



深圳控股有限公司
SHENZHEN INVESTMENT LIMITED

股份代號 Stock Code: 604

Interim Report 中期報告

2011



CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. GUO Limin, *Chairman*

Mr. LU Hua, *President*

(appointed on 21 June 2011)

Mr. XU Ruxin, *President*

(resigned on 21 June 2011)

Mr. MOU Yong

Mr. LIU Chong

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. LU Hua

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 2011 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 2011

	Notes	For the six months ended 30 June	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
REVENUE	4	3,634,239	3,619,672
Cost of sales		(2,048,920)	(2,117,276)
Gross profit		1,585,319	1,502,396
Other income and gains	5	100,007	90,454
Increase in fair value of investment properties		222,443	213,545
Fair value gains of financial assets and financial liabilities at fair value through profit or loss, net		69,033	48,126
Selling and distribution costs		(95,003)	(82,518)
Administrative expenses		(323,637)	(296,246)
Other expenses		(20,768)	(6,524)
Finance costs	6	(131,520)	(98,805)
Share of profits and losses of associates		407,470	171,068
PROFIT FOR THE PERIOD BEFORE TAX	7	1,813,344	1,541,496
Income tax expense	8	(601,105)	(551,607)
PROFIT FOR THE PERIOD		1,212,239	989,889

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (continued)

For the six months ended 30 June 2011

	Note	For the six months ended 30 June	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
ATTRIBUTABLE TO:			
Owners of the parent		991,401	873,917
Non-controlling interests		220,838	115,972
		1,212,239	989,889
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	10		
– For profit for the period		HK28.03 cents	HK24.72 cents
Diluted			
– For profit for the period		HK28.02 cents	HK24.71 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Note	For the six months ended 30 June	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Profit for the period		1,212,239	989,889
Net loss on an available-for-sale investment	9	–	(15,344)
Income tax effect		–	3,376
		–	(11,968)
Exchange differences on translation of foreign operations		352,028	153,908
Share of other comprehensive income of associates	9	90,619	12,440
Other comprehensive income for the period, net of tax		442,647	154,380
Total comprehensive income for the period, net of tax		1,654,886	1,144,269
Attributable to:			
Owners of the parent		1,403,420	1,014,146
Non-controlling interests		251,466	130,123
		1,654,886	1,144,269

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

		30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	12	642,884	630,115
Intangible assets		83,695	84,305
Prepaid land lease payments		47,792	30,738
Goodwill		322,734	322,625
Investment properties		5,264,603	4,902,151
Investments in associates		5,067,608	5,010,384
Held-to-maturity investments		386,928	385,938
Available-for-sale investments		34,760	34,014
Other long term assets	14	612,359	156,876
Deferred tax assets		395,149	332,348
Total non-current assets		12,858,512	11,889,494
CURRENT ASSETS			
Inventories		88,880	60,289
Completed properties held for sale		2,333,836	2,441,670
Properties under development		14,278,164	12,160,436
Trade receivables	15	172,131	199,449
Prepayments, deposits and other receivables		1,815,752	1,353,642
Financial assets at fair value through profit or loss		23,736	20,564
Pledged deposits	16	45,238	–
Cash and cash equivalents	16	8,287,923	6,245,463
Total current assets		27,045,660	22,481,513
CURRENT LIABILITIES			
Interest-bearing bank loans	17	8,637,068	9,615,482
Derivative financial instruments		–	65,861
Trade payables	18	195,452	141,725
Other payables and accruals		5,107,846	4,249,817
Amounts due to the ultimate holding company	24	48,708	41,616
Tax payable		1,706,179	1,447,667
Total current liabilities		15,695,253	15,562,168
NET CURRENT ASSETS		11,350,407	6,919,345
TOTAL ASSETS LESS CURRENT LIABILITIES		24,208,919	18,808,839

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2011

		30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
	Notes		
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	17	7,162,785	3,173,527
Deferred tax liabilities		1,048,992	935,515
Total non-current liabilities		8,211,777	4,109,042
Net assets		15,997,142	14,699,797
EQUITY			
Total equity attributable to owners of the parent			
Issued capital	20	176,998	176,828
Reserves	21	14,442,501	13,298,075
		14,619,499	13,474,903
Non-controlling interests		1,377,643	1,224,894
Total equity		15,997,142	14,699,797

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Attributable to equity holders of the parent												
	Issued capital	Share premium account	Share capital	Capital redemption reserve	Share option reserve	Capital reserve	Asset revaluation reserve	Available-for-sale investment revaluation reserve	Statutory reserve	Exchange fluctuation reserve	Retained profits	Proposed dividend	Total equity
	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	59,019	60,940	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	-	989,889
Other comprehensive income	-	-	-	-	2,362	(11,968)	-	149,835	-	-	140,229	-	154,380
Total comprehensive income	-	-	-	-	2,362	(11,968)	-	149,835	873,917	-	1,014,146	-	1,144,269
Adjustment to prior year's final dividend	-	-	-	-	-	-	-	-	(612)	-	612	-	-
Final 2009 dividend declared	-	-	-	-	-	-	-	-	-	(247,560)	(247,560)	-	(265,791)
Share options exercised	436	13,335	-	-	(2,939)	-	-	-	-	-	-	10,832	10,832
Share issue expense	-	(10)	-	-	(38,125)	-	-	-	-	-	-	(10)	(10)
Share options lapsed	-	-	-	-	-	-	-	-	38,125	-	-	-	-
Share of reserves of associates	-	-	-	-	5,871	-	-	-	(45,111)	-	5,871	-	5,871
Transfer from retained profits	-	-	-	-	-	-	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	8,267	1,085,777	1,942,937	4,178,347	247,560	13,173,288	1,133,561	14,306,849

