



深圳控股有限公司
SHENZHEN INVESTMENT LIMITED

股份代號 Stock Code: 604

2012

Interim Report 中期報告



CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. LU Hua, *Acting Chairman*

Mr. GUO Limin, *Chairman*

(resigned on 24 April 2012)

Mr. MOU Yong

Mr. LIU Chong

NON-EXECUTIVE DIRECTORS

Dr. WU Jiesi

Mr. HUANG Yige

(appointed on 27 March 2012)

Mr. LIU Biao

(resigned on 27 March 2012)

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. LU Hua

Mr. LIU Chong

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 2012 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 2012

		For the six months ended 30 June	
		2012	2011
		(Unaudited)	Restated
		(Unaudited)	(Unaudited)
	Notes	HK\$’000	HK\$’000
REVENUE	5	2,995,830	3,150,731
Cost of sales		(2,096,999)	(1,746,649)
Gross profit		898,831	1,404,082
Other income and gains	5	151,497	102,406
Increase in fair value of investment properties		478,814	222,443
Fair value gains on equity investments and financial liabilities at fair value through profit or loss, net		2,698	69,033
Selling and distribution costs		(94,486)	(94,141)
Administrative expenses		(346,900)	(323,508)
Other expenses		(33,160)	(20,768)
Finance costs	6	(168,385)	(125,939)
Share of profits and losses of:			
Jointly-controlled entities		41,641	128,612
Associates		387,973	407,470
PROFIT BEFORE TAX	7	1,318,523	1,769,690
Income tax expense	8	(215,248)	(557,451)
PROFIT FOR THE PERIOD		1,103,275	1,212,239

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (continued)

For the six months ended 30 June 2012

	Note	For the six months ended 30 June	
		2012 (Unaudited) HK\$'000	2011 Restated (Unaudited) HK\$'000
ATTRIBUTABLE TO:			
Owners of the parent		935,302	991,401
Non-controlling interests		167,973	220,838
		1,103,275	1,212,239
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
	10		
Basic, profit for the period		HK25.79 cents	HK28.03 cents
Diluted, profit for the period		HK25.79 cents	HK28.02 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Note	For the six months ended 30 June	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD		1,103,275	1,212,239
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		(208,444)	352,028
Share of other comprehensive income of associates	9	(18,204)	90,619
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		(226,648)	442,647
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		876,627	1,654,886
Attributable to:			
Owners of the parent		726,211	1,403,420
Non-controlling interests		150,416	251,466
		876,627	1,654,886

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Notes	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	615,385	630,160
Intangible assets		77,273	81,372
Prepaid land lease payments		47,319	48,863
Goodwill		322,652	322,704
Investment properties	13	5,979,533	5,560,792
Investments in associates		5,608,909	5,276,081
Investments in jointly-controlled entities	15	491,040	430,866
Available-for-sale investments		29,612	29,913
Other long term assets	16	1,301,112	1,386,939
Deferred tax assets		450,535	438,845
Pledged deposits	18	158,778	12,427
Total non-current assets		15,082,148	14,218,962
CURRENT ASSETS			
Inventories		106,724	91,677
Completed properties held for sale		3,491,161	3,348,072
Properties under development	14	17,547,292	15,111,752
Trade receivables	17	185,895	143,407
Prepayments, deposits and other receivables		3,293,362	2,995,350
Equity investments at fair value through profit or loss		22,185	19,487
Held-to-maturity investment		387,545	387,968
Pledged deposits	18	39,062	–
Restricted cash	18	519,748	126,425
Cash and cash equivalents	18	7,859,187	5,097,524
Total current assets		33,452,161	27,321,662
CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings	19	6,138,498	4,965,249
Trade payables	20	223,522	264,717
Other payables and accruals		5,617,101	4,815,051
Due to the immediate holding company	27(c)(ii)	50,652	–
Due to the ultimate holding company	27(c)(i)	56,068	54,641
Tax payable		1,371,734	1,806,695
Total current liabilities		13,457,575	11,906,353
NET CURRENT ASSETS		19,994,586	15,415,309
TOTAL ASSETS LESS CURRENT LIABILITIES		35,076,734	29,634,271

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2012

		30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
	Notes		
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings	19	16,201,543	11,514,038
Deferred tax liabilities		1,243,617	1,107,296
Total non-current liabilities		17,445,160	12,621,334
Net assets		17,631,574	17,012,937
EQUITY			
Equity attributable to owners of the parent			
Issued capital	22	181,301	181,301
Reserves	23	15,554,224	15,071,996
Proposed dividends	11	253,822	290,082
		15,989,347	15,543,379
Non-controlling interests		1,642,227	1,469,558
Total equity		17,631,574	17,012,937

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Attributable to equity holders of the parent														
	Acquisition			Available-for-sale			Non-								
	Share premium account	Capital redemption reserve	Share option reserve	Capital reserve	Asset revaluation reserve	Investment revaluation reserve	Statutory reserve	Exchange fluctuation reserve	Retained profits	Proposed dividends	Total equity				
HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000				
At 1 January 2011	176,828	5,398,197	(278,831)	2,036	22,477	59,019	59,172	5,944	1,170,049	2,315,074	4,297,378	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	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	170	9,163	-	-	(1,972)	-	-	-	-	-	-	-	7,361	-	7,361
Share issue expense	-	(7)	-	-	-	-	-	-	-	-	-	-	(7)	-	(7)
Equity-settled share option expense	-	-	-	-	12,374	-	-	-	-	-	-	-	12,374	-	12,374
Share of reserves of associates	-	-	-	-	864	-	-	-	-	-	(247,798)	-	864	-	864
Proposed interim 2011 dividend	-	-	-	-	-	-	-	-	-	-	-	247,798	-	-	-
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	(84,675)	(84,675)
Transfer from retained profits	-	-	-	-	-	-	-	60,121	-	-	(60,121)	-	-	-	-
At 30 June 2011 (unaudited)	176,998	5,407,353	(310,449)	2,036	33,743	59,019	63,713	5,944	1,230,170	2,722,552	4,980,622	247,798	14,619,499	1,377,643	15,997,142

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(continued)

For the six months ended 30 June 2012

	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 revaluation reserve	Statutory reserve	Exchange fluctuation reserve	Retained profits	Proposed dividends	Total equity		
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000		
At 1 January 2012	181,301	5,537,268	(311,240)	2,036	46,577	59,019	63,571	1,687	1,306,694	3,221,691	5,144,693	290,082	15,543,379	1,469,558	17,012,937
Profit for the period	-	-	-	-	-	-	-	-	-	-	935,302	-	935,302	167,973	1,103,275
Other comprehensive income	-	-	-	-	-	-	3,818	-	(212,909)	-	-	-	(209,091)	(17,557)	(236,648)
Total comprehensive income	-	-	-	-	-	-	3,818	-	(212,909)	-	935,302	-	726,211	150,416	876,627
Establishment of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	109,862	109,862
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	26,940	26,940
Final 2011 dividend declared	-	-	-	-	-	-	-	-	-	-	(290,082)	-	(290,082)	-	(290,082)
Equity-settled share option expense	-	-	-	-	9,413	-	-	-	-	-	-	-	9,413	-	9,413
Share of reserves of associates	-	-	-	-	(753)	-	-	-	-	-	1,179	-	426	-	426
Proposed interim 2012 dividend	-	-	-	-	-	-	-	-	-	(253,822)	253,822	-	-	-	-
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	(114,549)	(114,549)
Transfer from retained profits	-	-	-	-	-	-	-	-	75,382	-	(75,382)	-	-	-	-
At 30 June 2012 (unaudited)	181,301	5,537,268*	(311,240)*	2,036*	55,237*	59,019*	67,389*	1,687*	1,382,076*	3,008,782*	5,731,970*	253,822	15,989,347	1,642,227	17,631,574

