



深圳控股有限公司  
SHENZHEN INVESTMENT LIMITED

股份代號 Stock Code: 604

Interim Report **2013** 中期報告



## CORPORATE INFORMATION

### EXECUTIVE DIRECTOR

Mr. LU Hua, *Chairman*

Mr. GAO Shengyuan, *President*  
(appointed on 13 June 2013)

Mr. MOU Yong

Mr. LIU Chong

Mr. WANG Minyuan

(resigned on 13 June 2013)

### NON-EXECUTIVE DIRECTOR

Dr. WU Jiesi

Mr. HUANG Yige

### INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. LI Wai Keung

Mr. WU Wai Chung, Michael

Dr. WONG Yau Kar, David  
(appointed on 13 June 2013)

Mr. WONG Po Yan

(retired on 13 June 2013)

### AUTHORIZED REPRESENTATIVE

Mr. LU Hua

Mr. GAO Shengyuan

### COMPANY SECRETARY

Mr. LEE Ka Sze, Carmelo

### AUDITORS

Ernst & Young

*Certified Public Accountants*

Hong Kong

### LEGAL ADVISOR

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, Tsim Sha Tsui,  
Kowloon, Hong Kong

### SHARE REGISTRAR

Tricor Standard Limited

26/F Tesbury Centre,

28 Queen's Road East, Wanchai,  
Hong Kong

### WEBSITE

[www.shenzheninvestment.com](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 2013 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 2013

		For the six months ended 30 June	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
	Notes		
<b>REVENUE</b>	4	<b>5,038,332</b>	2,995,830
Cost of sales		<b>(3,041,744)</b>	(2,096,999)
Gross profit		<b>1,996,588</b>	898,831
Other income and gains	4	<b>888,038</b>	151,497
Increase in fair value of investment properties		<b>542,050</b>	478,814
Fair value gains/(losses) on equity investments at fair value through profit or loss, net		<b>(1,365)</b>	2,698
Selling and distribution costs		<b>(118,737)</b>	(94,486)
Administrative expenses		<b>(338,978)</b>	(346,900)
Other expenses		<b>(23,787)</b>	(33,160)
Finance costs	5	<b>(341,219)</b>	(168,385)
Share of profits and losses of: Jointly-controlled entities		<b>190,595</b>	41,641
Associates		<b>158,846</b>	387,973
<b>PROFIT BEFORE TAX</b>	6	<b>2,952,031</b>	1,318,523
Income tax expense	7	<b>(976,661)</b>	(215,248)
<b>PROFIT FOR THE PERIOD</b>		<b>1,975,370</b>	1,103,275
<b>ATTRIBUTABLE TO:</b>			
Owners of the parent		<b>1,750,235</b>	935,302
Non-controlling interests		<b>225,135</b>	167,973
		<b>1,975,370</b>	1,103,275
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic, profit for the period	8	<b>HK44.14 cents</b>	HK25.79 cents
Diluted, profit for the period		<b>HK43.93 cents</b>	HK25.79 cents

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	For the six months ended 30 June	
	2013	2012
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
<b>PROFIT FOR THE PERIOD</b>	<b>1,975,370</b>	<b>1,103,275</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Available-for-sale investments:		
Change in fair value	(5,057)	–
Income tax effect	1,264	–
	<b>(3,793)</b>	<b>–</b>
Exchange differences on translation of foreign operations	366,854	(208,444)
Share of other comprehensive income of associates	45,534	(18,204)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	408,595	(226,648)
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b>408,595</b>	<b>(226,648)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b>2,383,965</b>	<b>876,627</b>
<b>Attributable to:</b>		
Owners of the parent	2,125,347	726,211
Non-controlling interests	258,618	150,416
	<b>2,383,965</b>	<b>876,627</b>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	2,817,878	2,414,252
Intangible assets		89,925	75,986
Prepaid land lease payments		50,222	49,045
Goodwill		322,824	322,744
Investment properties	11	14,826,623	9,210,339
Investments in associates	13	5,418,288	5,223,517
Investments in jointly-controlled entities	14	312,293	118,124
Available-for-sale investments		48,247	52,471
Other long term assets	15	1,582,322	1,377,822
Deferred tax assets		756,593	528,258
Pledged deposits	17	329,241	137,323
<b>Total non-current assets</b>		<b>26,554,456</b>	<b>19,509,881</b>
<b>CURRENT ASSETS</b>			
Inventories		95,632	109,107
Completed properties held for sale		7,507,984	7,094,670
Properties under development	12	28,212,220	15,723,873
Trade receivables	16	188,941	254,857
Prepayments, deposits and other receivables		3,788,749	4,520,838
Equity investments at fair value through profit or loss		8,931	10,296
Pledged deposits	17	102,658	129,905
Restricted cash	17	961,645	304,528
Cash and cash equivalents	17	6,815,456	6,734,052
<b>Total current assets</b>		<b>47,682,216</b>	<b>34,882,126</b>
<b>CURRENT LIABILITIES</b>			
Interest-bearing bank loans and other borrowings	18	11,919,113	8,974,238
Trade payables	19	882,954	703,486
Other payables and accruals		11,383,515	8,283,656
Due to the immediate holding company	26(d)(ii)	540,230	14,158
Due to the ultimate holding company	26(d)(i)	2,190,231	64,579
Tax payable		2,369,550	1,978,905
<b>Total current liabilities</b>		<b>29,285,593</b>	<b>20,019,022</b>
<b>NET CURRENT ASSETS</b>		<b>18,396,623</b>	<b>14,863,104</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>44,951,079</b>	<b>34,372,985</b>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2013

		<b>30 June 2013 (Unaudited) HK\$'000</b>	31 December 2012 (Audited) HK\$'000
	Notes		
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank loans and other borrowings	18	<b>9,905,442</b>	13,236,124
Due to the ultimate holding company	26(d)(i)	<b>3,965,304</b>	–
Deferred tax liabilities		<b>5,100,359</b>	1,627,018
<b>Total non-current liabilities</b>		<b>18,971,105</b>	14,863,142
<b>Net assets</b>		<b>25,979,974</b>	19,509,843
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital	21	<b>257,152</b>	186,451
Reserves	22	<b>23,511,178</b>	16,951,253
Proposed final dividend		–	410,192
		<b>23,768,330</b>	17,547,896
<b>Non-controlling interests</b>		<b>2,211,644</b>	1,961,947
<b>Total equity</b>		<b>25,979,974</b>	19,509,843

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Attributable to equity holders of the parent																
	Issued capital	Share premium account	Share	Other reserve	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	Non-controlling interests	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	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	1,667	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)	(226,648)		
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)	-	-	-	-	-	-	-	-	426	-	426	
Proposed interim 2012 dividend	-	-	-	-	-	-	-	-	-	-	-	1,179	-	-	-	-	
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	(253,822)	253,822	-	-	-	-	
Transfer from retained profits	-	-	-	-	-	-	-	-	-	-	-	-	-	(114,549)	(114,549)		
At 30 June 2012 (unaudited)	181,301	5,537,268	(311,240)	2,036	55,237	59,019	67,389	1,667	1,382,076	3,008,782	5,751,970	253,822	15,989,347	1,642,227	17,631,574		

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(continued)

For the six months ended 30 June 2013

	Attributable to equity holders of the parent										Non-controlling interests	Total equity			
	Issued capital	Share premium account	Other reserve	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 final dividend	Total
	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 2013	186,451	5,714,001	(311,388)	2,036	52,999	59,019	64,361	3,662	1,447,903	3,408,383	6,510,277	410,192	17,547,896	1,961,947	19,509,843
Profit for the period	-	-	-	-	-	-	-	-	-	-	1,750,235	-	1,750,235	225,135	1,975,370
Other comprehensive income	-	-	-	-	-	-	297	(3,793)	-	378,608	-	-	375,112	33,483	408,595
Total comprehensive income	-	-	-	-	-	-	297	(3,793)	-	378,608	1,750,235	-	2,125,347	258,618	2,383,965
Issue of shares relating to acquisition of a subsidiary (note 21(c))	70,506	4,568,780	-	-	-	-	-	-	-	-	-	-	4,639,286	-	4,639,286
Final 2012 dividend declared	-	-	-	-	-	-	-	-	-	-	(155,544)	(410,192)	(565,736)	-	(565,736)
Equity-settled share options expense (note 20)	-	-	-	-	929	-	-	-	-	-	-	-	929	-	929
Exercise of share options (note 21(b))	195	11,744	-	-	(2,591)	-	-	-	-	-	-	-	9,348	-	9,348
Lapsed and cancelled share options	-	-	-	-	(9,807)	-	-	-	-	-	9,807	-	-	-	-
Share of reserves of associates	-	-	8,410	-	2,850	-	-	-	-	-	-	-	11,260	-	11,260
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	(8,921)	(8,921)
Transfer from retained profits	-	-	-	-	-	-	-	-	2,024	-	(2,024)	-	-	-	-
At 30 June 2013 (unaudited)	257,152	10,294,525*	(302,978)*	2,036*	44,380*	59,019*	64,656*	(131)*	1,449,927*	3,786,991*	8,112,751*	-	23,768,330	2,211,644	25,979,974

\* The reserve accounts comprise the consolidated reserves of HK\$23,511,178,000 (31 December 2012: HK\$16,951,253,000) in the interim condensed consolidated statement of financial position.



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	For the six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
<b>CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>	<b>1,210,744</b>	(1,956,649)
<b>CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES</b>	<b>(345,444)</b>	26,706
<b>CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES</b>	<b>(892,820)</b>	4,748,419
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(27,520)</b>	2,818,476
Cash and cash equivalents at beginning of period	<b>6,734,052</b>	5,097,524
Effect of foreign exchange rate changes, net	<b>108,924</b>	(56,813)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>6,815,456</b>	7,859,187

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2013

## 1. CORPORATE INFORMATION

Shenzhen Investment Limited (the “Company”) 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 Company and its subsidiaries (collectively referred to as the “Group”) are described in note 3.