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(continued)

For the six months ended 30 June 2011

	Attributable to equity holders of the parent														
	Issued capital	Share premium account	Share of non-controlling interests	Capital redemption reserve	Share option reserve	Capital reserve	Asset revaluation reserve	Available-for-sale investment reserve	Statutory reserve	Exchange fluctuation reserve	Retained profits	Proposed dividend	Total equity		
														HK\$'000	HK\$'000
At 1 January 2011	176,628	5,398,197	(278,831)	2,086	22,477	59,019	59,172	5,944	1,170,049	2,315,074	4,297,278	247,560	13,474,903	1,224,894	14,699,797
Profit for the period	-	-	-	-	-	-	-	-	-	-	991,401	-	991,401	220,838	1,212,239
Other comprehensive income	-	-	-	-	-	-	4,541	-	-	407,478	-	-	412,019	30,628	442,647
Total comprehensive income	-	-	-	-	-	-	4,541	-	-	407,478	991,401	-	1,403,420	251,466	1,654,886
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	4,815	-
Final 2010 dividend declared	-	-	-	-	-	-	-	-	-	-	-	(247,798)	(247,798)	-	(247,798)
Adjustment to prior year's final dividend	-	-	-	-	-	-	-	-	-	-	(238)	238	-	-	-
Acquisition of non-controlling interests	-	-	(31,618)	-	-	-	-	-	-	-	-	-	(31,618)	(18,857)	(50,475)
Share options exercised	20	9,163	-	-	(1,972)	-	-	-	-	-	-	-	7,361	-	7,361
Share issue expense	20	(7)	-	-	-	-	-	-	-	-	-	-	(7)	-	(7)
Equity-settled share option expense	-	-	-	-	12,374	-	-	-	-	-	-	-	12,374	-	12,374
Share of reserves of associates	-	-	-	-	864	-	-	-	-	-	-	-	864	-	864
Proposed interim 2011 dividend	-	-	-	-	-	-	-	-	-	-	(247,798)	247,798	-	-	-
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from retained profits	-	-	-	-	-	-	-	60,121	-	-	(60,121)	-	-	(84,675)	(84,675)
At 30 June 2011 (unaudited)	176,998	5,407,353*	(310,449)*	2,086*	33,743*	59,019*	63,713*	5,944*	1,230,170*	2,722,552*	4,980,622*	247,798*	14,619,499	1,377,648	15,997,142

* The reserve account comprise the consolidated reserves of HK\$14,442,501,000 (31 December 2010: HK\$13,298,075,000) in the interim condensed consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2011

	For the six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
CASH INFLOW/(OUTFLOW)		
FROM OPERATING ACTIVITIES	(185,791)	498,713
CASH INFLOW FROM INVESTING ACTIVITIES	67,695	110,808
CASH INFLOW/(OUTFLOW)		
FROM FINANCING ACTIVITIES	2,047,517	(494,239)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,929,421	115,282
Cash and cash equivalents at beginning of period	6,245,463	6,434,237
Effect of foreign exchange rate changes, net	113,039	–
CASH AND CASH EQUIVALENTS		
AT END OF PERIOD	8,287,923	6,549,519

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

1. CORPORATE INFORMATION

The interim condensed consolidated financial statements of Shenzhen Investment Limited (the “Company”) and its subsidiaries (hereafter referred to as the “Group”) for the six months ended 30 June 2011 were authorised for issue in accordance with a resolution of the directors of the Company (the “Directors”) on 25 August 2011.

The Company is a limited company incorporated in Hong Kong. The registered office of the Company is located at 8th Floor, New East Ocean Centre, 9 Science Museum Road, Kowloon, Hong Kong. The principal activities of the Group are described in Note 4.

2. BASIS OF PREPARATION

The 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 2010.

3. 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 2010, except for the adoption of the new standards and interpretations as of 1 January 2011, noted below:

HKFRS 1 Amendment	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards</i>
HKFRS 24 (Revised)	<i>Related Party Disclosures</i>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation- Classification of Rights Issues</i>
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</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.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4. 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, land 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 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 manufacture and sale of aluminum alloys and other businesses.

Management monitors the operating results of the Group’s business units separately for the purpose of making decisions about resources 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 from the Group’s financial instruments as well as head office and corporate expenses are excluded from such measurement.