* The reserve accounts comprise the consolidated reserves of HK\$15,554,224,000 (31 December 2011: HK\$15,071,996,000) in the interim condensed consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	For the six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 Restated (Unaudited) HK\$'000
CASH OUTFLOW FROM OPERATING ACTIVITIES	(1,956,649)	(269,602)
CASH INFLOW FROM INVESTING ACTIVITIES	26,706	67,695
CASH INFLOW FROM FINANCING ACTIVITIES	4,748,419	2,170,294
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,818,476	1,968,387
Cash and cash equivalents at beginning of period	5,097,524	6,179,790
Effect of foreign exchange rate changes, net	(56,813)	111,521
CASH AND CASH EQUIVALENTS AT END OF PERIOD	7,859,187	8,259,698

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2012

1. CORPORATE INFORMATION

Shenzhen Investment Limited is a limited liability 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.

In the opinion of the directors, the immediate holding company of the Group is Shum Yip Holdings Company Limited (“Shum Yip Holdings”, 深業(集團)有限公司), which is a state-owned company incorporated in Hong Kong. The ultimate holding company of the Group is 深業集團有限公司 (formerly 深業投資開發有限公司), which is a state-owned company established in Shenzhen, the People’s Republic of China (the “PRC”).

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2012 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 2011.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011, except for the adoption of the revised standards as of 1 January 2012, noted below:

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i>

HKAS 12 Amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. The Group has adopted this amendment retrospectively for the six months ended 30 June 2012. Since all the investment properties of the Group are held with a business model to consume substantially all of the economic benefits embodied in the investment properties over time rather than through sale, the presumption has been rebutted. Consequently, the Group has continued to recognise the deferred taxes on the basis that the value of investment properties is recovered through use and there is no impact on the Group's results of operations and financial position.

The adoption of the above revised standards other than HKAS 12 Amendments 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.

3. CHANGES IN ACCOUNTING POLICY

Subsequent to the issuance of the interim condensed consolidated financial statements for the six months ended 30 June 2011, the directors elected to change the accounting policy used to account for the Group's jointly-controlled entities from proportionate consolidation to the equity method, which had been reported in the Group's annual financial statements for the year ended 31 December 2011.

This change in accounting policy has been applied retrospectively and resulted in:

	The Group, as previously reported (Unaudited) HK\$'000	Effect of the adoption of the equity method (Unaudited) HK\$'000	The Group, as restated (Unaudited) HK\$'000
Items of condensed consolidated income statement for the six months ended 30 June 2011			
Revenue	3,634,239	(483,508)	3,150,731
Gross profit	1,585,319	(181,237)	1,404,082
Share of profits and losses of jointly-controlled entities	–	128,612	128,612
Profit before tax	1,813,344	(43,654)	1,769,690
Income tax expense	(601,105)	43,654	(557,451)
Profit for the period	1,212,239	–	1,212,239
Profit attributable to owners of the parent	991,401	–	991,401

3. CHANGES IN ACCOUNTING POLICY (continued)

	The Group, as previously reported (Unaudited) HK\$'000	Effect of the adoption of the equity method (Unaudited) HK\$'000	The Group, as restated (Unaudited) HK\$'000
Items of condensed consolidated statement of cash flows for the six months ended 30 June 2011			
Net cash outflow from operating activities	(185,791)	(83,811)	(269,602)
Net cash inflow from investing activities	67,695	–	67,695
Net cash inflow from financing activities	2,047,517	122,777	2,170,294
Increase in cash and cash equivalents	1,929,421	38,966	1,968,387
Cash and cash equivalents at beginning of period	6,245,463	(65,673)	6,179,790
Cash and cash equivalents at end of period	8,287,923	(28,225)	8,259,698

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 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 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 products 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 finance 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.

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.

4. OPERATING SEGMENT INFORMATION (continued)

For the six months ended 30 June 2012	Property development (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Property management (Unaudited) HK\$'000	Transportation services (Unaudited) HK\$'000	Manufacturing (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue:							
Sales to customers	1,783,467	246,283	490,593	118,142	159,483	197,862	2,995,830
Intersegment sales	-	3,605	5,512	-	-	-	9,117
	1,783,467	249,888	496,105	118,142	159,483	197,862	3,004,947
Reconciliation							
Elimination of intersegment sales							(9,117)
Revenue							2,995,830
Segment results before increase in fair value of investment properties	486,318	311,983	46,948	11,529	5,655	63,594	926,027
Increase in fair value of investment properties	-	478,814	-	-	-	-	478,814
Segment results after increase in fair value of investment properties	486,318	790,797	46,948	11,529	5,655	63,594	1,404,841
Reconciliation							
Elimination of intersegment results							(5,283)
Finance income							120,160
Dividend income and unallocated gains							15,751
Fair value gains on financial instruments at fair value through profit or loss, net							2,698
Corporate and other unallocated expenses							(51,259)
Finance costs							(168,385)
Profit before tax							1,318,523

4. OPERATING SEGMENT INFORMATION (continued)

For the six months ended 30 June 2011 (Restated)	Property development (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Property management (Unaudited) HK\$'000	Transportation services (Unaudited) HK\$'000	Manufacturing (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue:							
Sales to customers	2,045,899	210,447	466,733	119,707	158,783	149,162	3,150,731
Intersegment sales	-	5,736	1,304	-	-	9,499	16,539
	2,045,899	216,183	468,037	119,707	158,783	158,661	3,167,270
Reconciliation							
Elimination of intersegment sales							(16,539)
Revenue							3,150,731
Segment results before increase							
in fair value of investment properties	1,051,270	320,444	25,164	17,787	8,499	143,393	1,566,557
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	143,393	1,789,000
Reconciliation							
Elimination of intersegment results							(7,587)
Finance income							93,205
Dividend income and unallocated gains							4,429
Fair value gains on financial instruments at fair value through profit or loss, net							69,033
Corporate and other unallocated expenses							(52,451)
Finance costs							(125,939)
Profit before tax							1,769,690

As the Group generates substantially all of its revenues from customers domiciled in the PRC, no geographical information is presented.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	Restated
	HK\$'000	(Unaudited) HK\$'000
Revenue		
Sale of properties	1,783,467	2,045,899
Gross management fee income	490,593	466,733
Gross rental income from investment properties	246,283	210,447
Sale of commercial and industrial goods	159,483	158,783
Income from transportation services	118,142	119,707
Others	197,862	149,162
	2,995,830	3,150,731
Other income and gains		
Finance income	120,160	93,205
Others	31,337	9,201
	151,497	102,406

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	Restated (Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans and other borrowings	526,855	282,106
Other finance costs	–	64,999
Less: Interest capitalised	(358,470)	(221,166)
	168,385	125,939

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Note	For the six months ended 30 June	
		2012	2011
		(Unaudited)	Restated (Unaudited)
		HK\$'000	HK\$'000
Cost of inventories sold		1,396,218	1,120,921
Cost of services provided		700,781	625,728
Depreciation	12	41,797	42,536
Amortisation of intangible assets		3,162	3,248
Amortisation of prepaid land lease payments		1,018	827
Gains on disposal of items of property, plant and equipment, net		(1,655)	(40)
Impairment of other receivables		15,541	–
Write-back of impairment of trade receivables		(5,257)	(271)

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 2011: Nil).