In the opinion of the directors, the immediate holding company of the Company is Shum Yip Holdings Company Limited (“Shum Yip Holdings”, 深業(集團)有限公司), which is a private company incorporated in Hong Kong. The ultimate holding company of the Group is 深業集團有限公司 (“Shum Yip Group”), 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 2013 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 (“HKICPA”).

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 2012.

## 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 2012, except for the adoption of the new standards, interpretation and amendments as of 1 January 2013 noted below:

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i>
HKFRS 10	<i>Consolidated Financial Statements</i>
HKFRS 11	<i>Joint Arrangements</i>
HKFRS 12	<i>Disclosure of Interests in Other Entities</i>
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – <i>Transition Guidance</i>
HKFRS 13	<i>Fair Value Measurement</i>
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i>
HKAS 19 (2011)	<i>Employee Benefits</i>
HKAS 27 (2011)	<i>Separate Financial Statements</i>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i>
HK(IFRIC)-Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
<i>Annual Improvements 2009-2011 Cycle</i>	Amendments to a number of HKFRSs issued in June 2012

## 2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

The amendment to HKAS 34 included in *Annual Improvements 2009-2011 Cycle* clarifies the requirements in HKAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in HKFRS 8 *Operating Segments*. Total assets and liabilities for a reportable segment need to be disclosed when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. As a result of this amendment, the Group now also includes disclosure of total segment assets and liabilities as these are reported to the chief operating decision maker. See note 3.

Other than as further explained above regarding the impact of the amendment to HKAS 34 included in *Annual Improvements 2009-2011 Cycle*, the adoption of the above new standards, interpretation and 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. OPERATING SEGMENT INFORMATION

For management purposes, 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 hotel operation, manufacture and sale of aluminum alloy products and other businesses.

### 3. OPERATING SEGMENT INFORMATION (continued)

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 or losses from the Group's financial instruments as well as head office and corporate expenses are excluded from this measurement.

Segment assets exclude deferred tax assets, pledged deposits, restricted cash, cash and cash equivalents, equity investments at fair value through profit or loss, derivative financial instruments and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude derivative financial instruments, interest-bearing bank loans and other borrowings, an amount due to the ultimate holding company, tax payable, an amount due to the immediate holding company, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

### 3. OPERATING SEGMENT INFORMATION (continued)

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

For the six months ended 30 June 2013	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
<b>Segment revenue:</b>							
Sales to customers	3,638,335	271,979	548,369	141,884	168,016	269,749	5,038,332
Intersegment sales	-	6,538	2,862	-	-	31,011	40,411
	3,638,335	278,517	551,231	141,884	168,016	300,760	5,078,743
<b>Reconciliation</b>							
Elimination of intersegment sales							(40,411)
Revenue							5,038,332
Segment results before increase in fair value of investment properties	1,533,483	289,810	14,880	17,939	603	133,001	1,989,716
Increase in fair value of investment properties	-	542,050	-	-	-	-	542,050
<b>Segment results after increase in fair value of investment properties</b>	<b>1,533,483</b>	<b>831,860</b>	<b>14,880</b>	<b>17,939</b>	<b>603</b>	<b>133,001</b>	<b>2,531,766</b>
<b>Reconciliation</b>							
Elimination of intersegment results							(3,699)
Finance income							163,133
Dividend income and unallocated gains							10,358
Gain on a bargain purchase (note 23)							637,945
Fair value losses on financial instruments at fair value through profit or loss, net							(1,365)
Corporate and other unallocated expenses							(44,888)
Finance costs							(341,219)
Profit before tax							2,952,031
<b>As at 30 June 2013</b>							
<b>Segment assets</b>	<b>43,824,151</b>	<b>17,480,058</b>	<b>105,527</b>	<b>430,742</b>	<b>153,940</b>	<b>3,219,276</b>	<b>65,213,694</b>
<b>Reconciliation</b>							
Corporate and other unallocated assets							9,022,978
Total assets							74,236,672
<b>Segment liabilities</b>	<b>12,811,151</b>	<b>2,801,636</b>	<b>289,472</b>	<b>331,390</b>	<b>43,498</b>	<b>2,036,812</b>	<b>18,313,959</b>
<b>Reconciliation</b>							
Corporate and other unallocated liabilities							29,942,739
Total liabilities							48,256,698

### 3. 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
<b>Segment revenue:</b>							
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
<b>Reconciliation</b>							
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
<b>Segment results after increase in fair value of investment properties</b>	486,318	790,797	46,948	11,529	5,655	63,594	1,404,841
<b>Reconciliation</b>							
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
<b>As at 31 December 2012 (Audited)</b>							
<b>Segment assets</b>	29,984,330	13,459,697	103,022	361,629	150,407	2,390,302	46,449,387
<b>Reconciliation</b>							
Corporate and other unallocated assets							7,942,620
Total assets							54,392,007
<b>Segment liabilities</b>	6,137,842	988,033	276,902	268,310	39,363	1,269,637	8,980,087
<b>Reconciliation</b>							
Corporate and other unallocated liabilities							25,902,077
Total liabilities							34,882,164

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



#### 4. REVENUE, OTHER INCOME AND GAINS

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

	For the six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
<b>Revenue</b>		
Sale of properties	3,638,335	1,783,467
Gross management fee income	548,369	490,593
Gross rental income from investment properties	271,979	246,283
Sale of commercial and industrial goods	168,016	159,483
Income from transportation services	141,884	118,142
Others	269,749	197,862
	<b>5,038,332</b>	<b>2,995,830</b>
<b>Other income and gains</b>		
Finance income	163,133	120,160
Gain on a bargain purchase (note 23)	637,945	–
Others	86,960	31,337
	<b>888,038</b>	<b>151,497</b>

## 5. FINANCE COSTS

An analysis of finance costs is as follows:

	<b>For the six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Interest on bank loans and other borrowings	<b>643,765</b>	526,855
Other finance costs	<b>57,338</b>	–
Less: Interest capitalised	<b>(359,884)</b>	(358,470)
	<b>341,219</b>	168,385

## 6. PROFIT BEFORE TAX

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

	Notes	<b>For the six months ended 30 June</b>	
		<b>2013</b>	2012
		<b>(Unaudited)</b>	(Unaudited)
		<b>HK\$'000</b>	HK\$'000
Cost of inventories sold		<b>2,146,188</b>	1,396,218
Cost of services provided		<b>895,556</b>	700,781
Depreciation	10	<b>83,184</b>	41,797
Amortisation of intangible assets		<b>3,305</b>	3,162
Amortisation of prepaid land lease payments		<b>765</b>	1,018
Gains on disposal of items of property, plant and equipment, net		<b>(1,458)</b>	(1,655)
Gain on a bargain purchase	23	<b>(637,945)</b>	–
Impairment of other receivables		–	15,541
Write-back of impairment of trade receivables		–	(5,257)

## 7. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period (six months ended 30 June 2012: 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.

	<b>For the six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Current:		
Mainland China corporate income tax	<b>419,615</b>	109,178
Withholding tax on dividend	–	12,807
LAT in Mainland China	<b>464,370</b>	(33,201)
Deferred:		
Mainland China corporate income tax	<b>137,900</b>	99,151
Withholding tax on dividend	<b>47,047</b>	16,446
LAT in Mainland China	<b>(92,271)</b>	10,867
<b>Total tax charge for the period</b>	<b>976,661</b>	215,248

## **7. INCOME TAX EXPENSE** (continued)

The share of taxes attributable to associates and jointly-controlled entities amounting to HK\$207,973,000 (six months ended 30 June 2012: HK\$313,323,000) and HK\$63,477,000 (six months ended 30 June 2012: HK\$6,442,000), 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.

## **8. 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.

The calculation of the diluted earnings per share amount is based on the profit for the six months ended 30 June 2013 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.

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

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

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculations	<b>1,750,235</b>	935,302

	For the six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<b>3,964,873,212</b>	3,626,024,304
Effect of dilution – weighted average number of ordinary shares:		
Share options	<b>19,522,963</b>	–
	<b>3,984,396,175</b>	3,626,024,304

## 9. DIVIDEND

On 27 August 2013, the board of directors declared an interim dividend of HK7.00 cents per share for the six months ended 30 June 2013 (six months ended 30 June 2012: HK7.00 cents per share). 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.

## 10. PROPERTY, PLANT AND EQUIPMENT

		<b>30 June 2013 (Unaudited) HK\$'000</b>	31 December 2012 (Audited) HK\$'000
	Notes		
Carrying amount at 1 January		<b>2,414,252</b>	630,160
Additions		<b>58,250</b>	177,947
Acquisition of a subsidiary	23	<b>348,240</b>	1,337,187
Transfer from properties under development	12	<b>59,606</b>	383,546
Disposals		<b>(6,868)</b>	(13,181)
Depreciation charge for the period/year		<b>(83,184)</b>	(104,151)
Exchange realignment		<b>27,582</b>	2,744
Carrying amount at 30 June/31 December		<b>2,817,878</b>	2,414,252

As at 30 June 2013, the Group has not yet obtained the ownership certificates in respect of the buildings with a net book value of HK\$352,407,000 (31 December 2012: HK\$351,862,000).

## 10. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 30 June 2013, certain of the Group's land and buildings in Mainland China with a net book value of approximately HK\$1,137,574,000 (31 December 2012: HK\$1,205,866,000) were pledged to secure bank loans granted to the Group (note 18(a)(i)).