4. 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 2011	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	2,045,899	210,447	466,733	119,707	158,783	632,670	3,634,239
Intersegment sales	-	5,736	1,304	-	-	9,499	16,539
	2,045,899	216,183	468,037	119,707	158,783	642,169	3,650,778
Reconciliation							
Elimination of intersegment sales							(16,539)
Revenue							3,634,239
Segment results before increase in fair value of investment properties	1,051,270	320,444	25,164	17,787	8,499	195,027	1,618,191
Increase in fair value of investment properties	-	222,443	-	-	-	-	222,443
Segment results after increase in fair value of investment properties	1,051,270	542,887	25,164	17,787	8,499	195,027	1,840,634
Reconciliation							
Elimination of intersegment result							(7,587)
Interest income							90,806
Dividend income and unallocated gains							4,429
Fair value gains of the financial instruments at fair value through profit or loss, net							69,033
Corporate and other unallocated expenses							(52,451)
Finance costs							(131,520)
Profit before tax							1,813,344

4. OPERATING SEGMENT INFORMATION (continued)

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							3,619,672
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 gains of the financial instruments at fair value through profit or loss, net							48,126
Corporate and other unallocated expenses							(32,268)
Finance costs							(98,805)
Profit before tax							1,541,496

5. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest income	90,806	77,323
Others	9,201	13,131
	100,007	90,454

6. FINANCE COSTS

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on:		
Bank loans	297,009	163,672
Other finance costs	64,999	71,912
Less: Interest capitalised	(230,488)	(136,779)
	131,520	98,805

7. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2011	2010
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Depreciation	42,625	37,709
Amortisation of intangible assets	3,248	3,510
Amortisation of prepaid land lease payments	827	–
Gain on disposal of items of property, plant and equipment, net	(40)	(521)
Write-back of impairment of trade receivables	(271)	(1,481)

8. 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 (six months ended 30 June 2010: 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 24% (2010: 22%) for the year 2011, according to the new PRC Enterprise Income Tax Law which became effective on 1 January 2008.

8. 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\$268,806,000 was charged to the condensed consolidated income statement for the six months ended 30 June 2011 (six months ended 30 June 2010: HK\$234,894,000).

	For the six months ended 30 June	
	2011	2010
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Current – Mainland China corporate income tax	290,942	265,569
Current – Withholding tax on dividend	9,369	24,937
Current – LAT in Mainland China	268,806	234,894
Deferred – Mainland China corporate income tax	51,363	62,732
Deferred – Withholding tax on dividend	25,217	12,721
Deferred – LAT in Mainland China	(44,592)	(49,246)
Total tax charge for the period	601,105	551,607

The share of tax attributable to associates of approximately HK\$314,723,000 (six months ended 30 June 2010: HK\$212,661,000) is included in “Share of profits and losses of associates” on the face of the interim condensed consolidated income statement.

9. COMPONENTS OF OTHER COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Available-for-sale financial investments:		
Loss arising during the period	–	(15,344)

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Share of other comprehensive income of associates:		
Asset revaluation	4,541	2,362
Exchange differences on translation of foreign operations	86,078	10,078
	90,619	12,440

10. 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	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	991,401	873,917

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

	For the six months ended 30 June	
	2011	2010
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	3,536,955,312	3,534,617,362
Effect of dilution – weighted average number of ordinary shares:		
Share options	966,258	1,700,296
	3,537,921,570	3,536,317,658

11. DIVIDEND PAID AND PROPOSED

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Dividends on ordinary shares declared and paid during the six-month period:		
Final dividend for 2010: HK7.00 cents (2009: HK7.00 cents)	247,798	247,560
Dividends on ordinary shares proposed for approval (not recognised as a liability as at 30 June):		
First dividend for 2011: HK7.00 cents (2010: HK7.00 cents)	247,798	247,560

11. DIVIDEND PAID AND PROPOSED (continued)

The 2011 interim dividend was resolved by the board of directors on 25 August 2011. The interim dividend will be satisfied wholly in the form of an allotment of new fully paid share(s) of nominal value of HK\$0.05 each in the share capital of the Company ("scrip shares") but shareholders will be given the option of receiving such interim dividend wholly in cash in lieu of such allotment, or partly in cash and partly in the form of scrip shares.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group acquired assets with a cost of HK\$47,194,000 (six months ended 30 June 2010: HK\$30,783,000) as additions to property, plant and equipment.

Assets with a net book value of HK\$4,542,000 were disposed of by the Group during the six months ended 30 June 2011 (six months ended 30 June 2010: HK\$ HK\$1,300,000), resulting in a net gain on disposal of HK\$40,000 (six months ended 30 June 2010: HK\$521,000).

13. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

As at 30 June 2011, the Group had an interest 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	Land development

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

13. INVESTMENTS 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 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Non-current assets	1,176	1,237
Current assets	1,559,899	2,091,872
Current liabilities	(996,004)	(1,670,422)
Non-current liabilities	(226,936)	(221,808)
Net assets	338,135	200,879

	For the six months ended 30 June 2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Income	483,508	38,571
Cost	(302,271)	–
Expense	(6,491)	(607)
Tax	(43,654)	(9,491)
Profit for the period	131,092	28,473

14. OTHER LONG TERM ASSETS

As at 30 June 2011, the balances mainly represented loans to certain independent third parties and prepayments paid to certain local government authorities for land acquisition. The carrying amounts of the loans to independent third parties and prepayments approximate to their fair values.