Taxes on profits assessable in Mainland China are calculated at the rates of tax prevailing in the provinces in which the Group operates.

Under the relevant income tax law, the PRC subsidiaries are subject to corporate income tax ("CIT") at a statutory rate of 25% on their respective taxable income during the period.

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

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	Restated (Unaudited)
	HK\$'000	HK\$'000
Current:		
Mainland China corporate income tax	109,178	247,288
Withholding tax on dividend	12,807	9,369
LAT in Mainland China	(33,201)	268,806
Deferred:		
Mainland China corporate income tax	99,151	51,363
Withholding tax on dividend	16,446	25,217
LAT in Mainland China	10,867	(44,592)
Total tax charge for the period	215,248	557,451

8. INCOME TAX EXPENSE (continued)

The share of taxes attributable to associates and jointly-controlled entities amounting to HK\$313,323,000 (six months ended 30 June 2011: HK\$314,723,000) and HK\$6,442,000 (six months ended 30 June 2011: HK\$43,654,000), respectively, are included in “Share of profits and losses of associates” and “Share of profits and losses of jointly-controlled entities” on the face of the interim condensed consolidated income statement.

9. COMPONENTS OF OTHER COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Share of other comprehensive income of associates:		
Asset revaluation	3,818	4,541
Exchange differences on translation of foreign operations	(22,022)	86,078
	(18,204)	90,619

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

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

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2012 in respect of a dilution as the impact of share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

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

The calculation of the diluted earnings per share amount is based on the profit for the six months ended 30 June 2011 attributable to ordinary equity holders of the Company. 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 the basic and diluted earnings per share amounts are based on:

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculations	935,302	991,401

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

	For the six months ended 30 June	
	2012	2011
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	3,626,024,304	3,536,955,312
Effect of dilution – weighted average number of ordinary shares:		
Share options	–	966,258
	3,626,024,304	3,537,921,570

11. DIVIDENDS PAID AND PROPOSED

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Dividend on ordinary shares declared and paid during the six-month period:		
Final dividend for 2011: HK8.00 cents (2010: HK7.00 cents)	290,082	247,798
Dividend on ordinary shares proposed for approval (not recognised as a liability as at 30 June):		
Interim dividend for 2012: HK7.00 cents (2011: HK7.00 cents)	253,822	247,798

11. DIVIDENDS PAID AND PROPOSED (continued)

The 2012 interim dividend has been declared by the board of directors on 27 August 2012. 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

	Note	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Carrying amount at 1 January		630,160	628,878
Additions		40,721	70,667
Acquisition of a subsidiary	24	574	213
Disposals		(8,696)	(5,164)
Depreciation charge			
for the period/year		(41,797)	(89,390)
Exchange realignment		(5,577)	24,956
Carrying amount			
at 30 June/31 December		615,385	630,160

As at 30 June 2012, certain of the Group's land and buildings in Mainland China with a net book value of approximately HK\$5,190,000 (31 December 2011: HK\$4,742,000) were pledged to secure bank loans granted to the Group (note 19(a)(i)).

13. INVESTMENT PROPERTIES

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Carrying amount at 1 January	5,560,792	4,902,151
Additions	2,106	47,764
Net gain from a fair value adjustment	478,814	311,316
Reclassified from completed properties held for sale	–	52,742
Exchange realignment	(62,179)	246,819
Carrying amount at 30 June/31 December	5,979,533	5,560,792

The Group's investment properties are situated in Mainland China and are held under medium term leases.

The Group's investment properties were revalued on 30 June 2012 by Asset Appraisal Limited, an independent firm of professionally qualified property valuers, at approximately HK\$5,979,533,000 on an open market, existing use basis. The investment properties are leased to third parties under operating leases. The net surplus arising on the revaluation has been credited to the interim condensed consolidated income statement.

As at 30 June 2012, the Group's investment property with a net book value of approximately HK\$2,530,361,000 (31 December 2011: HK\$694,920,000) was pledged to secure bank loans granted to the Group (note 19(a)(iii)).

14. PROPERTIES UNDER DEVELOPMENT

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Land in Mainland China held under medium term leases, at cost:		
At 1 January	10,575,799	8,170,836
Additions	1,282,421	2,596,629
Acquisition of a subsidiary (note 24)	28,606	28,406
Transfer to completed properties held for sale	(179,650)	(612,002)
Transfer to prepaid land lease payments	–	(18,330)
Exchange realignment	(115,482)	410,260
At 30 June/31 December	11,591,694	10,575,799
Development expenditure, at cost:		
At 1 January	4,535,953	2,642,926
Additions	2,214,686	5,513,120
Acquisition of a subsidiary (note 24)	33,520	–
Transfer to completed properties held for sale	(781,125)	(3,737,756)
Exchange realignment	(47,436)	117,663
At 30 June/31 December	5,955,598	4,535,953
	17,547,292	15,111,752

As at 30 June 2012, the Group's properties under development with a net book value of approximately HK\$3,207,400,000 (31 December 2011: HK\$1,585,366,000) were pledged to secure bank loans granted to the Group (note 19(a)(ii)).

As at 30 June 2012, the application for certificates of land in Mainland China held under medium term leases with a net book value of RMB1,237,359,000 (equivalent to approximately HK\$1,510,444,000) was still in progress.

15. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Share of net assets	467,663	430,866
Loans to a jointly-controlled entity	23,377	–
	491,040	430,866

The loans to a jointly-controlled entity are unsecured, interest-free and will not be repayable within twelve months from the end of the reporting period.

Particulars of the jointly-controlled entities are as follows:

Name	Nominal value of registered capital	Place of registration and operation	Percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	
Taizhou Shum Yip Investment Development Limited ("Taizhou Shum Yip")	RMB100,000,000	Mainland China	51	50	51	Provision of development service
Shenzhen Shum Yip Pengji Baohua Investment Limited ("Shum Yip Pengji Baohua")	RMB100,000,000	Mainland China	50	50	50	Property development

Both of the above investments in jointly-controlled entities are indirectly held by the Company.

16. OTHER LONG TERM ASSETS

As at 30 June 2012, other long term assets mainly represented a prepayment of HK\$1,288,905,000 (31 December 2011: HK\$1,340,090,000) related to the acquisition of land use rights. The remaining balance of HK\$12,207,000 (31 December 2011: HK\$46,849,000) included receivables from other independent third parties.

17. TRADE RECEIVABLES

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Trade receivables	218,519	181,667
Impairment	(32,624)	(38,260)
	185,895	143,407

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. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Within one year	181,591	131,726
One to two years	499	2,316
Two to three years	3,805	9,365
Total	185,895	143,407

18. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Cash and bank balances	5,504,912	3,766,916
Time deposits	3,071,863	1,469,460
	8,576,775	5,236,376
Less: Pledged time deposits:		
Pledged for long term bank loans (note 19(a)(iv))	(158,778)	(12,427)
Pledged for short term bank loans (note 19(a)(iv))	(39,062)	–
Restricted cash*	(519,748)	(126,425)
Cash and cash equivalents	7,859,187	5,097,524

- * In accordance with relevant documents issued by the PRC State-Owned Land and Resource Bureau, certain property development companies of the Group are required to place in designated bank accounts certain amounts of presale proceeds of properties as guarantee deposits for the construction of related properties. The deposits can only be used for purchases of construction materials and the payments of construction fee of the relevant property projects when approval from the PRC State-Owned Land and Resource Bureau is obtained. Such guarantee deposits will only be released after completion of related pre-sold properties or issuance of the real estate ownership certificates, whichever is the earlier.

19. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	30 June 2012 (Unaudited)			31 December 2011 (Audited)		
	Contractual interest rate (%)	Maturity	HK\$'000	Contractual interest rate (%)	Maturity	HK\$'000
Current						
Bank loans – secured	7.872-8.2	2013	169,311	6.31-7.34	2012	186,296
Bank loans – unsecured	4.37-8.528 HIBOR+0.7- HIBOR+2.85	2012-2013	5,813,548	4.86-7.93 HIBOR+1.95, HIBOR+2.85	2012	4,778,953
Other borrowings – unsecured	6.65-8.5	2012-2013	155,639	–	–	–
			6,138,498			4,965,249
Non-current						
Bank loans – secured	6.534-10.2694	2013-2021	3,404,125	6.37-8.645	2013-2021	1,352,664
Bank loans – unsecured	5.1-8.44 HIBOR+2.2- HIBOR+2.95, LIBOR+2- LIBOR+2.95	2013-2015	10,978,574	4.86-7.6475 HIBOR+0.7- HIBOR+2.95, LIBOR+2- LIBOR+2.95	2013-2015	10,161,374
Other borrowings – unsecured	8.5-9.80	2013-2014	1,818,844	–	–	–
			16,201,543			11,514,038
			22,340,041			16,479,287

19. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

(continued)

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Analysed into:		
Bank loans repayable:		
Within one year	5,982,859	4,965,249
In the second year	4,502,368	2,771,562
In the third to fifth years, inclusive	9,485,170	8,443,696
Over five years	395,161	298,780
	20,365,558	16,479,287
Other borrowings:		
Within one year	155,639	–
One to two years	1,818,844	–
	1,974,483	–
	22,340,041	16,479,287

- (a) Bank loans amounting to HK\$3,573,436,000 (31 December 2011: HK\$1,538,960,000) were secured by:
- (i) certain of the Group's land and buildings in Mainland China with a net book value of approximately HK\$5,190,000 (31 December 2011: HK\$4,742,000) (note 12);
 - (ii) certain of the Group's properties under development with a net book value of approximately HK\$3,207,400,000 (31 December 2011: HK\$1,585,366,000) (note 14);
 - (iii) certain of the Group's investment properties with a net book value of approximately HK\$2,530,361,000 (31 December 2011: HK\$694,920,000) (note 13);

19. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

(continued)

- (iv) certain of the Group's bank deposits with a net book value of HK\$197,840,000 (31 December 2011: HK\$12,427,000) (note 18); and
 - (v) certain of the Group's completed properties held for sale with a net book value of approximately HK\$476,746,000 (31 December 2011: Nil).
- (b) Except for the bank loans equivalent to HK\$4,733,340,000 (31 December 2011: HK\$4,883,106,000) and HK\$1,766,000,000 (31 December 2011: HK\$1,976,000,000), which are denominated in United States dollars and Hong Kong dollars respectively, all borrowings of the Group are in RMB.
- (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.

20. TRADE PAYABLES

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

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Within one year	165,503	221,772
One to two years	18,573	1,069
Two to three years	715	6,818
Over three years	38,731	35,058
	223,522	264,717

The trade payables are non-interest-bearing.

21. SHARE OPTION SCHEME

The Company operated a share option scheme (the “Old Scheme”), which had become effective on 5 June 2002 and expired on 5 June 2012. A new share option scheme (the “New Scheme”) was approved and adopted on 22 June 2012 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. The eligible participants of the New Scheme include any employee or director (including executive, non-executive and independent non-executive directors) 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 New Scheme became effective on 22 June 2012 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 New Scheme shall remain in full force and effect.

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 the 10th anniversary of the date upon which the option is granted and accepted in accordance with the New 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.

No share option has been granted during the period. The Group recognised a share option expense of HK\$9,413,000 (six months ended 30 June 2011: HK\$12,374,000) during the six months ended 30 June 2012.

21. SHARE OPTION SCHEME (continued)

During the period, no share option has been exercised, lapsed or cancelled. At the end of the reporting period, the Company had 98,778,000 share options outstanding under the Old Scheme.

As at the date of this report, options carrying rights to subscribe for 98,778,000 shares remained outstanding and were yet to be exercised, which represented approximately 2.72% of the Company's shares in issue as at that date.

22. ISSUED CAPITAL

	30 June 2012 (Unaudited) HK\$'000	31 December 2011 (Audited) HK\$'000
Authorised:		
5,000,000,000 ordinary shares of HK\$0.05 each	250,000	250,000
Issued and fully paid:		
3,626,024,304 ordinary shares of HK\$0.05 each	181,301	181,301

23. 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.

24. BUSINESS COMBINATION

On 31 March 2012, the Group acquired an 85% of the voting shares of China Shum Yip (Group) Property Investment Company Limited (“Shum Yip Property”) from independent third parties. Shum Yip Property is engaged in property development and investment. The purchase consideration for the acquisition was in the form of cash amounted to RMB49,560,000 (equivalent to approximately HK\$60,498,000) which was fully paid at the acquisition date. The acquisition has been accounted for using the acquisition method. The interim condensed consolidated financial statements include the results of Shum Yip Property for the three months period from the acquisition date.

The fair values of the identifiable assets and liabilities of Shum Yip Property as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition (Unaudited) HK\$'000
Property, plant and equipment	12	574
Prepayments, deposits and other receivables		1,892
Properties under development	14	62,126
Completed properties held for sale		476,826
Cash and cash equivalents		14,251
Trade payables		(39,981)
Other payables and accruals		(134,351)
Interest-bearing bank loans and other borrowings		(286,865)
Deferred tax liabilities		(7,034)
Non-controlling interests		(26,940)
Total identifiable net assets at fair value		60,498
Satisfied by cash		60,498

24. BUSINESS COMBINATION (continued)

An analysis of the cash flows in respect of the acquisition of Shum Yip Property is as follows:

	(Unaudited)
	HK\$'000
Cash paid	(60,498)
Cash and cash equivalents acquired	14,251
Net outflow of cash and cash equivalents included in cash flows from investing activities	(46,247)

25. CAPITAL COMMITMENTS

	30 June	31 December
	2012	2011
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Commitments in respect of the acquisition of land and buildings, and development costs attributable to properties under development:		
Contracted, but not provided for	6,964,178	5,683,011
Authorised, but not contracted for	15,676	1,641,265
	6,979,854	7,324,276

26. CONTINGENT LIABILITIES

- (i) At 30 June 2012, the Group has given guarantees to a maximum extent of approximately HK\$1,827,268,000 (31 December 2011: HK\$1,401,107,000) to banks for housing loans extended by the banks to the purchasers of the Group's properties.

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

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.

