.7 million), and the rest were fixed rate loans. Of all the loans, long-term loans amounted to HK\$6,936.1 million (31 December 2009: HK\$7,704.4 million) and short-term loans were HK\$4,008.6 million (31 December 2009: HK\$3,262.3 million).

Management Discussion and Analysis (continued)

Financial conditions (continued)

As of 30 June 2010, the Group had net assets (after minority interests) of HK\$13,173.3 million and the ratio of net debts to net assets (after minority interests) was 33.4% (31 December 2009: 36.6%).

As the Group's operating cash inflow are mainly in Renminbi, while its assets and debts are mainly denominated in Renminbi and US Dollar. In the short run, exchange rate movements have positive financial impact to the Group.

Shareholding structure

On 30 June 2010, Shum Yip Holdings Company Limited, the parent company of the Company is interested in approximately 43.09% of the Company, and is the biggest shareholder of the Company.

On 28 June, a total of 93,862,000 share options were granted to executive directors, senior management and employees of the Company at an exercise price of HK\$2.39 per share.

In the period under review, a total of 8,733,000 share options granted were exercised. Also in the period, the Company did not repurchase any share of the Company.

As of 30 June 2010, the Group had a total number of 3,536,568,090 shares in issue (31 December 2009: 3,527,835,090 shares).

Management Discussion and Analysis (continued)

Staff headcount and remuneration

As of 30 June 2010, the Group had a total staff number of 14,251, of which 34 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, professional qualifications, industry experience and labour market trends. The management of the Group reviews regularly its compensation policies as well as the performance of its employees.

Staff compensation includes salaries, allowances, medical insurance and mandatory retirement benefits. The Group also issues bonuses and grants share options, according to the Share Option Scheme of the Group, to employees based on individual performance as well as the Group's overall performance.

Business outlook

During the first half year of 2010, the PRC's macro economic conditions maintained a stable and rising momentum amid entwining by both the domestic and overseas complicated and fluctuating environment. After experiencing a short surge, the PRC property market was rinsed by the strong control of the government which was rarely seen in recent years, demonstrating the government's strong determination and intensified efforts to control the property market. The regulating policies and measures covered various aspects such as land supply, credit control and taxation. On one hand, the government has impeded the speculative property demand and on the other hand, the government has increased the supply of subsidized housing and intensified the implementation efforts by local governments. Under such stringent regulated measures, the domestic property market has deteriorated rapidly with transaction volume shrinking significantly. The wait-and-see sentiments are becoming pre-dominant and as such, escalating property prices were under controlled with the property prices in some cities starting to ease off.

Management Discussion and Analysis (continued)

Business outlook (continued)

We consider that, as the regulating direction of the government will not alter during the year, the property prices will adjust downwards to a certain level in the next six months and this adjustment cycle may last up to 2011. However, with the impact of austerity measures gradually show its results, both the policy environment and financial environment will gradually improve and the PRC property market will enter into a healthy and development track gradually. With the real economy recovering, Renminbi appreciation and long existing population growth and increase of resident income, they are all the drivers for the long-term promising outlook of the property market. We remain confident about the medium and long-term prospect of the PRC property market.

Facing with difficult market environment, the Group has realized new housing pre-sale area of approximately 220,000 square meters and pre-sale income of approximately RMB2.26 billion in the first seven months of this year, achieving 50.2% of the annual target. In the second half of the year, based on market conditions, the Group will adopt flexible marketing strategies to further strengthen its property sales and enhance the sales of major property projects including Shumyip Purple Kylin Hill, ShumYip City, Nanhu Rose Bay Phase III and Royal Spring Villas, striving to meet the annual sales target of RMB4.5 billion.

The Group has 600,000 square meters of investment properties located in prime areas of Shenzhen. We will seize the opportunity of urban renovation and actively negotiate with the government for redevelopment some of our investment properties. The Group will provide high-end products by enhancing the efficiency of land utilization, thus maximizing the commercial values of existing properties.

Management Discussion and Analysis (continued)

Business outlook (continued)

The Group will leverage on the opportunities brought by market adjustment and build up our premium land reserve. As the flagship company of the parent company in property business, the Group will leverage on the opportunities arising from the parent Company – Shum Yip Group’s property resources integration and strengthen our co-operation, thereby increase our quality land resources in Guangdong and Shenzhen through assets injection or cooperative development, laying a foundation for the industry recovery in future.

Through the completion of the restructuring of our internal organizations in the first half of the year, the Group gradually formed its regional property development layout, its development position in residential property and commercial property sectors to lay a foundation in improving its brand image and core competitiveness. Looking forward, we will continue to enhance our internal management, improve our human resources structure, rationalize our commercial models and escalate our operation efficiency. We aim at maximizing the values and satisfactory returns for shareholders through on-going improvement of product quality and brand name.