15. 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 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Within one year	155,922	147,272
One to two years	7,978	16,947
Two to three years	8,231	35,230
Total	172,131	199,449

16. CASH AND CASH EQUIVALENTS

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Cash and bank balances	5,743,230	5,822,482
Time deposits	2,589,931	422,981
	8,333,161	6,245,463
Less: Pledged deposits	(45,238)	–
Cash and cash equivalents	8,287,923	6,245,463

At the end of the reporting period, the cash and cash equivalents of the Group denominated in Renminbi (“RMB”) amounted to HK\$6,338,894,000 (31 December 2010: HK\$5,128,173,000). The RMB is not freely convertible into other currencies. However, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

17. INTEREST-BEARING BANK LOANS

	Effective interest rate (%)	Maturity	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Current				
Secured	6.31-7.337	2012	32,815	29,749
Unsecured	4.1301-7.572 HIBOR +1.2 LIBOR+0.48	2012	8,604,253	9,585,733
			8,637,068	9,615,482
Non-current				
Secured	5.76-8.00	2012-2017	831,327	168,576
Unsecured	4.1301-8.32 HIBOR+0.7 LIBOR+2	2012-2014	6,331,458	3,004,951
			7,162,785	3,173,527
			15,799,853	12,789,009
			30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Analysed into:				
Bank loans repayable:				
Within one year			8,637,068	9,615,482
In the second year			1,374,294	1,260,172
In the third to fifth years, inclusive			5,752,982	1,863,774
Over five years			35,509	49,581
			15,799,853	12,789,009

17. INTEREST-BEARING BANK LOANS (continued)

- (a) Bank loans amounting to HK\$864,142,000 (31 December 2010: HK\$198,325,000) were secured by:
 - (i) certain of the Group's fixed asset with a net book value of approximately HK\$4,852,000 as at 30 June 2011(31 December 2010: Nil);
 - (ii) certain of the Group's investment properties with a net book value of approximately HK\$516,183,000 as at 30 June 2011 (31 December 2010: HK\$504,518,000); and
 - (iii) one of the Group's property under development with a net book value of approximately HK\$632,972,000 as at 30 June 2011 (31 December 2010: Nil).
- (b) Except for the bank loans equivalent to HK\$6,895,171,239 (31 December 2010: HK\$4,547,237,359) and HK\$350,000,000 (31 December 2010: HK\$1,150,000,000), 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.

18. TRADE PAYABLES

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

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Within one year	98,141	88,548
One to two years	51,710	8,638
Two to three years	7,392	2,672
Over three years	38,209	41,867
	195,452	141,725

19. 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 2011 was one year.

19. 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, the options to subscribe for 3,400,000 shares have been exercised. As at the date of the reporting period, options carrying rights to subscribe for 98,778,000 shares remained outstanding and yet to be exercised.

The Group recognised a share option expense of HK\$12,374,000 (six months ended 30 June 2010: Nil) during the six months ended 30 June 2011.

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 98,778,000 shares remained outstanding and yet to be exercised, which represented approximately 2.79% of the Company's shares in issue as that date.

20. 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 2010 and 1 January 2011	3,536,568,090	176,828	5,398,197	5,575,025
Share options exercised (a)	3,400,000	170	9,163	9,333
Share issue expenses	-	-	(7)	(7)
At 30 June 2011	3,539,968,090	176,998	5,407,353	5,584,351

- (a) The subscription rights attaching to 3,400,000 share options were exercised at the subscription price of HK\$2.165 per share, resulting in the issue of 3,400,000 shares of HK\$0.05 each for a total cash consideration, before expenses, of HK\$7,361,000.

21. 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.

22. CAPITAL COMMITMENTS

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (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	7,517,869	7,765,002
Authorised, but not contracted for	617,307	405,268
	8,135,176	8,170,270

23. CONTINGENT LIABILITIES

- (i) At 30 June 2011, the Group has given guarantees to a maximum extent of approximately HK\$423,232,000 (31 December 2010: HK\$962,473,000) 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.

23. 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.

23. 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 (“Guangdong High Court”) 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). On 9 September 2010, the Supreme People’s Court of the PRC opened a court session on the issue. On 11 February 2011, the Supreme People’s Court of the PRC arbitrated to overrule the judgement of Guangdong High Court and the case was remanded to Guangdong High Court for a new trial. As the date of this report, the case was still subject to final judgement of Guangdong High Court.

As advised by Hong Kong lawyers, pursuant to a deed (the “Deed”) entered into on 12 February 1997 by Shum Yip Holdings Company Limited 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 Company Limited if the Plaintiff and/or the applicant are/is successful in the 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.

24. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

	Notes	For the six months ended 30 June	
		2011	2010
		(Unaudited) HK\$'000	(Unaudited) HK\$'000
Transactions with Shum Yip Holdings Company Limited, the immediate holding company:			
– Rental expenses paid	(i)	2,718	2,470
Associates:			
– Purchase of properties	(ii)	712,580	–
– Interest income	(iii)	1,988	–
A jointly-controlled entity:			
– Interest income	(iii)	22,599	–

Notes:

- (i) The rentals were determined by the directors with reference to the market prices of similar transactions.
- (ii) The transaction with the associate was the purchase of properties of Tian'an Golf Longyuan at the average price of HK\$35,697 per square meter.
- (iii) The interest income from an associate and a jointly-controlled entity was determined by the directors with reference to the market prices of similar transactions.

24. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties

- (i) As disclosed in the interim condensed consolidated statement of financial position, the Group had payables amounting to HK\$48,708,000 (31 December 2010: HK\$41,616,000) 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.
- (ii) The loans to associates included in the Group's investments in associates totalling HK\$117,543,000 (31 December 2010: HK\$117,902,000) are unsecured and have no fixed terms of repayment. The loans to associates of HK\$57,358,000 (31 December 2010: HK\$45,985,000) are interest-free, while the remaining loans to an associate of HK\$60,185,000 (31 December 2010: HK\$71,917,000) bear interest at a rate of 5.85% (31 December 2010: 5.31% to 6.75%) per annum.
- (iii) The loans from associates included in the Group's other payables and accruals totalling HK\$349,488,000 (31 December 2010: HK\$50,828,000) are unsecured, interest-free and are payable on demand.
- (iv) Included in the Group's prepayments, deposits and other receivables are amounts due from the Group's jointly-controlled entity of HK\$653,421,000 (31 December 2010: HK\$670,619,000), which are unsecured and have no fixed terms of repayment, and bear interest at rates ranging from 4.37% to 6.39% per annum.

24. RELATED PARTY TRANSACTIONS (continued)

(b) *Outstanding balances with related parties* (continued)

- (v) The loan to a fellow subsidiary included in the Group's prepayments, deposits and other receivables of HK\$39,026,000 (31 December 2010: HK\$10,499,000) is unsecured, interest-free and has no fixed terms of repayment.
- (vi) The loans from fellow subsidiaries included in the Group's other payables and accruals totalling HK\$198,961,000 (31 December 2010: HK\$15,298,000) are unsecured, interest-free and are payable on demand.

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

	For the six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Short-term employee benefits	1,735	1,624
Share-based payments	4,035	–
Total compensation paid to key management personnel	5,770	1,624

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 25 August 2011.

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 35 which comprises the condensed consolidated statement of financial position of Shenzhen Investment Limited as at 30 June 2011 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 2011

Management Discussion and Analysis

Business review

During the first half of the year, the central government regarded consumer price stability as the primary task of its austerity measure and exerted escalating stringent measures to regulate the property market. Facing an unfavourable market environment, the Group focused its efforts in accelerating property sales, ensuring safety of funds and strengthening internal control, thereby being able to maintain a steady development momentum.

During the period, the Group achieved a turnover of HK\$3,634.2 million, representing an increase of 0.4% over the same period of last year. Gross profit margin was 43.6%, representing an increase of 2.1 percentage points over the same period of last year. Net profit attributable to shareholders was HK\$991.4 million, representing an increase of 13.4% over the same period of last year. Basic earnings per share was HK28.03 cents, representing an increase of 13.4% over the same period of last year.

Property development and sales

During the period, the Group recorded 154,000 square meters in property sales (excluding the interests attributable to the Group in its three principal associated companies) and achieved a net revenue in property sales of HK\$2,045.9 million (net of business tax), representing a decrease of 33.3% and 24.3% respectively over the same period of last year. The sales income was mainly derived from Snow Pine Building, Nanhu Rose Bay, Purple Kylin Hill, Tian'an Golf Longyuan, Wanlin Lake, Royal Spring, Shum Yip City and other projects. Decrease in recorded revenue was mainly due to some of the property projects sold cannot be delivered for occupation until the second half of the year.

During January to July this year, the Group achieved 310,609 square meters in contracted sales area and contracted sales income of approximately RMB3 billion (approximately HK\$3.57 billion), thereby completing 63.8% of this year's sales target. As of the end of July, the amount of sales income contracted but not booked was approximately RMB2.8 billion (approximately HK\$3.33 billion).

Management Discussion and Analysis (continued)

Property under construction and land reserves

As at 30 June 2011, the Group had 31 property projects under construction, with a total gross floor area of approximately 3.08 million square meters. These projects were progressing smoothly. During the period, the Group had 10 newly constructed projects with new construction area of approximately 1.12 million square meters, representing same annual new construction scale of last year.

As of the end of June 2011, the Group had a total gross land reserve of 10.16 million square meters (in gross floor area) with attributable gross floor area of 9.55 million square meters (excluding the interests attributable to the Group in its three principal associated companies). At present, the Group's land reserve in first-tier cities accounted for approximately 17.1%; land reserve in second-tier cities accounted for approximately 12.2%; land reserve in third-and fourth-tier cities accounted for approximately 70.7%. Our diversified land reserves are sufficient to meet the development needs in the next five to six years.