## 11. INVESTMENT PROPERTIES

	30 June 2013 (Unaudited)			31 December 2012 (Audited)		
	Investment properties at fair value HK\$'000	Investment properties under construction at cost HK\$'000	Total HK\$'000	Investment properties at fair value HK\$'000	Investment properties under construction at cost HK\$'000	Total HK\$'000
Carrying amount at 1 January	9,132,939	77,400	9,210,339	5,560,792	–	5,560,792
Additions	97,371	145,938	243,309	190,848	15,400	206,248
Acquisition of a subsidiary (note 23)	4,684,201	–	4,684,201	2,149,199	–	2,149,199
Transfer from properties under development	–	–	–	–	62,000	62,000
Net gain from a fair value adjustment	542,050	–	542,050	470,895	–	470,895
Reclassified from completed properties held for sale	–	–	–	711,794	–	711,794
Exchange realignment	145,492	1,232	146,724	49,411	–	49,411
Carrying amount at 30 June/31 December	14,602,053	224,570	14,826,623	9,132,939	77,400	9,210,339

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

The Group's investment properties measured at fair value were revalued on 30 June 2013 by Asset Appraisal Limited, an independent firm of professionally qualified property valuers, at approximately HK\$14,602,053,000 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.

## 11. INVESTMENT PROPERTIES (continued)

Certain of the Group's investment properties under construction are measured at cost until such time as fair value can be determined reliably or construction is completed. The Group has concluded that the fair value of these investment properties under construction cannot be measured reliably as the properties are in the early stage of development at the end of the reporting period and are therefore measured at cost in the consolidated statement of financial position.

Certificates of ownership in respect of certain investment properties of the Group with a net carrying amount of approximately HK\$2,555,754,000 as at 30 June 2013 (31 December 2012: HK\$2,620,892,000) have not yet been issued by the relevant PRC authorities. The Group is in the process of obtaining the relevant certificates.

As at 30 June 2013, the Group's investment property with a net book value of approximately HK\$2,356,534,000 (31 December 2012: HK\$4,614,496,000) was pledged to secure bank loans granted to the Group (note 18(a)(iii)).



## 12. PROPERTIES UNDER DEVELOPMENT

	<b>30 June 2013 (Unaudited) HK\$'000</b>	31 December 2012 (Audited) HK\$'000
Land in Mainland China held under medium term leases, at cost:		
At 1 January	<b>10,933,166</b>	10,575,799
Additions	<b>1,798,116</b>	1,855,414
Acquisition of a subsidiary (note 23)	<b>10,132,744</b>	88,949
Transfer to completed properties held for sale	<b>(853,203)</b>	(1,615,258)
Transfer to investment properties	–	(58,193)
Transfer to prepaid land lease payments	<b>(716)</b>	(1,031)
Exchange realignment	<b>171,981</b>	87,486
At 30 June/31 December	<b>22,182,088</b>	10,933,166
Development expenditure, at cost:		
At 1 January	<b>4,790,707</b>	4,535,953
Additions	<b>2,009,825</b>	5,094,250
Acquisition of a subsidiary (note 23)	<b>819,798</b>	352,780
Transfer to completed properties held for sale	<b>(1,606,111)</b>	(4,840,860)
Transfer to investment properties	–	(3,807)
Transfer to property, plant and equipment (note 10)	<b>(59,606)</b>	(383,546)
Exchange realignment	<b>75,519</b>	35,937
At 30 June/31 December	<b>6,030,132</b>	4,790,707
	<b>28,212,220</b>	15,723,873

As at 30 June 2013, the Group's properties under development with a net book value of approximately HK\$3,574,547,000 (31 December 2012: HK\$1,498,849,000) were pledged to secure bank loans granted to the Group (note 18(a)(ii)).

## 12. PROPERTIES UNDER DEVELOPMENT (continued)

As at 30 June 2013, the application for certificates of land in Mainland China held under medium term leases with a net book value of HK\$2,274,123,000 (31 December 2012: HK\$1,912,838,000) was still in progress.

## 13. INVESTMENTS IN ASSOCIATES

	<b>30 June 2013 (Unaudited) HK\$'000</b>	31 December 2012 (Audited) HK\$'000
Share of net assets	<b>5,778,836</b>	5,594,894
Goodwill on acquisition	<b>126,917</b>	126,917
Loans to associates	<b>83,535</b>	72,706
Provision for impairment	<b>(571,000)</b>	(571,000)
	<b>5,418,288</b>	5,223,517
Market value of listed shares	<b>1,740,126</b>	1,716,920

The loans to associates as at 30 June 2013 are unsecured, interest-free and have no fixed terms of repayment.

The loans from associates included in the Group's other payables and accruals are disclosed in note 26(d)(iii) to the interim condensed consolidated financial statements.

### 13. INVESTMENTS IN ASSOCIATES (continued)

Particulars of the principal associates are as follows:

Name	Business structure	Place of incorporation/ registration	Nominal value of issued and fully paid-up capital/ registered capital	Percentage of ownership interest attributable to the Group		Principal activities
				30 June 2013	31 December 2012	
Coastal Greenland Limited	Corporate	Bermuda	HK\$279,058,000	22.62	22.62	Property development and investment
Road King Infrastructure Ltd.	Corporate	Bermuda	HK\$74,205,000	27.27	27.27	Provision of investment and management of toll roads and property development
Shenzhen Tianan Cyber Park (Group) Co., Ltd.	Corporate	Mainland China	US\$62,000,000	37.53	37.53	Property investment and development

### 14. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Share of net assets	302,140	108,285
Loans to a jointly-controlled entity	10,153	9,839
	<b>312,293</b>	<b>118,124</b>

The loans to a jointly-controlled entity are unsecured, interest-free and will not be repayable within 12 months from the end of the reporting period.

#### 14. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES (continued)

Included in the Group's prepayments, deposits and other receivables are amounts due from the Group's jointly-controlled entity totalling HK\$2,877,627,000 (31 December 2012: HK\$2,148,394,000), which are unsecured and have no fixed terms of repayment, and bear interest at 12% per annum (31 December 2012: 12%).

Particulars of the jointly-controlled entities are as follows:

Name	Nominal value of registered capital	Place of registration and operations	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

#### 15. OTHER LONG TERM ASSETS

As at 30 June 2013, other long term assets mainly represented a prepayment of HK\$1,569,685,000 (31 December 2012: HK\$1,365,383,000) related to the acquisition of land use rights. The remaining balance of HK\$12,637,000 (31 December 2012: HK\$12,439,000) included receivables from other independent third parties.

## 16. TRADE RECEIVABLES

	<b>30 June 2013 (Unaudited) HK\$'000</b>	31 December 2012 (Audited) HK\$'000
Trade receivables	<b>220,372</b>	285,796
Impairment	<b>(31,431)</b>	(30,939)
	<b>188,941</b>	254,857

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:

	<b>30 June 2013 (Unaudited) HK\$'000</b>	31 December 2012 (Audited) HK\$'000
Within one year	<b>188,619</b>	252,580
One to two years	<b>322</b>	2,076
Two to three years	<b>–</b>	201
	<b>188,941</b>	254,857

## 17. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	<b>30 June 2013 (Unaudited) HK\$'000</b>	31 December 2012 (Audited) HK\$'000
Cash and bank balances	<b>6,230,801</b>	5,197,802
Time deposits	<b>1,978,199</b>	2,108,006
	<b>8,209,000</b>	7,305,808
Less: Pledged time deposits:		
Pledged for long term bank loans (note 18(a)(iv))	<b>(329,241)</b>	(137,323)
Pledged for short term bank loans (note 18(a)(iv))	<b>(102,658)</b>	(129,905)
Restricted cash*	<b>(961,645)</b>	(304,528)
Cash and cash equivalents	<b>6,815,456</b>	6,734,052

\* Included in the Group's restricted cash is an amount of HK\$26,472,000 deposited in an escrow account jointly operated by the Group and an independent third party as at 30 June 2013 (31 December 2012: Nil).

The remaining balance of HK\$935,173,000 (31 December 2012: HK\$304,528,000) in the Group's restricted cash was limited to used in the development of certain property projects. 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 the related pre-sold properties or issuance of the real estate ownership certificates, whichever is the earlier.

## 18. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	30 June 2013 (Unaudited)			31 December 2012 (Audited)		
	Contractual interest rate (%)	Maturity	HK\$'000	Contractual interest rate (%)	Maturity	HK\$'000
<b>Current</b>						
Bank loans-secured	6.06 – 7.7375	2014	916,447	6.00 – 7.88	2013	1,043,259
Bank loans-unsecured	4.92 – 7.995 HIBOR+1.95- HIBOR+2.85, LIBOR+2	2014	9,107,116	4.51 – 9.225 HIBOR + 0.70– HIBOR + 2.85, LIBOR + 2	2013	7,035,371
Other borrowings-unsecured	6.00 – 9.80	2014	1,895,550	7.2 – 8.5	2013	895,608
			11,919,113			8,974,238
<b>Non-current</b>						
Bank loans-secured	6.396 – 7.995	2014-2021	2,222,616	6.15 – 8.913	2014-2021	2,719,144
Bank loans-unsecured	6.15 – 7.38 HIBOR+2.2- HIBOR+2.95, LIBOR+2- LIBOR+2.95	2014-2016	7,682,826	6.15 – 9.66 HIBOR + 2.2– HIBOR + 2.95, LIBOR + 2– LIBOR + 2.95	2014-2016	9,422,348
Other borrowings-unsecured	-	-	-	8.5 – 9.8	2014	1,094,632
			9,905,442			13,236,124
			21,824,555			22,210,362

## 18. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

(continued)

	<b>30 June 2013 (Unaudited) HK\$'000</b>	31 December 2012 (Audited) HK\$'000
Analysed into:		
Bank loans repayable:		
Within one year	<b>10,023,563</b>	8,078,630
In the second year	<b>5,916,733</b>	7,343,876
In the third to fifth years, inclusive	<b>3,135,665</b>	3,833,004
Over five years	<b>853,044</b>	964,612
	<b>19,929,005</b>	20,220,122
Other borrowings:		
Within one year	<b>1,895,550</b>	895,608
One to two years	–	1,094,632
	<b>1,895,550</b>	1,990,240
	<b>21,824,555</b>	22,210,362

- (a) Bank loans amounting to HK\$3,139,063,000 (31 December 2012: HK\$3,762,403,000) were secured by:
- (i) certain of the Group's land and buildings in Mainland China with a net book value of approximately HK\$1,137,574,000 (31 December 2012: HK\$1,205,866,000) (note 10);
  - (ii) certain of the Group's properties under development with a net book value of approximately HK\$3,574,547,000 (31 December 2012: HK\$1,498,849,000) (note 12);



## 18. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

(continued)

(a) (continued)

(iii) certain of the Group's investment properties with a net book value of approximately HK\$2,356,534,000 (31 December 2012: HK\$4,614,496,000) (note 11); and

(iv) certain of the Group's bank deposits with a net book value of HK\$431,899,000 (31 December 2012: HK\$267,228,000) (note 17).