26. CONTINGENT LIABILITIES (continued)

(ii) Pending litigation

Fancheng Property Development Co., Limited (the “Plaintiff”) had issued a claim dated 27 August 2002 against Shum Yip Group (Shenzhen) Co., Ltd. (“Shum Yip Shenzhen”, renamed as Shum Yip Southern Land (Holdings) Co., Ltd. in 2007), a subsidiary of the Company, for breach of the terms of a cooperation agreement entered into by the Plaintiff and Shum Yip Shenzhen dated 8 July 1991. The Plaintiff claimed a total compensation of approximately RMB170 million against Shum Yip Shenzhen, which had lodged a counter-claim of RMB1.3 million against the Plaintiff on 22 October 2002. The Plaintiff agreed to partially waive the claim on 4 January 2008. The remaining claim was RMB40,000,000 (equivalent to approximately HK\$45,432,000).

On 23 December 2009, the High Court of Guangdong Province (the “Guangdong High Court”) overruled both the claim 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 and affirmed part of the original claims of RMB26,000,000 (equivalent to approximately HK\$29,530,800). On 11 February 2011, the Supreme People’s Court of the PRC overruled the judgement of the Guangdong High Court and the case was remanded to the Guangdong High Court. As at the date of this report, the case was still subject to the final judgement of the Guangdong High Court.

As advised by the Company’s 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 claim indemnity from Shum Yip Holdings if the Plaintiff 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.

27. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

	Notes	For the six months ended 30 June	
		2012 (Unaudited) HK\$'000	2011 Restated (Unaudited) HK\$'000
Shum Yip Holdings Company Limited, the immediate holding company:			
– Rental expenses paid	(i)	990	2,718
Associates:			
– Sales of products	(ii)	32,383	–
– Purchase of properties	(iii)	–	712,580
– Interest income		8,881	1,988
A jointly-controlled entity:			
– Interest income		56,998	24,998
Management fee received from a fellow subsidiary		6,138	–

Notes:

- (i) The rentals were recognised at prices based on mutual agreement between the parties.
- (ii) The sales to the associates were made according to the published prices and conditions offered to the major customers of the Group.
- (iii) The purchase of properties from an associate for the six months ended 30 June 2011 was made at a price mutually agreed between the parties.

27. RELATED PARTY TRANSACTIONS (continued)

(b) Commitments with related parties

On 1 May 2008, the Company entered into lease agreements for periods ending 30 April 2013 with Shum Yip Holdings Company Limited, the immediate holding company. The amount of lease expenses for the current period is included in note 27(a) to the interim condensed consolidated financial statements. The Group expects total lease expenses in the second half year of 2012 and the year 2013 to be approximately HK\$990,000 and HK\$660,000, respectively.

(c) Outstanding balances with related parties

- (i) As disclosed in the interim condensed consolidated statement of financial position, the Group had payables amounting to HK\$56,068,000 (31 December 2011: HK\$54,641,000) 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) As disclosed in the interim condensed consolidated statement of financial position, the Group had payables amounting to HK\$50,652,000 (31 December 2011: Nil) to Shum Yip Holdings Company Limited, the immediate holding company. The payables are unsecured, interest-free and have no fixed terms of repayment.

27. RELATED PARTY TRANSACTIONS (continued)

(c) Outstanding balances with related parties (continued)

- (iii) The loans to associates included in the Group's investments in associates are unsecured and will not be repayable within twelve months from the end of the reporting period. The loans to associates of HK\$19,494,000 (31 December 2011: HK\$90,285,000) are interest-free, while the remaining loans to an associate of HK\$333,826,000 (31 December 2011: HK\$234,955,000) bear interest at a rate of 6.8% (31 December 2011: 5.81% to 7.05%) per annum.
- (iv) The amounts due to associates included in the Group's other payables and accruals totaling HK\$284,985,000 (31 December 2011: HK\$286,303,000) are unsecured, interest-free and are payable on demand.
- (v) Included in the Group's prepayments, deposits and other receivables are loans to Taizhou Shum Yip, a jointly-controlled entity, of HK\$1,054,075,000 (31 December 2011: HK\$864,224,000), which are unsecured and have no fixed terms of repayment, and bear interest at a rate of 12% per annum (31 December 2011: 12%). While the loans to Shum Yip Pengji Baohua, a jointly-controlled entity, of HK\$23,377,000 (31 December 2011: Nil) included in the Group's investments in jointly-controlled entities are unsecured, interest-free and will not be repayable within twelve months from the end of the reporting period.

27. RELATED PARTY TRANSACTIONS (continued)

(c) Outstanding balances with related parties (continued)

- (vi) The Group had receivables from fellow subsidiaries included in the Group's prepayments, deposits and other receivables amounting to HK\$105,238,000 (31 December 2011: HK\$117,669,000) which are unsecured, interest-free and have no fixed terms of repayment.
- (vii) The Group had payables to fellow subsidiaries amounting to HK\$306,362,000 (31 December 2011: HK\$103,522,000) which are unsecured, interest-free and have no fixed terms of repayment.

(d) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Short term employee benefits	2,242	1,735
Share-based payments	2,122	4,035
Total compensation paid to key management personnel	4,364	5,770

28. EVENTS AFTER THE REPORTING PERIOD

On 31 March 2012, the Group acquired an 85% of the voting shares of Shum Yip Property as stated in note 24. On 27 July 2012, the Group entered into an agreement with China (Shenzhen) Hightech Fund Investment Company Limited (“Hightech Fund”), a fellow subsidiary of the Company, to acquire from Hightech Fund the remaining 15% voting shares of Shum Yip Property and the shareholder’s loan of HK\$78,016,000 at a total consideration of HK\$90,122,000.

29. APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 27 August 2012.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



To the shareholders of Shenzhen Investment Limited

(Incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim condensed consolidated financial statements of Shenzhen Investment Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages 2 to 42 which comprise the condensed consolidated statement of financial position as at 30 June 2012 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 of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on those interim condensed consolidated financial statements 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (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 accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young

Certified Public Accountants

22nd Floor

CITIC Tower

1 Tim Mei Avenue

Central, Hong Kong

27 August 2012

Chairman Statement

Business review

In the first half year, the central and local governments fine-tuned a series of policies respectively with the monetary policies relatively loosened, deposit reserve rate continued to be adjusted downwards and interest rates entered into a declining trend. The government implemented a differentiation policy in real estate industry in which investment and speculative demand were still being curbed, and rigid demand of first-home buyers was supported by policies in terms of taxation and mortgage loans, resulting in significant improvement in market sentiment and some property buyers were aggressive enough to enter into the market. Since March, with the effect of the fine-tuned macro policies, market liquidity was substantially improved, and driven by the rigid housing demand, transaction volume began to pick up. The Group as a whole timely grasped this market opportunity, actively promoted its property sales and maintained its stable operating results with sound financial position.

During the period, the Group achieved a turnover of HK\$2,995.8 million, representing a decrease of 4.9% over the same period of last year; of which net revenue in property sales was HK\$1,783.5 million (net of business tax), representing a decrease of 12.8% over the same period of last year. Net profit for the period attributable to owners of the parent was HK\$935.3 million, representing a decrease of 5.7% over the same period of last year. Basic earnings per share were HK25.79 cents, representing a decrease of 8.0% over the same period of last year. The Board recommended the distribution of an interim dividend of HK7.00 cents per share for 2012.