Land development

During the period, the Group's proportional share of sales income in the joint venture in Taizhou amounted to HK\$484 million, which was primarily derived from assisting the government in completing land development and the selling of the first parcel of land through public auction. Profit before taxation amounting to approximately HK\$174.7 million for this land development had already been accounted for as profit for the period.

At the beginning of the year, the second parcel of land with an area of approximately 425 acres was developed by the government with the assistance of our joint venture in Taizhou and was successfully sold of at the price of RMB1.294 billion through government land auction. In April, the Group acquired the 60% equity interests in a land development project which has an area of approximately 807 acres in Chengdu 198 Area.

Management Discussion and Analysis (continued)

Property investment

During the period, the Group's investment property continued to maintain a steady growth. The total area of our investment properties was approximately 600,000 square meters, with an achieved rental income of HK\$210.4 million, representing an increase of 11.6% over the same period of last year. During the period, the Group recorded a revaluation gain of HK\$222.4 million in its investment property portfolio and had already been accounted for as profit for the period.

Performance by associated companies

During the period, the results performance of the Group's investments in associated companies was within our expectation, of which, Tianan Cyberpark Group Co., Ltd. made a net profit contribution of HK\$280.7 million to the Group, representing an increase of 101.2% over the same period of last year. Road King Infrastructure Limited, a listed company in Hong Kong, made a net profit contribution of HK\$99.1 million to the Group, representing an increase of 36.5% over the same period of last year. Coastal Greenland Limited, another listed company in Hong Kong, contribute a net profit of HK\$34.3 million to the Group after it made a loss of HK\$33.8 million over the same period of last year.

Financial position

As of 30 June 2011, the Group's cash balance (including pledged deposits) was HK\$8,333.2 million (31 December 2010: HK\$6,245.5 million), of which approximately 76.1% and 23.9% were denominated in Renminbi and other currencies (mainly in US\$ and HK\$) respectively.

Management Discussion and Analysis (continued)

Financial position (continued)

As at 30 June 2011, the Group's total bank loans amounted to HK\$15,799.9 million (31 December 2010: HK\$12,789.0 million), of which HK\$14,285.4 million were floating-rate loans (31 December 2010: HK\$11,398.6 million), and the rest were fixed rate loans. Of all the loans, long-term loans amounted to HK\$7,162.8 million (31 December 2010: HK\$3,173.5 million) and short-term loans were HK\$8,637.1 million (31 December 2010: HK\$9,615.5 million).

As of 30 June 2011, the Group had net assets (after minority interests) of HK\$14,619.5 million and the ratio of net debts to net assets (after minority interests) was 51.1% (31 December 2010: 48.6%).

As the Group's main operating cash flow is in Renminbi, while the assets held and debts committed are mainly stated in Renminbi and US Dollar respectively, exchange rate movements will have positive financial impact to the Group in the short run.

Capital structure

As at 30 June 2011, Shum Yip Holdings Company Limited, the parent company of the Group is interested in approximately 43.04% of the Group, and is the largest shareholder of the Group.

During the period, a total of 3,400,000 share options granted were exercised. Also during the period, the Group did not repurchase any share of the Group.

As at 30 June 2011, the Group had 3,539,968,090 shares in issue (31 December 2010: 3,536,568,090 shares).

Management Discussion and Analysis (continued)

Staff headcount and remuneration

As at 30 June 2011, the Group had a total staff number of 17,802, of which 30 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 relevant market trends. The management of the Group reviews regularly its compensation policies as well as the performance of its employees.

Employee benefits include salaries, allowances, medical insurance and mandatory retirement contributions. We also issue bonuses and grant share options, under the share option scheme of the Group, to employees based on individual performance and the results of the Group.

Business outlook

During the period, the global economy is facing increasing uncertainty and instability, the situation is not optimistic. The Chinese government will continue to implement proactive fiscal policy and prudent monetary policy in the second half of the year to cope with inflation, boosting structural transformation while maintaining stable economic growth. It is expected that real estate regulating measures will not be relaxed. The government will continue to increase the construction of subsidized housing, impede real estate investment and speculation demand, restrain rapid increase in property price and tighten the credit support in the real estate industry. The real estate industry will be facing normalized regulating environment and the survival of the fittest and acquisition and integration in the real estate industry will be further obvious in coming years. Although facing an uncertain external environment, the Group remains optimistic about the long-term prospects of the real estate industry in China, and believes that the real estate regulating policy is conducive to the healthy and sustainable development of the real estate market and the optimization and integration of the real estate industry.