(b) Except for the bank loans equivalent to HK\$4,873,249,000 (31 December 2012: HK\$4,871,517,000) and HK\$2,116,000,000 (31 December 2012: HK\$2,116,000,000), 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.

## 19. 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:

	<b>30 June 2013 (Unaudited) HK\$'000</b>	31 December 2012 (Audited) HK\$'000
Within one year	<b>806,380</b>	649,910
One to two years	<b>34,218</b>	12,099
Two to three years	<b>1,415</b>	1,197
Over three years	<b>40,941</b>	40,280
	<b>882,954</b>	703,486

The trade payables are non-interest-bearing.

## 20. 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. Upon expiration of the Old Scheme, no further options may be granted but in all other respects, the provisions of the Old Scheme shall remain in full force and effect. Therefore, the expiry of the Old Scheme will not in any event affect the terms of the exercise of any outstanding options that has already been granted under the Old Scheme and such outstanding options granted under the Old Scheme shall continue to be subject to the provisions of the Old Scheme.

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.

On 10 April 2013, a total of 11,052,000 share options were granted to certain eligible participants of the Company at an exercise price of HK\$3.16 per share under the New Scheme.

## 20. SHARE OPTION SCHEME (continued)

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

	30 June 2013 (Unaudited)		31 December 2012 (Audited)	
	Weighted average exercise price HK\$ per share	Number of options	Weighted average exercise price HK\$ per share	Number of options
At 1 January	2.4086	91,578,000	2.4289	98,778,000
Exercised during the period/year	2.3900	(3,911,600)	–	–
Granted during the period/year	3.1600	11,052,000	–	–
Forfeited during the period/year	2.5021	(9,116,400)	2.3900	(3,780,000)
Cancelled during the period/year	2.3900	(8,518,661)	–	–
Lapsed during the period/year	2.5021	(6,077,600)	3.0158	(3,420,000)
At 30 June/31 December	2.5035	75,005,739	2.4086	91,578,000

The weighted average closing share price at the date of exercise for share options exercised during the period was HK\$3.2659 per share (Year ended 31 December 2012: No share options were exercised).

## 20. SHARE OPTION SCHEME (continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

<b>Number of options</b>	<b>Exercise price*</b> HK\$ per share	<b>Exercise period</b>
11,052,000	3.1600	19-7-2014 to 18-7-2015
<u>63,953,739</u>	2.3900	19-7-2012 to 18-7-2015
<u>75,005,739</u>		

\* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The Group recognised a share option expense of HK\$929,000 (six months ended 30 June 2012: HK\$9,413,000) during the six months ended 30 June 2013.

The 3,911,600 share options exercised during the period resulted in the issue of 3,911,600 ordinary shares of the Company and new share capital of HK\$195,000 and share premium of HK\$11,744,000 (before issue expenses), as further detailed in note 21.

At the end of the reporting period, the Company had 75,005,739 share options outstanding under the Old Scheme and the New Scheme.

As at the date of this report, options carrying rights to subscribe for 75,005,739 shares remained outstanding and were yet to be exercised, which represented approximately 1.46% of the Company's shares in issue as at that date.

## 21. ISSUED CAPITAL

	<b>30 June 2013 (Unaudited) HK\$'000</b>	31 December 2012 (Audited) HK\$'000
Authorised:		
10,000,000,000 (31 December 2012: 5,000,000,000) ordinary shares of HK\$0.05 (31 December 2012: HK\$0.05) each (a)	<b>500,000</b>	250,000
Issued and fully paid:		
5,143,044,270 (31 December 2012: 3,729,015,408) ordinary shares of HK\$0.05 (31 December 2012: HK\$0.05) each	<b>257,152</b>	186,451

During the period, the movements in share capital were as follows:

	<b>Number of shares in issue</b>	<b>Issued share capital HK\$'000</b>	<b>Share premium account HK\$'000</b>	<b>Total HK\$'000</b>
At 1 January 2013 (audited)	3,729,015,408	186,451	5,714,001	5,900,452
Share option exercised (b)	3,911,600	195	11,744	11,939
Issue of shares relating to acquisition of a subsidiary (c)	1,410,117,262	70,506	4,568,780	4,639,286
At 30 June 2013 (unaudited)	5,143,044,270	257,152	10,294,525	10,551,677

## 21. ISSUED CAPITAL (continued)

Notes:

- (a) On 18 April 2013, the Company passed an ordinary resolution to increase the authorised share capital of Company from HK\$250,000,000 to HK\$500,000,000 by the creation of 5,000,000,000 additional new shares which rank pari passu in all respects with the existing shares in the capital of the Company.
- (b) The subscription rights attaching to 3,911,600 share options were exercised at the subscription price of HK\$2.39 per share, resulting in the issue of 3,911,600 shares of HK\$0.05 each for a total cash consideration, before expenses, of HK\$9,348,000. An amount of HK\$2,591,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.
- (c) On 31 May 2013, 1,410,117,262 new shares of HK\$0.05 each were issued as the consideration for the acquisition of the 100% equity interests in Shenzhen Silicon Valley Hi-tech Investment Limited (“Shenzhen Silicon Valley”) as detailed in note 23.

## 22. RESERVES

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

## 23. BUSINESS COMBINATION

On 17 January 2013, the Group entered into an acquisition agreement with Shum Yip Holdings to acquire the 100% equity interests in Shenzhen Silicon Valley (the "Acquisition Agreement"). Shenzhen Silicon Valley is an investment holding company, which together with its subsidiaries, Shenzhen Shum Yip Technology Development Limited (深圳市深業科技開發有限公司), Shenzhen Jizhaoxin Investment Limited (深圳市吉兆鑫投資有限公司) and Shenzhen Kezhigu Investment Limited ("Kezhigu") (深圳市科之谷投資有限公司) (collectively referred to as the "Shenzhen Silicon Valley Group") are engaged in property development and property investment in Shenzhen, the PRC. Further details of the transaction are set out in the circular of the Company dated 28 March 2013. The acquisition was made as part of the Group's strategy to increase the Group's land bank in Shenzhen. The purchase consideration for the acquisition was satisfied by the Company through the allotment and issue of 1,410,117,262 new shares of the Company. In addition, Kezhigu was required to pay additional land premium to 深圳市規劃和國土資源委員會 (the Bureau of the Urban Planning and Land Resources Commission of Shenzhen) (the "Land Bureau") in respect of the sale of apartments, hotels and commercial service facilities under construction on a parcel of land. Pursuant to the Acquisition Agreement, the Group has agreed to pay Shum Yip Holdings an amount by which the actual additional land premium payable to the Land Bureau by Kezhigu in respect of the sale of apartments is less than RMB2,000,000,000. The actual land premium was RMB1,597,798,000 according to a notice issued by the Land Bureau dated 9 May 2013. Accordingly, an amount of RMB402,202,000 (equivalent to HK\$508,907,000) was liable to Shum Yip Holdings by the Group.

The acquisition was completed on 31 May 2013. The Group recognised a gain on a bargain purchase of approximately HK\$637,945,000 in relation to this business combination, which mainly represented a discount to the fair value of the assets obtained given by Shum Yip Holdings.

## 23. BUSINESS COMBINATION (continued)

The fair values of the identifiable assets and liabilities of the Shenzhen Silicon Valley Group as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition (Unaudited) HK\$'000
Property, plant and equipment	10	348,240
Investment properties	11	4,684,201
Deferred tax assets		125,379
Cash and cash equivalents		355,159
Restricted cash		26,697
Prepayments, deposits and other receivables		1,923
Properties under development	12	10,952,542
Interest-bearing bank loans and other borrowings		(632,650)
Other payables and accruals		(2,267,397)
Due to the immediate holding company		(15,618)
Due to the ultimate holding company		(4,530,078)
Deferred tax liabilities		(3,262,260)
<b>Total identifiable net assets at fair value</b>		<b>5,786,138</b>
Gain on a bargain purchase recognised in other income and gains in the interim condensed consolidated income statement		637,945
Satisfied by:		
Consideration payable related to an additional land premium of a parcel of land held by Kezhigu		508,907
Fair value of shares issued		4,639,286
		<b>5,148,193</b>



### 23. BUSINESS COMBINATION (continued)

An analysis of the cash flows in respect of the acquisition of the Shenzhen Silicon Valley Group is as follows:

	(Unaudited) HK\$'000
Cash paid	–
Cash and cash equivalents acquired	355,159
Net inflow of cash and cash equivalents included in cash flows from investing activities	355,159

### 24. CAPITAL COMMITMENTS

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) 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	5,695,584	4,262,180
Authorised, but not contracted for	141,184	502,724
	5,836,768	4,764,904

## 25. CONTINGENT LIABILITIES

- (i) At 30 June 2013, the Group has given guarantees to a maximum extent of approximately HK\$2,952,135,000 (31 December 2012: HK\$1,948,307,000) 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.

- (ii) 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\$50,548,000).

## 25. CONTINGENT LIABILITIES (continued)

(ii) (continued)

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\$32,856,000). 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.