In the first half year, the Group focused its efforts on grasping the opportunities due to market rejuvenation, adjusted its products structure, and performed well in its continuing follow-up works for customers to actively facilitate the sales of its projects. In mid-June, Terra Building (泰然大廈), a key project of the Group, was launched into the market and was very receptive. Currently, it had basically achieved the sales target for this year and planned to be occupied in the second half of the year. As at the end of July, the Group achieved 295,000 square meters in contracted sales area with sales amounts of approximately RMB2,800 million, and thereby achieving 47% of our sales target. As at the end of July, the amount of sales income contracted but not yet booked was approximately RMB2.5 billion.

Chairman Statement (continued)

Business review (continued)

In the first half year, despite the overall improvement in liquidity externally, however, the control policy of central government towards real estate industry still remained, resulting in relatively tight financing environment encountered by real estate enterprises. The Group co-operated actively with banks to seek for banking facilities, preparing financial resources reserve for its future development. As at 30 June 2012, cash on hand for the Group amounted to HK\$8,576.8 million (including pledged deposits and restricted cash), net gearing ratio was 86.1% and gearing ratio was 63.7%.

Business outlook

In the second half year, China will face the challenge of a slowdown in economic growth. Hence, stable growth and structure adjustment will still become its main directions in macro policy. This round of central government's control on real estate had achieved an obvious effect with market structure being optimized. In the second half year, it is expected that the policies will still place emphasis on stabilizing the control results, and housing purchase restriction is still a stringent policy guideline. The current implementation of the differentiated real estate policies will continue. The Group will closely monitor the economic situation and policy development in a timely manner to cater for the market changes.

In Shenzhen, as the accumulated rigid demand had been released appropriately, the transaction volume of new housing in the first half of 2012 was approximately 1,570,000 square meters, representing an increase of 12.3% over the same period of last year. This May, as approved by the State Council, Shenzhen Municipality ignited the reform piloting works in land administration system, which mainly explores the innovation in land administration system in high urbanization regions, in which it may further improve and upgrade the new policies like the existing urban regenerations in Shenzhen. As at the end of June, the State Council approved the implementation of the upfront and piloting operation policy in Qianhai (前海), Shenzhen to support its financial innovation. The policies like the land administration system reform and the financial innovation in Qianhai will generate a new round of continuous drivers for the economic development of Shenzhen in the future. The Group is full of confidence in respect of the development potential of Shenzhen and its real estate market in long term.

Chairman Statement (continued)

Business outlook (continued)

The Group will continue to implement its established development strategies and focus its resources in the intensive development of Shenzhen. We will persist on the residential property development in the medium and high-end markets and stably expand the scale of commercial properties. At the same time we enhance its sales level, optimize the assets structure to ensure fund security and steady growth.

The Group has a saleable area of approximately 1.5 million square meters. In the second half year, the Group will continue to grasp market opportunities, enhance its product positioning, increase products for rigid demand in the market, complete the contracted sales signing arrangement of Terra Building (泰然大廈), actively promote the projects sales of Shum Yip Royal Garden (深業御園), Noble Times (東城國際), Shum Yip City (深業城), Saina Bay (塞納灣), Jinbang Shan (金榜山), Euro-view Garden (歐景麗苑), Nanhu Rose Bay (南湖玫瑰灣) and Rui Cheng (睿城) and strive to achieve the sales target of RMB6 billion determined at the beginning of the year.

The Group will continue to accelerate the development to meet the future sustainable development demand. In particular, the Group will focus on the development schedule and occupancy arrangement of Terra Building (泰然大廈) and the construction commencement of the projects like Shum Yip City Phase III (深業城三期), Jinshazhou Phase II (金沙洲二期), Qingshuihe Auto Logistic Park Phase II (清水河汽車物流園二期) and Wuhan BioValley Phase I (武漢生物谷一期). At the same time, it will strengthen its cost management to achieve cost optimization.

In terms of land reserves, the Group will continue to focus on its development in Shenzhen, strive to achieve a breakthrough in obtaining high quality assets injection by parent company, seek breakthrough in urban regeneration projects approvals and explore the co-operation with enterprises with land resources to complement its quality land resources. At the same time, the Group will pursue opportunities to adjust its land portfolios and enhance its land reserve quality. It will focus on the planning approval and authority affirmation of projects in Sungang, Chegongmiao and Guanlan in the second half year.

Chairman Statement (continued)

Business outlook (continued)

The Group appointed professional teams and strategically entered into the commercial property industry in the beginning of the year. The Group has various potential integrated urban complex comprising office premises, commercial properties, hotels and residential buildings in Shenzhen. In the second half year, the Group will refine the commercial property planning, demonstrate the capability of professional teams and integrate its resources to commit ourselves to become a premier commercial property operator in Shenzhen.

The Group will adhere to the consistent principle of maintaining healthy financial position, actively explore various financing channels, grasp the favourable opportunities of interest rate cut to reduce financing costs through loans swap and other means to provide adequate protection of financial resources for its business development.

The Group will actively grasp the market opportunities, leverage on its resources advantages, optimize its layout to sustain a steady growth. The Board is in full confidence that the Group will achieve a rapid growth in next three years.

Management Discussion and Analysis

Overall results

During the period, the Group achieved a turnover of HK\$2,995.8 million, representing a decrease of 4.9% over the same period of last year. Gross profit margin was 30.0%, representing a decrease of 14.6 percentage points over the same period of last year. Net profit attributable to shareholders was HK\$935.3 million, representing a decrease of 5.7% over the same period of last year. If excluding the net effect of changes in fair value of the Group's investment properties and financial assets and liabilities, net profit attributable to shareholders represented a decrease of 17.5% over the same period of last year. Basic earnings per share was HK25.79 cents, representing a decrease of 8.0% over the same period of last year.

Management Discussion and Analysis (continued)

Property development and sales

During the period, the Group recorded 183,000 square meters in property sales (excluding the interests attributable to the Group in its three principal associated companies), representing an increase of 18.8% over the same period of last year and achieved a net revenue in property sales of HK\$1,783.5 million (net of business tax), representing a decrease of 12.8% over the same period of last year. As a result of the low price promotions in the beginning of this year, coupled with the arrangement of high margin projects in which the occupancy will not be effected until the second half of the year, there was a significant decline in gross profit margin during the period.

Table of Property Sales Booked

Property Name	Location	Use	Sales area (sqm)	Net Sales (RMB million)	Average price (RMB/sqm)
Wanlin Lake Phase I	Huizhou	Residential	178	1	4,260
Wanlin Lake Phase II	Huizhou	Residential	5,077	78	15,367
Wanlin Lake Phase III	Huizhou	Residential	2,265	18	7,751
Wanlin Lake Phase V	Huizhou	Residential	7,037	41	5,824
Wanlin Lake Phase VI	Huizhou	Residential	41,421	226	5,467
Noah Mountain Forest Phase II	Changsha	Residential	20,782	51	2,475
Noah Mountain Forest Phase III	Changsha	Residential	11,275	58	5,101
Garden Hill	Huizhou	Residential	3,597	33	9,075
Jinxu Jiangcheng Phase I	Taizhou	Residential	16,009	76	4,769
Euro-view Garden Phase I	Dongguan	Residential	32,592	212	6,503
Golf Longyuan	Shenzhen	Residential	6,620	271	40,928
Nanhu Rose Bay Phase II	Wuhan	Residential	644	7	10,687
Nanhu Rose Bay Phase III	Wuhan	Residential	3,421	35	10,147
Chengdu Yihu Rose Court	Chengdu	Residential	911	5	5,411
Purple Kylin Hill District I	Shenzhen	Shops	1,328	33	25,216
Purple Kylin Hill District II	Shenzhen	Residential	310	4	12,236
Purple Kylin Hill District III	Shenzhen	Residential	9,023	98	10,818
Purple Kylin Hill District III- Shops	Shenzhen	Shops	5,804	71	12,274
Royal Spring Garden	Dongguan	Residential	6,284	37	5,814
Shum Yip City Phase I	Foshan	Residential	2,187	13	6,086
Shum Yip City Phase I District II	Foshan	Shops	911	22	23,738
Others		Residential/ Parking lot	5,248	63	12,216
Total			182,924	1,453	7,942

Management Discussion and Analysis (continued)

Property development and sales (continued)

During the period, the Group achieved 248,000 square meters in contracted sales area and contracted sales income of RMB1,910 million, representing a decrease of 5% over the same period of last year.