Directors' Interests in Shares

As at 30 June 2010, 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
GUO Limin	Beneficial owner	Beneficial interest	500,000	–	500,000	0.01
XU Ruxin	Beneficial owner	Beneficial interest	1,000,000	–	1,000,000	0.03
LIU Weijin	Beneficial owner	Beneficial interest	3,500,000	–	3,500,000	0.10
WU Jiesi	Beneficial owner	Beneficial interest	6,600,000	3,400,000	10,000,000	0.28
WONG Po Yan	Beneficial owner	Beneficial interest	3,400,000	–	3,400,000	0.10
LI Wai Keung	Beneficial owner	Beneficial interest	1,000,790	–	1,000,790	0.03

Directors' Interests in Shares (continued)

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

Name of director	Capacity	Number of shares	Underlying shares pursuant to share options	Aggregate interests	Percentage of issued share capital
GUO Limin	Beneficial owner	–	150,000	150,000	0.02
XU Ruxin	Beneficial owner	–	150,000	150,000	0.02
WONG Po Yan	Beneficial owner	50,000	–	50,000	0.01

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.

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

	At 1 January 2010	Granted during the period	Number of share options			At 30 June 2010	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									
WU Jiesi	3,400,000	-	-	-	-	3,400,000	29/5/2006	29/5/2006- 28/5/2011*	2.165
	<u>3,400,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,400,000</u>			
Other employees									
In aggregate	3,233,000	-	(3,233,000)	-	-	-	18/5/2005	18/5/2005- 17/5/2010	1.088
	5,500,000	-	(5,500,000)	-	-	-	9/3/2006	9/3/2006- 8/3/2011	1.330
	58,580,000	-	-	(3,400,000)	(54,280,000)	900,000	4/7/2007	4/7/2007- 3/7/2012	4.768
	<u>67,313,000</u>	<u>-</u>	<u>(8,733,000)</u>	<u>(3,400,000)</u>	<u>(54,280,000)</u>	<u>900,000</u>			
	<u>70,713,000</u>	<u>-</u>	<u>(8,733,000)</u>	<u>(3,400,000)</u>	<u>(54,280,000)</u>	<u>4,300,000</u>			

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

Notes:

1. During the period 8,733,000 options were exercised under the Share Option Scheme. On 28 June, 2010, 93,862,000 options were offered to be granted and on 19 July, 2010, all the options so offered to be granted were accepted and granted under the Share Option Scheme.
2. During the period, 3,400,000 options were lapsed and 54,280,000 options were 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\$3.159 per share (2009: HK\$2.164 per share)

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 2010, 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:

Interest in shares of the Company:

Name	Capacity	Nature of interest	Number of shares		Percentage of shares of the Company in issue
			Long Position	Short Position	
深業集團有限公司	Interest of controlled corporation (Note 1)	Corporate interest	1,523,731,489	–	43.09
Shum Yip Holdings Company Limited	Beneficial owner (Note 1)	Beneficial interest	1,523,731,489	–	43.09
AllianceBernstein L.P.	(Note 2)	–	213,048,000	–	6.02

Substantial Shareholders (continued)

Interest in shares of the Company: (continued)

Notes:

1. Shum Yip Holdings Company Limited is wholly-owned by 深業集團有限公司. 深業集團有限公司 is deemed to be interested in the 1,523,731,489 shares beneficially held by Shum Yip Holdings Company Limited.
2. The 213,048,000 shares are held by AllianceBernstein L.P. in the following capacities:

Capacity	No. of shares
Investment manager	201,602,000
Interest of controlled corporation	11,446,000

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 underlying shares of the Company as at 30 June 2010.

Saved as disclosed above, no person, other than the directors of the Company, whose interest are set out in the section "Directors interest 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 HK7.00 cents per share for the six months ended 30 June 2010 (2009: HK5.00 cents). The total amount of the dividend will be HK\$247,559,766 (2009: HK\$161,040,755). The dividend will be payable on Friday, 24 September 2010 to shareholders whose names appear on the Register of Members on 13 September 2010.

Closure of Register of Members

The Register of Members of the Company will be closed from Monday, 13 September 2010, to Thursday, 16 September, 2010 (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 4:30 p.m. on Friday, 10 September 2010.

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 2010, 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 2010 and the interim report 2010.

Corporate Governance (continued)

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

Neither the Company nor any of its subsidiaries has 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.

On behalf of
Shenzhen Investment Limited
GUO Limin
Chairman

Hong Kong, 25th day of August, 2010.



深圳控股有限公司
SHENZHEN INVESTMENT LIMITED

<http://www.shenzheninvestment.com>



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Product group from well-managed
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