## 26. RELATED PARTY TRANSACTIONS

### (a) Transactions with related parties

		For the six months ended 30 June	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
	Notes		
Shum Yip Group, the ultimate holding company:			
– Interest expense paid	(i)	46,440	–
Shum Yip Holdings Company Limited, the immediate holding company:			
– Rental expenses paid	(ii)	919	990
Associates:			
– Sales of products		48,648	32,383
– Interest income		–	8,881
Fellow subsidiaries:			
– Sales of properties	(iii)	341,484	–
– Interest expense paid	(i)	6,536	–
– Management fee received		–	6,138
– Estate agency fee received	(iv)	18,804	–
A jointly-controlled entity:			
– Interest income (note 14)		116,791	56,998
Interest expense paid to non-controlling shareholders		4,362	–

## 26. RELATED PARTY TRANSACTIONS (continued)

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

Notes:

- (i) The interest expenses were calculated for the amounts which the Group had borrowed from Shum Yip Group and certain fellow subsidiaries. The interest rates charged for the balances with the ultimate holding company and fellow subsidiaries were disclosed in note 26(d)(i) and note 26(d)(v), respectively.
- (ii) The rentals were charged at prices based on mutual agreement between the parties.
- (iii) The sales to a fellow subsidiary were made according to the published prices and conditions offered to the major customers of the Group.
- (iv) The estate agency fee received from a fellow subsidiary was charged at prices based on mutual agreement between the parties.

### (b) Other transaction with a related party

On 31 May 2013, the Group acquired a 100% equity interest in Shenzhen Silicon Valley from Shum Yip Holdings at a consideration satisfied by the Company through the allotment and issue of 1,410,117,262 new shares of the Company and a consideration payable of HK\$508,907,000. Further details of the transaction are included in note 23 to the interim condensed consolidated financial statements.

## 26. RELATED PARTY TRANSACTIONS (continued)

### (c) Commitments with a related party

On 1 May 2013, the Company entered into lease agreements for periods ending 30 April 2016 with Shum Yip Holdings Company Limited, the immediate holding company. The amount of lease expenses for the current period is included in note 26(a) to the interim condensed consolidated financial statements. The Group expects total lease expenses in the second half year of 2013, the years of 2014, 2015 and 2016 to be approximately HK\$1,370,000, HK\$2,739,000, HK\$2,739,000 and HK\$913,000, respectively.

### (d) Outstanding balances with related parties

- (i) Included in the aggregate amount due to the ultimate holding company under current liabilities is an amount of HK\$1,979,527,000 as at 30 June 2013 (31 December 2012: Nil), which is unsecured, bears interest at the one-year benchmark lending rate of the People's Bank of China ("PBOC") and repayable on demand. The remaining amount due to the ultimate holding company is unsecured, interest-free and has no fixed terms of repayment.

The aggregate amount due to the ultimate holding company under non-current liabilities of HK\$3,965,304,000 as at 30 June 2013 (31 December 2012: Nil), which bears interest at 9.9% per annum, is unsecured and repayable from 30 October 2014 to 9 September 2015.

- (ii) As disclosed in the interim condensed consolidated statement of financial position, the Group had payables amounting to HK\$540,230,000 (31 December 2012: HK\$14,158,000) to the immediate holding company. The payables are unsecured, interest-free and have no fixed terms of repayment.

## 26. RELATED PARTY TRANSACTIONS (continued)

### (d) Outstanding balances with related parties (continued)

- (iii) Details of the Group's amounts due from its associates as at the end of the reporting period are included in note 13 to the interim condensed consolidated financial statements.

Included in the Group's other payables and accruals are amounts due to its associates of HK\$288,103,000 (31 December 2012: HK\$325,273,000), which are unsecured, interest-free and have no fixed terms of repayment.

- (iv) Details of the Group's amounts due from its jointly-controlled entities as at the end of the reporting period are included in note 14 to the interim condensed consolidated financial statements.

- (v) Included in the Group's prepayments, deposits and other receivables are amounts due from fellow subsidiaries of HK\$13,255,000 (31 December 2012: HK\$7,378,000), which are unsecured, interest-free and have no fixed terms of repayment.

The loans from fellow subsidiaries included in the Group's other payables and accruals are unsecured and have no fixed terms of repayment. Amounts due to fellow subsidiaries of HK\$356,122,000 (31 December 2012: HK\$263,994,000) bear interest at the one-year benchmark lending rate of the PBOC, while the remaining balance of HK\$93,756,000 (31 December 2012: HK\$159,736,000) is interest-free.

## 26. RELATED PARTY TRANSACTIONS (continued)

### (d) Outstanding balances with related parties (continued)

- (vi) Included in the Group's prepayments, deposits and other receivables are amounts due from non-controlling shareholders of certain subsidiaries of the Group of HK\$2,754,000 (31 December 2012: HK\$29,389,000), which are unsecured, interest-free and have no fixed terms of repayment.

Included in the Group's other payables and accruals are amounts due to non-controlling shareholders of certain subsidiaries of the Group of HK\$122,990,000 (31 December 2012: Nil), which are unsecured, bear interests from the one-year benchmark lending rate of PBOC to 7.5% per annum and repayable on demand. The remaining balance of HK\$44,127,000 (31 December 2012: HK\$322,504,000) is unsecured, interest-free and has no fixed terms of repayment.

- (vii) Included in the Group's other payables and accruals is an amount due to a related party of HK\$6,715,000 (31 December 2012: HK\$121,151,000) which is unsecured, interest-free and has no fixed terms of repayment.

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

	For the six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Short term employee benefits	2,364	2,242
Share-based payments	851	2,122
Total compensation paid to key management personnel	3,215	4,364



## 27. FAIR VALUE MEASUREMENT

The carrying amounts and fair values of the Group's financial instruments are as follows:

### Group

	Carrying amounts		Fair values	
	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
<b>Financial assets</b>				
Cash and cash equivalents	6,815,456	6,734,052	6,815,456	6,734,052
Restricted cash	961,645	304,528	961,645	304,528
Pledged deposits				
– long term	329,241	137,323	329,241	137,323
Pledged deposits				
– short term	102,658	129,905	102,658	129,905
Other long term assets	12,637	12,439	12,637	12,439
Loans to a jointly- controlled entity	2,877,627	2,148,394	2,877,627	2,148,394
Trade receivables	188,941	254,857	188,941	254,857
Deposits and other receivables	779,709	879,089	779,709	879,089
Available-for-sale investments	48,247	52,471	48,247	52,471
Equity investments at fair value through profit or loss	8,931	10,296	8,931	10,296
	<b>12,125,092</b>	<b>10,663,354</b>	<b>12,125,092</b>	<b>10,663,354</b>

## 27. FAIR VALUE MEASUREMENT (continued)

	Carrying amounts		Fair values	
	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
<b>Financial liabilities</b>				
Trade payables	<b>882,954</b>	703,486	<b>882,954</b>	703,486
Other payables	<b>5,409,089</b>	3,053,729	<b>5,409,089</b>	3,053,729
Interest-bearing bank loans and other borrowings	<b>21,824,555</b>	22,210,362	<b>21,824,555</b>	22,210,362
Due to the immediate holding company	<b>540,230</b>	14,158	<b>540,230</b>	14,158
Due to the ultimate holding company	<b>6,155,535</b>	64,579	<b>6,155,535</b>	64,579
Loans from associates	<b>288,103</b>	325,273	<b>288,103</b>	325,273
	<b>35,100,466</b>	26,371,587	<b>35,100,466</b>	26,371,587

## 27. FAIR VALUE MEASUREMENT (continued)

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of cash and cash equivalents, the current portion of pledged deposits, restricted cash, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, an amount due to the immediate holding company, current portion of amount due to the ultimate holding company, loans to jointly-controlled entity and loans from associates approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of non-current portion of pledged deposits, other long term assets, interest-bearing bank loans and other borrowings and non-current portion of amount due to the ultimate holding company have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The fair values of listed equity investments are based on quoted market prices.

## 27. FAIR VALUE MEASUREMENT (continued)

### Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

As at 30 June 2013, the Group held the following financial instruments measured at fair value:

*Assets measured at fair value as at 30 June 2013 (unaudited):*

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Available-for-sale				
investments	<b>28,211</b>	–	–	<b>28,211</b>
Equity investments at fair				
value through profit or				
loss	<b>8,931</b>	–	–	<b>8,931</b>
	<b>37,142</b>	–	–	<b>37,142</b>

## **27. FAIR VALUE MEASUREMENT** (continued)

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (Year ended 31 December 2012: Nil).

## **28. EVENTS AFTER THE REPORTING PERIOD**

On 22 August 2013, the Company, Shenzhen International Holdings Limited (“SIHL”) and Shum Yip Group entered into a framework agreement (the “Framework Agreement”). SIHL is an independent third party of the Company. Pursuant to the Framework Agreement, the Company and SIHL intended to cooperate strategically in relation to certain projects in the PRC, including, in particular, the intended strategic cooperation in respect of the Western Logistic Park project which is owned by SIHL and located at the Qianhai region in Shenzhen with a site area of approximately 400,000 square meters. The land is currently used for warehousing and logistics purpose. It is intended for commercial and residential development in the future. The change of land usage and land premium payment are subject to the government’s approval. Further details of the Framework Agreement are set out in the announcement of the Company dated 22 August 2013.

## **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 2013.

# REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



## To the board of directors of Shenzhen Investment Limited

(Incorporated in Hong Kong with limited liability)

### INTRODUCTION

We have reviewed the interim condensed consolidated financial statements set out on pages 2 to 52, which comprise the condensed consolidated statement of financial position of Shenzhen Investment Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2013 and the related condensed consolidated statement of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Main Board Listing 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”). 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 these 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 such opinion.

## CONCLUSION

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

*Ernst & Young*

Certified Public Accountants

Hong Kong

27 August 2013

# Chairman Statement

## Business review

In the first half year of 2013, the central government implemented the austerity control policy of “State Council’s Five Measures” to continue curbing the investment and speculative demand to facilitate the healthy development of the real estate market. Under the background of relatively loosened monetary policies and strong rigid housing demand, the real estate market in China was picking up continuously, in particular, in the first and second-tier cities, the real estate transactions were active with a strong recovery. The Group timely grasped the market opportunity, actively promoted its property sales, implemented its strategic layout, maintained healthy financial position and had achieved satisfactory operating results.