Contracted Sales Table

Project	Location	Type	Accumulated sales area (sqm)	Accumulated sales (RMB million)	Average price (RMB/sqm)
Wanlin Lake	Huizhou	Commercial & Residential	38,588	296	7,666
Garden Hill	Huizhou	Residential	4,348	41	9,364
Noah Mountain Forest	Changsha	Commercial & Residential	20,692	107	5,193
Jinxiu Jiangcheng	Taizhou	Residential	19,528	96	4,920
Euro-view Garden	Dongguan	Residential	29,630	193	6,510
Golf Longyuan	Shenzhen	Residential	990	51	51,076
Nanhu Rose Bay	Wuhan	Residential	13,577	123	9,089
Chengdu Yihu Rose Court	Chengdu	Residential	4,838	45	9,259
Purple Kylin Hill	Shenzhen	Residential	13,467	185	13,753
Royal Spring Garden	Dongguan	Parking lot	1,829	13	7,212
Shum Yip Royal Garden	Shenzhen	Residential	17,436	116	6,654
Noble Times	Shenzhen	Commercial	22,982	206	8,960
Shunde Shum Yip City	Foshan	Residential	41,724	272	6,519
Shanshui Yundonghai Garden	Foshan	Residential	850	10	11,280
Saina Bay	Heyuan	Residential	5,768	71	12,329
Shum Yip Hua Fu	Maanshan	Residential	12,105	85	7,077
			248,352	1,910	7,692

Project development and land reserves

During the period, the Group had 8 newly constructed projects with new construction area of approximately 630,000 square meters.

Management Discussion and Analysis (continued)

Property development and land reserves (continued)

During the period, the Group acquired a parcel of land in Wuhan, Hubei. The Wuhan project is located at Donghu BioValley (東湖生物谷). The project site area is 347,000 square meters with a gross floor area of 710,000 square meters, land acquisition costs are approximately RMB380 million and the percentage of interest attributable to the Group in this project is 52.5%.

In 2012, the Group acquired the 100% equity interests of Shum Yip Property together with its shareholder's loan at a consideration of approximately HK\$150 million. Shum Yip Property owns a 90% interest in the project of Chengdu Jinxiu Antique City (成都錦繡古玩城), which is located at Qingyang District, comprising five constructed low-rise buildings with a gross floor area of approximately 34,400 square meters and a parcel of industrial land with a site area of 7,623 square meters.*

As at the end of June 2012, the Group had land reserve with a total gross floor area of 11.5 million square meters and an attributable gross floor area of 10.15 million square meters (excluding the interests attributable to the Group in its three principal associated companies). Of which, the Group had 29 property projects under construction with a total gross floor area of approximately 3.16 million square meters and an attributable gross floor area of 2.98 million square meters. At present, the Group's land reserve in Pearl River Delta accounted for approximately 49%; land reserve in Yangtze River Delta accounted for approximately 31%; land reserve in the central and western regions and others accounted for 20%. Our diversified land reserves are sufficient to meet the development needs in the next five to six years.

* Note: The acquisition was completed in two stages in March and July 2012. The second acquisition relates to connected transactions, the details of which were published in the Group's announcement dated 27 July 2012.

Management Discussion and Analysis (continued)

Property development and land reserves (continued)

Table of land reserves by city distribution

Province	City	Gross floor area (sqm)	Attributable floor area (sqm)	Percentage of Attributable area %
Guangdong	Shenzhen	989,202	929,553	9.16%
	Huizhou	1,447,268	1,075,191	10.59%
	Foshan	1,541,697	1,541,697	15.19%
	Dongguan	187,531	187,531	1.85%
	Heyuan	887,379	887,379	8.74%
Hubei	Guangzhou	349,236	349,236	3.44%
	Wuhan	1,009,225	533,393	5.25%
Hunan	Changsha	741,356	741,356	7.30%
Anhui	Maanshan	1,444,251	1,444,251	14.23%
	Chaohu	167,431	133,945	1.32%
Jiangsu	Taizhou	1,405,558	1,405,558	13.85%
	Changzhou	171,377	171,377	1.69%
Sichuan	Chengdu	877,200	464,418	4.58%
Xinjiang	Kashi	285,667	285,667	2.81%
		11,504,378	10,150,552	100.00%

Property investment

During the period, the Group's investment property continued to maintain a steady growth. The total area of our investment properties was over 600,000 square meters, with an achieved rental income of HK\$246.3 million, representing an increase of approximately 17% over the same period of last year. During the period, as a result of the increase of total rental area, the optimization of investment property portfolio and the increase of rent, the Group recorded a revaluation gain of HK\$478.8 million in its investment property portfolio in which it had already been accounted for as profit for the period.

Management Discussion and Analysis (continued)

Commercial property

During the period, the Group invited senior managers and teams in the commercial property sector to join the Group. At present, the Group is striving for developing a development model for the Group's commercial property and refining its commercial property plans, equips itself well in preparing the Group for the development of commercial property business.

Jointly-controlled entities

During the period, Taizhou Shum Yip Investment Development Limited (a 51% owned company of the Group) made a net profit contribution of HK\$41.6 million to the Group, representing a decrease of 67.6% over the same period of last year. The principal activity of this company is to providing relevant service to local governments in primary land development arrangement.

Performance by associated companies

During the period, the performance of associated companies invested by the Group was within expectation. Of which, Shenzhen Tianan Cyber Park (Group) Co. Ltd., made a net profit contribution of HK\$262.0 million to the Group, representing a decrease of 6.6% over the same period of last year. Road King Infrastructure Limited, a listed company in Hong Kong, made a net profit contribution of HK\$62.2 million to the Group, representing a decrease of 37.2% over the same period of last year. Coastal Greenland Limited, another listed company in Hong Kong, made a profit of HK\$57.2 million to the Group, representing an increase of 66.7% over the same period of last year.

Land appreciation tax refund

During the period, the Group paid land appreciation tax for projects such as Coast and resulted a land appreciation tax refund of HK\$107.8 million due to the higher amount originally provided than the actual amount paid, and the above amount was used to offset against the land appreciation tax provided in the current period.

Management Discussion and Analysis (continued)

Financial position

As at 30 June 2012, the Group's total bank borrowings and other borrowings amounted to HK\$22,340.0 million, of which HK\$20,255.1 million were floating-rate loans, and the rest were fixed rate loans. Long-term loans amounted to HK\$16,201.5 million, representing approximately 72.5% of total borrowings, and short-term loans were HK\$6,138.5 million, representing approximately 27.5% of total borrowings.