Management Discussion and Analysis (continued)

Business outlook (continued)

During the period, the transaction volume in real estate market in Shenzhen was relatively sluggish. The transaction volume of new home sale in the first half of the year was 1,400,000 square meters, with a monthly average transaction volume of 233,000 square meters. The price of small apartments in sub urban area declined slightly, while the property price in the urban areas remained strong. However, the trend of rapid surge was curbed with the investment and speculation sentiment obviously cooling down. The Group has always regarded Shenzhen as its home market, and as a city with immigrants dominant, Shenzhen had laid a sound foundation in high tech, financial industry, internet industry, biology and medicine, and modern port logistics. The coastal front development will promote Shenzhen's competitiveness in finance, high-end service industry and internationalization. The potential and room for Shenzhen's economic development will be enormous in future. The rigid demand of residents for first time purchase of property and improving housing conditions as well as payment ability are strong, and demand for commercial property are even stronger. With the inadequate land supply in Shenzhen, the contradiction between supply and demand implies broader room for the development in Shenzhen's real estate market. In future, the Group will put more resources in Shenzhen and make contributions to Shenzhen's urban development through meticulous operation and quality improvement.

In the second half of the year, the Group will push forward more housing sales, adjust product structure actively, adopt flexible pricing strategy, and enhance property projects sales. The major property projects include Shenzhen Purple Kylin Hill, Tian'an Golf Longyuan, Shenzhen Dongcheng International (深圳東城國際), Foshan Yundonghai, Wuhan Nanhu Rose Bay, Huizhou Garden Hill, Dongguan Euro-view Garden and Jiangsu Taizhou Splendid City. During January to June, the area for sale by the Group was approximately 330,000 square meters. In the second half of the year, the Group plans to launch property projects of approximately 400,000 square meters, and we have confidence in achieving the sales target of RMB4.7 billion.

Management Discussion and Analysis (continued)

Business outlook (continued)

Acceleration of property development and improvement in turnover are the main focus of the Group during the year. The Group newly planned construction area in 2011 will be approximately 2.4 million square meters, almost double that of last year. In the second half of the year, we will continue to accelerate development and lay a solid foundation for growth after 2012.

The Group will continue its prudent principles to focus our land bank strategy Shenzhen this year and will acquire land in Shenzhen through various channels like acquisition, application of urban upgrading projects, tender invitation, auction and listing.

Shum Yip Group Limited, our controlling shareholder, owns considerable quality land resources in Shenzhen city center districts. The direction and deployment of selecting suitable opportunities to gradually integrate the land resources held by Shum Yip Group Limited into the Group will remain unchanged. The Group will continue to strengthen the relationship with our controlling shareholder and strive to increase our land reserve in Shenzhen through assets injection.

Moreover, urban renewal program is also an important approach of the Group to increase its land reserve in Shenzhen. The Group has 4 urban renewal projects, located in Futian District and Luohu District respectively, with a planned gross floor area of approximately 1,400,000 square meters. It is planned to construct a city complex integrating office-buildings, commercial and residential premises. We will carry out pro-actively a series of works, including application, removal and compensation, planning and design, and so on, and endeavour to unearth the value of urban upgrading projects.

Management Discussion and Analysis (continued)

Business outlook (continued)

The Group will adhere to its already defined strategies and forge ahead aggressively while ensuring a stable operation and finance. In addition, the Group will continue to keep abreast with the market and improve its organization capability in strategy, management, capital and talents. With its customer-oriented mentality, the Group will explore and innovate its own business mode and product structure and enhance its development and operation capability in commercial and residential and business property, thereby endeavoring to create value for our shareholders.

Directors' Interests in Shares

As at 30 June 2011, 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	6,300,000	6,800,000	0.19
LU Hua	Beneficial owner	Beneficial interest	1,000,000	4,016,000	5,016,000	0.14
MOU Yong	Beneficial owner	Beneficial interest	–	4,016,000	4,016,000	0.11
LIU Chong	Beneficial owner	Beneficial interest	–	4,016,000	4,016,000	0.11
WU Jiesi	Beneficial owner	Beneficial interest	10,000,000	–	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	Underlying shares of debentures	Aggregate interests	Percentage of issued share capital
GUO Limin	Beneficial owner	–	150,000	–	150,000	0.02
WONG Po Yan	Beneficial owner	50,000	–	–	50,000	0.01
LI Wai Keung	Beneficial owner	–	–	200,000	200,000	0.03

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 19 to the financial statements.

Share Options (continued)

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

	At 1 January 2011	Granted during the period	Number of share options			Other changes during the period	At 30 June 2011	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										
GUO Limin	6,300,000	-	-	-	-	-	6,300,000	19/7/2010	19/7/2012-18/7/2015**	2.39
XU Ruxin (resigned on 21/6/2011)	5,986,000	-	-	-	-	(5,986,000) Note 1	-	19/7/2010	19/7/2012-18/7/2015**	2.39
LU Hua (appointed on 21/6/2011)	-	-	-	-	-	4,016,000 Note 2	4,016,000	19/7/2010	19/7/2012-18/7/2015**	2.39
MOU Yong	4,016,000	-	-	-	-	-	4,016,000	19/7/2010	19/7/2012-18/7/2015**	2.39
LIU Chong	4,016,000	-	-	-	-	-	4,016,000	19/7/2010	19/7/2012-18/7/2015**	2.39
WU Jiesi	3,400,000	-	(3,400,000)	-	-	-	-	29/5/2006	29/5/2006-28/5/2011*	2.165
	23,718,000	-	(3,400,000)	-	-	(1,970,000)	18,348,000			
Other employees										
In aggregate	900,000	-	-	-	-	-	900,000	4/7/2007	4/7/2007-3/7/2012	4.768
	65,512,000	-	-	-	-	5,986,000 Note 1	71,498,000	19/7/2010	19/7/2012-18/7/2015**	2.39
	4,016,000	-	-	-	-	(4,016,000) Note 2	-	19/7/2010	19/7/2012-18/7/2015**	2.39
	4,016,000 Note 3	-	-	-	-	-	4,016,000 Note 3	19/7/2010	19/7/2012-18/7/2015**	2.39
	4,016,000	-	-	-	-	-	4,016,000	9/12/2010	18/7/2012-18/7/2015***	2.814
	78,460,000	-	-	-	-	1,970,000	80,430,000			
	102,178,000	-	(3,400,000)	-	-	-	98,778,000			