## Interim results and payment of dividends

During the period, the Group achieved a turnover of HK\$5,038.3 million, representing an increase of 68.2% over the same period of last year. Profit for the period attributable to the shareholders was HK\$1,750.2 million, representing an increase of 87.1% over the same period of last year. Basic earnings per share were HK44.14 cents, representing an increase of 71.2% over the same period of last year. The Board resolved the distribution of an interim dividend of HK7.00 cents per share for 2013.

## Initiating asset injection and implementing the strategy of intensifying the development in Shenzhen

During the period, the Group initiated the quality asset injection from its parent company. The initially injected Kezhigu (科之谷) project is located at Futian District, Shenzhen City, which is adjacent to Futian CBD and is surrounded by three main municipal parks with unique geographical location and natural sceneries and convenient comprehensive transportation supporting facilities. The gross floor area of the project is 788,910 square meters, which includes premier commercial apartments, office buildings, hotel and shopping centers. The project positions itself to be the base of high-end innovative headquarters, recreational and leisure and shopping centers, and will become the new landmark of Shenzhen.



## **Chairman Statement** (continued)

### **Initiating asset injection and implementing the strategy of intensifying the development in Shenzhen** (continued)

Such asset injection was a significant move for the Group to implement the strategy of intensifying the development in Shenzhen, through the quality asset injection, its structure of land reserves is optimized, decreasing its net gearing ratio to lay a solid foundation for its sustainable development in future.

### **Promoting real estate sales actively**

The Group grasped the market opportunities to actively facilitate the sales of its projects. The projects of the Group, including Shenzhen Terra Building (深圳泰然大廈), Shenzhen Noble Times (深圳東晟時代), Guangzhou Jiangyue Bay (廣州江悅灣), Huizhou Wanlin Lake (惠州萬林湖), Wuhan Nanhu Rose Bay (武漢南湖玫瑰灣), had recorded good sales results. It achieved contracted sales from January to June of approximately RMB4.313 billion, representing an increase of 126% over the same period of last year, and reached 48% of its annual target.

### **Disposal of inefficient assets, improving operational efficiency**

During the period, the Group analyzed and sorted out its projects in the third and fourth-tier cities, and formulated the mobilization implementation plan to accelerate the development and disposition and achieved positive results. The Group continued to enhance cost management and capacity building, and strived to accelerate its assets turnover ratio to further improve the operational efficiency.

## Chairman Statement (continued)

### Business outlook

#### *Industry prospect*

The economic situation of China is sophisticated and complicated. Under the fundamental direction of “stabilizing growth, adjusting structure and facilitating reform”, the central government has indicated that massive economic stimulating policies will not be launched; and under the principle of “mobilizing stock, rationalizing volume increment”, the credit policies will be further cautious in the second half year. The situation of loosened liquidity happened early this year may be difficult to continue. Despite in the process of facilitating reform, transforming and upgrading, the economy will face various challenges. However, we believe that the China economy will develop within an overall stable range, and still has a huge growth potential in long run. After a series of austerity control on China’s real estate market over the years, the market structure has become relatively reasonable. At present, the rigid housing demand and improved housing demand in the first and second-tier cities have remained strong, and with the continuous picking up in sales in the first half year, the level of housing stock in the market is also decreasing gradually, the real estate market will show a steady development trend in future. We believe that in long run, the real estate market will more rely on the market-based measures, and the administrative control policies will gradually become weaker. However, the curb of investment and spectacular demand has still become the concern of the central government. The Group will highly monitor the macroeconomic development condition and real estate sector development; cope with the market changes on a timely basis; and adopt flexible strategies to develop progressively and steadily.

## Chairman Statement (continued)

### Business outlook (continued)

#### *Shenzhen*

In Shenzhen, the transaction volume of new residential housing in the first half year of 2013 was approximately 2.35 million square meters, representing an increase of 49% over the same period of last year with an average price of RMB24,128 per square meters, representing an increase of 27%. The products for the rigid housing demand in suburban districts and the high-end products in the core locations of urban districts were attractive to housing buyers. In the second half year, with the gradual launching of new housings in the market, the pressure of housing supply and demand in Shenzhen will be mitigated, and the transaction volume will be sustained. As one of the first-tier cities in the PRC, Shenzhen has huge economic development potential. Shenzhen has a permanent population of over 10 million, and average age of its resident is young, with strong housing demand and purchasing power. The development of Qianhai (前海) in Shenzhen will also bring about a new round of momentum for its economic development, especially for the development of financial industry, logistics industry and information industry. The Group is fully confident about the long-term development of real estate market in Shenzhen and will continue its strategic focus in Shenzhen.

## **Chairman Statement** (continued)

### **Business outlook** (continued)

#### ***Sales of real estate***

The annual sales target of the Group in 2013 is about RMB9.0 billion, representing an increase of 48% as compared with the actual contracted sales last year. The annual saleable property area is approximately 1.58 million square meters with saleable property value of approximately RMB23.3 billion. In the first half year, the Group achieved contracted sales of RMB4.313 billion, representing 48% of the annual target. It is expected that the saleable property area of the Group in the second half year will be approximately 1.18 million square meters with abundant saleable property value. The months of September and October are the peak period of the Group to launch its property in the market. With the launching of Kezhigu (Shumyip Shangcheng (深業上城)) and Qingshuihe Auto Logistic Park (清水河汽車物流園), and the additional launching of Terra Building (泰然大廈), Noble Times (東晨時代), Shum Yip City (深業城) and Rui Cheng (睿城), it is expected that the sales in the second half year will further increase, and the Group is in full confidence to reach its sales target. At the same time, the Group will grasp the development rhythm, and ensure sufficient saleable property area in this and next years to maintain a sustainable development.

#### ***Land reserves***

The Group will optimize its land reserve structure while continuing to maintain its land reserves existing scale. On one hand, the Group will continue to focus on its development in Shenzhen, complement its quality land resources and control its cost in land acquisition. On the other hand, it will strive to implement the disposal of certain inefficient projects.

## **Chairman Statement** (continued)

### **Business outlook** (continued)

#### ***Land reserves*** (continued)

The Group has 6 urban re-development projects in Shenzhen, including the Kezhigu (科之谷) project, which are locating at Lian Hua Shan in Futian (福田蓮花山), Sungang, Qingshuihe, Shangbu, Chegongmiao and Guanlan respectively, with expected total planned gross floor area of over 2 million square meters. Such projects are important resources of the Group in focusing on the development in Shenzhen. In addition, Shum Yip Group, the parent company of the Group, has a quality land reserve with gross floor area of over 2 million square meters in Shenzhen. The Group will continue to increase its project reserves in Shenzhen through asset injection, accelerating re-development approval, and cooperation with stated-owned enterprises in Shenzhen and other means.

Furthermore, the Group will speed up the implementation of disposing of certain projects in the third and fourth-tier cities. The Group had actively promoted the re-negotiation with local governments which our projects are operating, and sought potential partners to rationalize the structure of its land reserves and the efficiency of its asset allocation.

#### **Financial strategy**

The Group will adhere to the consistent principle of maintaining healthy financial position, endeavour to reduce financing costs, and improve capital turnover efficiency to provide concrete protection of financial resources for its business development.

#### **Corporate prospect**

Looking forward, the Group is very confident for the continuous growth of the Company's performance in future. The Group will continue to implement its strategy of intensifying the development in Shenzhen, increase quality land reserves in Shenzhen, prudentially consider opportunities in other first and second tier cities, continuously optimize the structure of its land reserves, focus on both holding and development, improve cost control and operation standard, accelerate the asset turnover, improve the assets and liabilities and cash flow management. It is committed to maximize the value for our shareholders.

# Management Discussion and Analysis

## Overall results

During the period, the Group achieved a turnover of HK\$5,038.3 million, representing an increase of 68.2% over the same period of last year. Gross profit margin was 39.6%, representing an increase of 9.6 percentage points over the same period of last year. Profit attributable to shareholders was HK\$1,750.2 million, representing an increase of 87.1% over the same period of last year. If excluding the net effect of the changes in fair value of investment properties of the Group and the gain on bargain purchase, profit attributable to shareholders increased by 16.6% over the same period of last year. Basic earnings per share were HK44.14 cents, representing an increase of 71.2% over the same period of last year.

## Property development and sales

During the period, the sales in real estate market picked up, sales of the major properties of the Group were satisfied. The Group achieved net sales revenue of HK\$3,638.3 million in property development, which was mainly generated from property sales and land sales. During the period, the Group recorded 256,000 square meters in property sales (excluding the interests attributable to the Group in its three principal associates), representing an increase of 39.9% over the same period of last year and achieved a net revenue in property sales of RMB2,770.9 million (equivalent to HK\$3,473.6 million) (net of business tax), representing an increase of 94.8% over the same period of last year. Gross profit margin of property sales was 43.7%, representing an increase of 15 percentage points over the same period of last year. During the period, the Group completed all procedures for the transfer of a land parcel in Changsha, for which a net revenue in land sales of RMB131.4 million (equivalent to HK\$164.7 million) and gross profit of HK\$108.6 million were recorded.

## Management Discussion and Analysis (continued)

### Property development and sales (continued)

*Table of Property Sales Booked*

Property Name	Sales area (square meters)	Type	Net sales (RMB million)	Average price (RMB/sqm)
Wanlin Lake	9,768	Residential/Shop	76	7,731
Noah Mountain Forest	1,045	Residential/Shop	5	4,722
Rui Cheng Phase 1.1	10,037	Residential	51	5,103
Garden Hill	14,598	Residential	71	4,884
Jinxiu Jiangcheng Phase I	10,833	Residential/Shop	48	4,437
Euro-view Garden	14,567	Residential	92	6,284
Terra Building	29,072	Office building	999	34,358
Nanhu Rose Bay	22,685	Residential	187	8,248
Yihu Rose Court Phase 1.1	7,188	Residential/Shop	40	5,550
Purple Kylin Hill	6,300	Residential	97	15,469
Royal Garden	12,335	Residential	84	6,847
Noble Times	58,465	Residential/Shop	580	9,928
Royal Spring Garden	350	Residential, Car park	2	6,226
Shum Yip City	10,144	Residential, Shop, Car park	53	5,211
Yundonghai Phase I Land 2-Villa	7,706	Residential	85	11,038
Saina Bay Phase I	11,337	Residential	103	9,044
Shum Yip Hua Fu Phase I Group One-4, 5, 6	29,304	Residential	198	6,738
<b>Subtotal</b>	<b>255,734</b>		<b>2,771</b>	<b>10,835</b>

During the period, the Group achieved 398,000 square meters in contracted sales area and contracted sales income of approximately RMB4,313 million, representing an increase of 126% over the same period of last year.