As of 30 June 2012, the Group's cash balance (including pledged deposits and restricted cash) was HK\$8,576.8 million, of which approximately 82.7% and 17.3% were denominated in Renminbi and other currencies (mainly in US\$ and HK\$) respectively. 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\$, therefore the exchange rate movements will have positive financial impact to the Group in the short run.

As at 30 June 2012, the Group had net assets (after non-controlling interests) of HK\$15,989.3 million, a net gearing ratio (the ratio of net debts to net assets after non-controlling interests) of 86.1% and a gearing ratio (the ratio of total liabilities to total assets) of 63.7%.

Table of financial position

<i>HK\$million</i>	30 June 2012 (Unaudited)	31 December 2011 (Audited)
Bank loans and other borrowings	22,340.0	16,479.3
Long-term loans	16,201.5	11,514.0
Short-term loans	6,138.5	4,965.3
Floating-rate loans	20,255.1	15,802.1
Cash (including pledged deposits and restricted cash)	8,576.8	5,236.4
Net loans	13,763.2	11,242.9
Net asset after non-controlling interests	15,989.3	15,543.4
Net gearing ratio	86.1%	72.3%
Ratio of long-term loans	72.5%	69.9%

Management Discussion and Analysis (continued)

Capital structure

As at 30 June 2012, Shum Yip Holdings Company Limited, the parent company of the Group is interested in approximately 43.91% of the Group, and is still the largest shareholder of the Group.

During the period, the Group did not exercise any share options and did not repurchase any share of the Group.

As at 30 June 2012, the issued share capital of the Group was 3,626,024,304 shares (31 December 2011: 3,626,024,304 shares).

Staff headcount and remuneration

As at 30 June 2012, the Group had a total staff number of approximately 19,000, of which 28 were stationed in Hong Kong (mainly managerial and finance-related personnel), and the rest were in China.

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.

Directors' Interests in Shares

As at 30 June 2012, 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
LU Hua	Beneficial owner	Beneficial interest	1,044,871	4,016,000	5,060,871	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	3,400,000	–	3,400,000	0.09
WONG Po Yan	Beneficial owner	Beneficial interest	3,400,000	–	3,400,000	0.09
LI Wai Keung	Beneficial owner	Beneficial interest	1,045,697	–	1,045,697	0.03

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
WONG Po Yan	Beneficial owner	50,000	–	–	50,000	0.01

Share Options

Details of the Old Scheme and the New Scheme are set out in note 21 to the financial statements.

Share Options (continued)

The following share options were outstanding under the Old Scheme during the period:

	Number of share options					Other changes during the period	At 30 June 2012	Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$ per share
	At 1 January 2012	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period					
Directors										
GUO Limin (resigned on 24/4/2012)	6,300,000	-	-	-	-	-	6,300,000 Note 1	19/7/2010	19/7/2012- 18/7/2015*	2.39
LU Hua	4,016,000	-	-	-	-	-	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
	<u>18,348,000</u>	-	-	-	-	-	<u>18,348,000</u>			
Other employees										
In aggregate	900,000	-	-	-	-	-	900,000	4/7/2007	4/7/2007- 3/7/2012	4.768
	75,514,000	-	-	-	-	-	75,514,000	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
	<u>80,430,000</u>	-	-	-	-	-	<u>80,430,000</u>			
	<u>98,778,000</u>	-	-	-	-	-	<u>98,778,000</u>			

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 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

** 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

Share Options (continued)

Notes:

1. Mr. GUO Limin resigned as director of the Company on 24 April 2012 and his option will lapse after 3 months from his resignation date.
2. During the period no options were granted and exercised under the Old Scheme and the New Scheme.
3. During the period no options lapsed and were cancelled under the Old Scheme.

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 2012, 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)	Corporate interest	1,592,104,054	–	43.91
Shum Yip Holdings Company Limited	Beneficial owner (Note)	Beneficial interest	1,592,104,054	–	43.91

Note: 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 1,592,104,054 shares beneficially held by Shum Yip Holdings Company Limited.

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 2012.

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 27 August 2012, the Board resolved to declare an interim dividend of HK7.00 cents per share for the six months ended 30 June 2012 (2011: HK7.00 cents) payable on or about Wednesday, 14 November 2012 to shareholders whose names appear on the Register of Members of the Company on Wednesday, 19 September 2012. 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 Wednesday, 19 September 2012. A circular containing details thereof and the election form will be sent to shareholders on or about Wednesday, 17 October 2012.

Closure of Register of Members

The Register of Members of the Company will be closed from Wednesday, 19 September 2012, to Friday, 21 September 2012 (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 Tuesday, 18 September 2012.

Corporate Governance

The Company has adopted all the code provisions in the Code on Corporate Governance Practices (effective until 31 March 2012) and Corporate Governance Code (newly effective from 1 April 2012) 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 2012, the Company has complied with the code provisions set out in the Code and there have been no material deviations from the Code, except as mentioned below.

Corporate Governance (continued)

Mr. WONG Po Yan and Mr. WU Wai Chung, Michael, independent non-executive directors, were unable to attend the annual general meeting of the Company held on 22 June 2012 as provided for in the new code provision A.6.7 of the Code as at that time Mr. Wong fell ill and Mr. Wu was on business trip.

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 2012 and the interim report 2012.

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 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 ("1st Facility") is made available by CCB to the Company on the terms and conditions as stated therein. The 1st Facility shall be made available to the Company within 6 months from the date of the 1st 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 1st Facility Agreement. The Company intends to use the 1st 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)

By an agreement (“2nd 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 (“2nd Facility”) is made available by the Lenders 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 the Lenders in full any outstanding advances made thereunder on the date falling 48 months from the date of the 2nd Facility Agreement. 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 16 September 2011 entered into between the Company as borrower and a syndicate of banks, a US\$209,000,000 transferable term loan facility and a HK\$1,026,000,000 transferable term loan facility (“3rd Facilities”) were provided to the Company on the terms and conditions as stated therein. The 3rd Facilities shall be repaid by the Company in instalments with the last repayment date falling 48 months from the date of the 3rd Facility Agreement.

By a letter (“4th Facility Agreement”) dated 17 October 2011 entered into between the Company as borrower and a bank, a HK\$600,000,000 term loan facility and a CNY200,000,000 term loan facility, which aggregate amount shall not exceed HK\$800,000,000 (“4th Facility”) was provided to the Company on the terms and conditions as stated therein. The 4th Facility shall be repaid by the Company in instalments with the last repayment date falling 36 months from the date of the Company’s entering into the 4th Facility Agreement.

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

By an agreement (“5th Facility Agreement”, together with the 1st Facility Agreement, 2nd Facility Agreement, 3rd Facility Agreement, 4th Facility Agreement, collectively known as the “Facility Agreements”) dated 21 June 2012 entered into between the Company as borrower and a bank, a HK\$200,000,000 transferable term loan facility (“5th Facility”) to the Company. The 5th Facility shall be repaid by the Company in one lump sum on the date falling 36 months from the date of the 5th Facility Agreement.

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 Company, or Shum Yip Holdings ceases to remain beneficially owned as to at least 51% by the Shenzhen Municipal People’s Government of The People’s Republic of China and in which event all amounts due under the facilities 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
LU Hua
Acting Chairman

Hong Kong, 27 August 2012.



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