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 percentage of Share Option exercisable

Period for exercise of the relevant percentage of the Share Option

40%	at any time after the expiry of 2 years from the Date of Grant up to 3 years from the Date of Grant
70%	at any time after the expiry of 3 years from the Date of Grant up to 4 years from the Date of Grant
100%	at any time after the expiry of 4 years from the Date of Grant up to 5 years from the Date of Grant

Share Options (continued)

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

Maximum percentage of Share Option exercisable	Period for exercise of the relevant percentage of the Share Option
40%	at any time after the expiry of 1 year and 222 days from the Date of Grant up to 2 years and 222 days from the Date of Grant
70%	at any time after the expiry of 2 years and 222 days from the Date of Grant up to 3 years and 222 days from the Date of Grant
100%	at any time after the expiry of 3 years and 222 days from the Date of Grant up to 4 years and 222 days from the Date of Grant

Notes:

1. Mr. XU Ruxin resigned as director of the Company on 21 June 2011 and remained as an employee of the Group.
2. Mr. LU Hua was formerly an employee of the Group and was appointed as director of the Company on 21 June 2011.
3. 4,016,000 options were held by Mr. LIU Weijun who resigned as director of the Company on 30 December 2010 and remained as an employee of the Group.

Share Options (continued)

Notes: (continued)

4. During the period no options were granted and 3,400,000 options were exercised under the Share Option Scheme.
5. During the period no options were lapsed and cancelled under the Share Option Scheme.
6. The weighted average share price at the date of exercise for share options exercised during the period was HK\$2.511 per share (2010: HK\$3.159 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 2011, 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	–	43.04
Shum Yip Holdings Company Limited	Beneficial owner (Note 1)	Beneficial interest	1,523,731,489	–	43.04
AllianceBernstein L.P.	(Note 2)	Corporate and other interests	210,077,700	–	5.93

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 210,077,700 shares are held by AllianceBernstein L.P. in the following capacities:

Capacity	No. of shares
Investment manager	209,247,700
Interest of controlled corporation	830,000

Substantial Shareholders (continued)

Interest in shares of the Company: (continued)

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 2011.

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

At a meeting of the Board of the Company held on 25 August 2011, the Board resolved to declare an interim dividend of HK7.00 cents per share for the six months ended 30 June 2011 (2010: HK7.00 cents) payable on or about Thursday, 10 November 2011 to shareholders whose names appear on the Register of Members of the Company on Monday, 19 September 2011. The Board further resolved that such interim dividend be satisfied wholly in the form of an allotment of new fully paid share(s) of nominal value of HK\$0.05 each in the share capital of the Company (“scrip shares”) but shareholders will be given the option of receiving such interim dividend wholly in cash in lieu of such allotment, or partly in cash and partly in the form of scrip shares. The allotment price for such scrip shares will be the average value of the closing prices per share as quoted on The Stock Exchange of Hong Kong Limited for the five consecutive trading days commencing from Monday, 19 September 2011. A circular containing details thereof and the election form will be sent to shareholders on or about Friday, 14 October 2011.

Closure of Register of Members

The Register of Members of the Company will be closed from Monday, 19 September 2011, to Wednesday, 21 September 2011 (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, 16 September 2011.

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 2011, 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 2011 and the interim report 2011.

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

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

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.

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. As at 30 June 2011, the 2nd Facility had been fully repaid.

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

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). As at 30 June 2011, the 3rd Facility had been fully repaid.

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.

By an agreement (“5th Facility Agreement”) dated 28 September 2010 entered into between, among others, the Company as borrower and a syndicate of lenders (“Lenders”), a transferable term loan facility of up to US\$400 million (“5th Facility”) is made available by the Lenders to the Company on the terms and conditions as stated therein. The 5th Facility will be made available to the Company within 6 months from the date of the 5th Facility Agreement and the Company shall repay to the Lenders in full any outstanding advances made thereunder on the date falling 48 months from the date of the 5th Facility Agreement. The Company intends to use the 5th Facility to finance the general corporate funding requirements of the Company and its subsidiaries.

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

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, 25 August 2011.

 深圳控股有限公司
SHENZHEN INVESTMENT LIMITED

<http://www.shenzheninvestment.com>