## Management Discussion and Analysis (continued)

### Property development and sales (continued)

#### Contracted Sales Table from January to June 2013

Project	City	Nature of land use	Accumulated sales area for the period (square meters)	Accumulated sales for the period (RMB million)	Pre-sale unit price (RMB/sqm)
Shum Yip City Phase I	Changzhou	Residential	2,789	27	9,727
Shum Yip City Phase I Group One	Maanshan	Residential	18,580	131	7,057
Noble Times	Shenzhen	Residential	38,303	486	12,690
Jiangyue Bay (Jinshazhou Project)	Guangzhou	Residential	52,787	795	15,058
Saina Bay	Heyuan	Residential	7,004	79	11,252
Shum Yip City	Shunde, Foshan	Residential	35,441	252	7,102
Shum Yip Royal Garden	Shenzhen	Residential	20,514	159	7,746
Yundonghai Phase I South Area (Land 2 low-rise housing)	Sanshui	Residential	4,888	50	10,171
Purple Kylin Hill	Shenzhen	Residential	3,840	67	17,409
Garden Hill	Huizhou	Residential	5,059	37	7,393
Jinxiu Jiangcheng	Taizhou	Residential	27,223	130	4,772
Euro-view Garden	Dongguan	Residential	36,444	241	6,621
Noah Mountain Forest Last phase	Changsha	Residential	256	1	3,906
Rui Cheng	Changsha	Residential	39,159	195	4,991
Wanlin Lake	Huizhou	Residential	39,726	265	6,683
Chengdu Yihu Rose Court	Chengdu	Residential	7,670	32	4,201
Terra Building	Shenzhen	Industrial (including technology park, warehouse)	30,500	1,118	36,648
Wuhan Nanhu Rose Bay	Wuhan	Residential	27,355	248	9,062
<b>Total</b>			<b>397,538</b>	<b>4,313</b>	<b>10,849</b>



## Management Discussion and Analysis (continued)

### Project development

During the period, the Group had 10 newly constructed projects with new construction area of approximately 1,620,000 square meters.

	Property Name and Phase	City	Nature of land use	Planned GFA (square meters)	Saleable area (square meters)
1	Shum Yip Hua Fu Phase I Group Two	Maanshan	Residential	85,000	65,000
2	Shum Yip Hua Fu Phase II	Changzhou	Residential	129,063	98,846
3	Jinshazhou Project Phase II	Guangzhou	Residential	155,266	122,005
4	Jinshazhou Project Phase I Public construction	Guangzhou	Residential	6,392	–
5	Shum Yip City Phase III (District I Section I)	Shunde	Residential	165,671	113,509
6	Shum Yip City Phase III (District I Section II)	Shunde	Residential	115,383	73,071
7	Wanlin Lake Phase 8.3	Huizhou	Residential	124,227	61,488
8	Wanlin Lake Phase 8.4	Huizhou	Residential	62,951	62,095
9	Shum Yip Rui Cheng Phase 2.1	Changsha	Residential	130,651	92,072
10	Kezhigu South Area	Shenzhen	Commercial/ Office building	650,190	244,000
	<b>Total</b>			<b>1,624,794</b>	<b>932,086</b>

### Asset injection and gain on bargain purchase

During the period, the Group entered into an agreement with Shum Yip Holdings, the parent company of the Group, to acquire the 100% of interest in Kezhigu project, located at Futian District, from its parent company at the consideration satisfied by way of allotment and issue of 1,410,117,262 consideration shares to Shum Yip Holdings. The issue price of the consideration share is HK\$3.667, which represented a premium of 9.1% to the closing price on the date preceding the announcement of the transaction. The closing price of the Company's ordinary share was HK\$3.29 on the completion date of the transaction, the fair value of the consideration shares was determined to be HK\$4,639,286,000 accordingly. (For details, please refer to the circular dated 28 March 2013 and note 23).

## Management Discussion and Analysis (continued)

### Asset injection and gain on bargain purchase (continued)

The Kezhigu (科之谷) project is located at Futian District, Shenzhen with beautiful sceneries, surrounded by three main parks, namely Lian Hua Shan Park, Bijiashan Park and Central Park. It is only five minutes' drive to the CBD of Futian District with perfect surrounding transportation networks and comprehensive transportation facilities. The Kezhigu (科之谷) project occupies an area of 121,225 square meters, with a gross floor area of 788,910 square meters. It is planned to construct as an urban complex comprising premier apartments, office buildings, hotel and shopping centers.

The transaction was a connected transaction which was approved at the extraordinary general meeting on 18 April 2013 and completed on 31 May 2013.

The Group recorded a gain of HK\$637.9 million on bargain purchase of the transaction and was recorded as profit for the period.

### Continuing connected transactions

During the period, Nongke Property, a wholly-owned subsidiary of Shum Yip Holdings, the parent company of the Group, appointed Shum Yip Land, a wholly-owned subsidiary of the Group as its agent to sell residential units located in Shenzhen City, the PRC. Both parties entered into an estate agency agreement. The transaction was a continuing connected transaction. (For details, please refer to the announcement dated 8 April 2013)

### Land reserves

As of the end of June 2013, the Group had a total gross land reserve of 11.48 million square meters (in gross floor area) with an attributable gross floor area of 10.70 million square meters (excluding the interests attributable to the Group in its three principal associates). Of which, the Group had 22 property projects under construction with a total gross floor area of approximately 2.86 million square meters and an attributable gross floor area of 2.77 million square meters.

## Management Discussion and Analysis (continued)

### Land reserves (continued)

*Table of land reserves by city distribution (as at 30 June 2013)*

Province	City	Total GFA	Attr. GFA	Percentage of
		(square meters)	(square meters)	Attr. GFA %
Guangdong	Shenzhen	1,564,840	1,564,840	15%
	Huizhou	1,651,148	1,539,525	14%
	Foshan	1,722,967	1,722,967	16%
	Dongguan	66,453	66,453	1%
	Heyuan	879,916	879,916	8%
	Guangzhou	340,170	340,170	3%
Hubei	Wuhan	924,155	489,802	5%
Hunan	Changsha	675,244	675,244	6%
Anhui	Maanshan	1,226,236	1,226,236	11%
	Chaohu	151,426	121,141	1%
Jiangsu	Taizhou	1,460,962	1,460,962	14%
	Changzhou	171,377	171,377	2%
Sichuan	Chengdu	430,891	228,372	2%
Others		215,952	215,952	2%
		11,481,737	10,702,957	100.00%

## Management Discussion and Analysis (continued)

### Property Investment

During the period, the Group's property investment business continued to maintain a steady growth. The total area of our investment properties was over 800,000 square meters, with an achieved rental income of HK\$272.0 million for the period, representing an increase of approximately 10.4% over the same period of last year. During the period, as a result of the increase in total rental area, the optimization of investment property portfolio and the increase in rental income, the Group recorded a revaluation gain of HK\$542.1 million in its investment property portfolio in which it had already been recorded as profit for the period.

### Performance by jointly-controlled entities and associates

During the period, Taizhou Shum Yip Investment Development Limited (a 51% owned company of the Group) made a net profit contribution of HK\$190.6 million to the Group, representing an increase of 357.7% over the same period of last year. The principal activity of this company is to provide relevant services to local governments in primary land development arrangement, at the end of last year, one land parcel had been granted by the local government through a public listing, gain from the company attributable to the Group was recorded as the profit for the period.

During the period, the performance of associates invested by the Group was within expectation. Of which, Shenzhen Tianan Cyber Park (Group) Co. Ltd., made a net profit contribution of HK\$114.9 million to the Group, representing a decrease of 56.2% over the same period of last year. Road King Infrastructure Limited, a listed company in Hong Kong, made a net profit contribution of HK\$69.6 million to the Group, representing an increase of 11.9% over the same period of last year. Coastal Greenland Limited, a listed company in Hong Kong, made a loss of HK\$32.8 million to the Group, as compared to the profit of HK\$57.2 million in the same period of last year.

## Management Discussion and Analysis (continued)

### Financial position

During the period, the Group actively negotiated with various commercial banks to prepare the financial resources for its future development. In June 2013, the Group successfully secured a loan amounting to HK\$300,000,000 for a term of three years with a bank in Hong Kong. The loan bears a very preferential interest rate of less than 3%.

As at 30 June 2013, the Group's total bank loans and other borrowings amounted to HK\$21,824.6 million, of which HK\$20,236.1 million were floating-rate loans, and the balance were fixed rate loans. Long-term loans amounted to HK\$9,905.5 million, representing approximately 45.4% of total borrowings, and short-term loans were HK\$11,919.1 million, representing approximately 54.6% of total borrowings.

As of 30 June 2013, the Group's cash balance (including pledged deposits and restricted cash) was HK\$8,209.0 million, of which approximately 84.6% and 15.4% were denominated in Renminbi and other currencies (mainly in US\$ and HK\$) respectively. As the Group's main operating cash inflow is in Renminbi, and the assets held and debts committed are mainly stated in Renminbi and US\$, therefore the Renminbi exchange rate fluctuations will have positive financial impact to the Group in short run.

As at 30 June 2013, the Group had net assets (excluding non-controlling equity interests) of HK\$23,768.3 million, having a net gearing ratio (debts only included bank and other loans) of 57.3%, representing a decrease of 27.6 percentage points over the end of 2012. The net gearing ratio, including shareholders' loan from the parent company and all other interest-bearing debts, was 84.3%.

## Management Discussion and Analysis (continued)

### Financial position (continued)

#### Table of financial position

<i>HK\$million</i>	<b>30 June 2013</b>	31 December 2012
Bank loans and other borrowings	<b>21,824.6</b>	22,210.4
Long-term debts	<b>9,905.5</b>	13,236.2
Short-term debts	<b>11,919.1</b>	8,974.2
Floating-rate debts	<b>20,236.1</b>	18,578.2
Cash (including pledged deposits and restricted cash)	<b>8,209.0</b>	7,305.8
Net gearing ratio (debts only included bank and other loans)	<b>57.3%</b>	84.9%
Net gearing ratio (debts included all interest-bearing debts)	<b>84.3%</b>	86.4%

#### Pledge of assets and contingent liabilities position

As at 30 June 2013, the Group had total loans of HK\$3,139.1 million that were pledged with assets. (For details, please refer to note 18).

As at 30 June 2013, the Group has provided guarantees of not more than HK\$2,952.1 million to banks for the housing loans extended by the banks to the purchasers of the Group's properties. (For details, please refer to note 25).

## Management Discussion and Analysis (continued)

### Capital structure

As at 30 June 2013, Shum Yip Holdings Company Limited, the parent company of the Group, is interested in approximately 59.6% of the Group.

During the period, a total of 3,911,600 share options were exercised at the exercise price of HK\$2.39. During the period, the Group did not repurchase any of its shares.

During the period, the Group issued 1,410,117,262 new shares to Shum Yip Holdings Company Limited, the major shareholder of the Group, for the settlement of the consideration in the acquisition of Kezhigu project.

As at 30 June 2013, the issued share capital of the Group was 5,143,044,270 shares (31 December 2012: 3,729,015,408 shares).

### Staff headcount and remuneration

As at 30 June 2013, the Group had a total staff number of approximately 19,000, of which 33 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 award 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 2013, 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 (“Shares”):

Name of director	Capacity	Number of Shares	Underlying shares pursuant to share options	Aggregate interests	Percentage of issued share capital
LU Hua	Beneficial owner	1,038,829	5,574,000	6,612,829	0.13
GAO Shengyuan	Beneficial owner	–	1,120,000	1,120,000	0.02
MOU Yong	Beneficial owner	–	4,016,000	4,016,000	0.08
LIU Chong	Beneficial owner	–	4,016,000	4,016,000	0.08
WU Jiesi	Beneficial owner	3,534,767	–	3,534,767	0.07
LI Wai Keung	Beneficial owner	1,087,145	–	1,087,145	0.02

Note: The percentage was calculated based on 5,143,044,270 Shares in issue as at 30 June 2013.



## Share Options

Details of the Old Scheme and the New Scheme are set out in note 20 to the financial statements.

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

	At 1 January 2013	Granted during the period	Number of share options			Other changes during the period	At 30 June 2013	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					
<b>Directors</b>										
LU Hua	4,016,000	-	-	-	-	-	4,016,000	19/7/2010	19/7/2012-18/7/2015*	2.39
	-	1,558,000	-	-	-	-	1,558,000	10/4/2013	19/7/2014-18/7/2015	3.16
GAO Shengyuan (appointed on 13/6/2013)	-	-	-	-	-	1,120,000 (Note 1)	1,120,000	10/4/2013	19/7/2014-18/7/2015	3.16
WANG Minyuan (resigned on 13/6/2013)	-	1,332,000	-	-	-	(1,332,000) (Note 2)	-	10/4/2013	19/7/2014-18/7/2015	3.16
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
	12,048,000	2,890,000	-	-	-	(212,000)	14,726,000			
<b>Other employees</b>										
In aggregate	75,514,000	-	3,911,600	11,178,000	8,518,661	-	51,905,739	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
	-	8,162,000	-	-	-	212,000 (Notes 1 & 2)	8,374,000	10/4/2013	19/7/2014-18/7/2015	3.16
	79,530,000	8,162,000	3,911,600	15,194,000	8,518,661	212,000	60,279,739			
	91,578,000	11,052,000	3,911,600	15,194,000	8,518,661	-	75,005,739			

## Share Options (continued)

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

<b>Maximum percentage of Share Option exercisable</b>	<b>Period for exercise of the relevant percentage of the Share Option</b>
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:–

<b>Maximum percentage of Share Option exercisable</b>	<b>Period for exercise of the relevant percentage of the Share Option</b>
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. GAO Shengyuan was appointed as a director of the Company on 13 June 2013. During the period, 1,120,000 options granted to him on 10 April 2013 while he was an employee of the Company and still held after the appointment of director were re-classified as options held by directors.
2. Mr. WANG Minyuan resigned as a director of the Company on 13 June 2013 and remains as an employee of the Company. During the period, 1,332,000 options granted to him on 10 April 2013 and still held after the resignation of director were re-classified as options held by employees.
3. During the period, 11,052,000 options were granted under the New Scheme and 3,911,600 options were exercised under the Old Scheme.
4. During the period, 8,518,661 options were cancelled and 15,194,000 options were lapsed under the Old Scheme.

Save 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

Save 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 2013, the interests and short positions of the substantial shareholders (other than a director or chief executive of the Company) in 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:–

Interests in shares of the Company:

Name	Capacity	Number of Shares		Percentage of shares of the Company in issue (Note 2)
		Long Position	Short Position	
深業集團有限公司 <sup>(Note 1)</sup>	Interests in controlled corporation	3,065,328,496	–	59.60
Shum Yip Holdings Company Limited <sup>(Note 1)</sup>	Beneficial owner	3,065,328,496	–	59.60

Note:

1. 深業集團有限公司 is deemed interested in 3,065,328,496 Shares by virtue of the fact that Shum Yip Holdings Company Limited is a wholly-owned subsidiary of 深業集團有限公司.
2. The percentage was calculated based on 5,143,044,270 Shares in issue as at 30 June 2013.

Save as disclosed above, no other person (other than a Director) had an interest or a short position in Shares and underlying shares as recorded in the register required to be kept under Section 336 of the SFO.

## Interim Dividend

At a meeting of the Board of the Company held on 27 August 2013, the Board resolved to declare an interim dividend of HK7.00 cents per share for the six months ended 30 June 2013 (corresponding period in 2012: HK7.00 cents per share) payable on or about Tuesday, 12 November 2013 to shareholders whose names appear on the Register of Members of the Company on Thursday, 19 September 2013. 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, 18 September 2013. A circular containing details thereof, together with the election form, will be sent to shareholders on or about Thursday, 17 October 2013.

## Closure of Register of Members

The Register of Members of the Company will be closed from Wednesday, 18 September 2013, to Thursday, 19 September 2013 (both dates inclusive), during which period no transfers of shares will be registered, and will reopen on Monday, 23 September 2013. In order to qualify for the interim dividend, all duly completed transfer forms, accompanied by the relevant share certificates, must be lodged with the Company’s Share Registrar, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 17 September 2013.

## Corporate Governance

The board of directors and management are committed to maintaining a high standard of corporate governance principles and practices so as to promote corporate transparency and accountability.

Save as disclosed below, the Company has adopted the Corporate Governance Code set out in Appendix 14 of the Listing Rules (“Code”) and complied with all code provisions of the Code throughout the period. In respect of code provision A.2.1, Mr. LU Hua performed both duties of acting-chairman and president up to 31 January 2013 due to the resignation of the former chairman last year. Subsequently, Mr. LU Hua has been re-designated as the Chairman of the Board and Mr. GAO Shengyuan has been appointed as the President of the Company since 31 January 2013.

Following Mr. WONG Po Yan’s retirement at the Annual General Meeting (“AGM”), Mr. Wong also ceased to be the chairman of Nomination Committee and Remuneration Committee and a member of Audit Committee, the Board resolved to appoint Dr. WONG Yau Kar, David as an independent non-executive director as well as the chairman of Nomination Committee and Remuneration Committee and a member of Audit Committee after the conclusion of the AGM to replace Mr. WONG’s vacancy.

## Audit Committee

As at the date of this report, the Audit Committee comprises three independent non-executive directors namely Mr. LI Wai Keung, Mr. WU Wai Chung, Michael and Dr. WONG Yau Kar, David. 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 2013 and this Report.

## Compliance with Model Code

The Company has adopted the Model Code set out in Appendix 10 of 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 throughout the period.

## Update on Directors' Information

Mr. WONG Po Yan retired as an independent non-executive director of Mingfa Group (International) Company Limited on 19 March 2013 and Fintronics Holdings Company Limited on 25 March 2013 respectively.

Dr. WU Jiesi was appointed as an independent non-executive director of Industrial and Commercial Bank of China (Asia) Limited on 8 March 2013 and China Citic Bank International Limited on 5 August 2013 respectively and an independent director of China Merchants Securities Co., Ltd. (SH:600999) on 8 August 2013. Dr. WU resigned as a non-executive director and vice chairman of China Aoyuan Property Group Limited on 20 May 2013 and a non-executive director of China Water Affairs Group Limited on 28 June 2013.

## 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. As at 30 June 2013, the 1st Facility had been fully repaid.

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.

By an agreement (“5th Facility Agreement”) 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”) was provided 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.

By an agreement (“6th Facility Agreement”, together with the 1st Facility Agreement, 2nd Facility Agreement, 3rd Facility Agreement, 4th Facility Agreement and the 5th Facility Agreement, collectively known as the “Facility Agreements”) dated 25 June 2013 entered into between the Company as borrower and a bank, a HK\$300,000,000 (or its equivalent in US dollars) transferable term loan facility (“6th Facility”) was provided to the Company. The 6th Facility shall be repaid by the Company in one lump sum on the date falling 36 months from the first drawdown date.

Under the Facility Agreements, it will be an event of default if 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 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**  
*Chairman*

Hong Kong, 27 August 2013.



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