深圳控股有限公司
SHENZHEN INVESTMENT LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00604)

2014 INTERIM RESULTS ANNOUNCEMENT

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 2014 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.

FINANCIAL HIGHLIGHTS

- In the first half of 2014, achieved a turnover of HK$4,257.6 million, representing a decrease of 13.1% over the same period of last year; profit attributable to the owner of the Company amounted to HK$955.3 million, representing a decrease of 45.4% over the same period of last year;
- As at 30 June 2014, the unrecognised presale proceeds in properties was approximately HK$6,817 million;
- As at the end of August 2014, successfully acquired the entire interest in Shenzhen Nongke Group Limited from its parent company, and optimized its land reserves structure further and improved the quality of assets; and
- As at 30 June 2014, cash on hand (including pledged deposits and restricted cash) of HK$8,745.9 million; net gearing ratio (including bank loans and other borrowings only) at 71.6%; and an average finance cost of 5.5% per annum.
- The Board has declared 2014 interim dividend of HK3.00 cents per share to be paid by cash.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014

	Notes	For the six months ended 30 June 2014 (Unaudited) HK$'000	2013 (Unaudited) HK$'000 (Restated)
CONTINUING OPERATIONS			
REVENUE	4	**4,257,627**	4,897,863
Cost of sales		**(3,225,826)**	(2,955,764)
Gross profit		**1,031,801**	1,942,099
Other income and gains	4	**594,938**	883,382
Increase in fair value of investment properties		**720,395**	542,044
Fair value losses on equity investments at fair value through profit or loss, net		**(2,523)**	(1,365)
Selling and distribution costs		**(130,332)**	(118,737)
Administrative expenses		**(306,025)**	(302,699)
Other expenses		**(105,173)**	(22,561)
Finance costs	5	**(373,784)**	(337,511)
Share of profits and losses of:			
Joint ventures		**28,307**	190,595
Associates		**201,350**	156,463
Profit before tax from continuing operations	6	**1,658,954**	2,931,710
Income tax expense	7	**(618,951)**	(972,735)
Profit for the period from continuing operations		**1,040,003**	1,958,975

	Notes	For the six months ended 30 June **2014** **(Unaudited)** ***HK$'000***	2013 (Unaudited) *HK$'000* (Restated)
DISCONTINUED OPERATION			
Profit for the period from a discontinued operation	*8*	**1,947**	16,395
PROFIT FOR THE PERIOD		**1,041,950**	1,975,370
ATTRIBUTABLE TO:			
Owners of the parent		**955,338**	1,750,235
Non-controlling interests		**86,612**	225,135
		1,041,950	1,975,370
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic			
– For profit for the period		**HK17.75 cents**	HK44.14 cents
– For profit from continuing operations		**HK17.71 cents**	HK43.92 cents
Diluted			
– For profit for the period		**HK17.74 cents**	HK43.93 cents
– For profit from continuing operations		**HK17.70 cents**	HK43.70 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2014

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**1,041,950**	1,975,370
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Change in fair value	**230**	(5,057)
Income tax effect	**(57)**	1,264
	173	(3,793)
Exchange differences on translation of foreign operations	**(503,375)**	366,854
Exchange fluctuation reserve released upon disposal of a subsidiary and deemed disposal of equity interest in an associate	**(131,230)**	–
Share of other comprehensive income of associates	**(3,359)**	45,534
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**(637,791)**	408,595
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Gain on revaluation of property, plant and equipment	**101,211**	–
Income tax effect	**(25,303)**	–
	75,908	–
Share of other comprehensive income of associates	**1,760**	–
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**77,668**	–
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**(560,123)**	408,595
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**481,827**	2,383,965
Attributable to:		
Owners of the parent	**434,820**	2,125,347
Non-controlling interests	**47,007**	258,618
	481,827	2,383,965

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2014

	Notes	**30 June 2014 (Unaudited) *HK$'000***	31 December 2013 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**2,728,923**	2,697,625
Prepaid land lease payments		**43,707**	45,463
Goodwill		**322,766**	322,856
Investment properties		**15,853,015**	15,299,549
Investments in associates		**5,912,346**	5,929,954
Investments in joint ventures		**1,490,405**	343,719
Available-for-sale investments		**39,313**	39,790
Other long term assets		**1,404,921**	1,584,056
Deferred tax assets		**900,168**	892,725
Pledged deposits		**–**	17,277
Total non-current assets		**28,695,564**	27,173,014
CURRENT ASSETS			
Inventories		**144,955**	125,974
Completed properties held for sale		**8,289,704**	8,434,699
Properties under development		**28,696,660**	28,356,871
Trade receivables	*11*	**336,577**	416,122
Prepayments, deposits and other receivables		**4,154,818**	4,117,358
Equity investments at fair value through profit or loss		**8,488**	11,011
Pledged deposits		**360,499**	13,594
Restricted cash		**1,910,644**	913,383
Cash and cash equivalents		**6,474,753**	6,534,049
		50,377,098	48,923,061
Assets of a disposal group classified as held for sale		**–**	795,450
Total current assets		**50,377,098**	49,718,511
CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings		**12,044,154**	12,121,869
Trade payables	*13*	**1,002,977**	1,028,975
Other payables and accruals		**11,090,550**	10,134,523
Due to the immediate holding company		**32,322**	31,446
Due to the ultimate holding company		**2,891,868**	3,898,268
Tax payable		**2,848,597**	3,177,118
		29,910,468	30,392,199

	30 June 2014 (Unaudited) *HK$'000*	31 December 2013 (Audited) *HK$'000*
Liabilities directly associated with the assets classified as held for sale	–	424,363
Total current liabilities	**29,910,468**	30,816,562
NET CURRENT ASSETS	**20,466,630**	18,901,949
TOTAL ASSETS LESS CURRENT LIABILITIES	**49,162,194**	46,074,963
NON-CURRENT LIABILITIES		
Interest-bearing bank loans and other borrowings	**14,721,713**	12,167,504
Due to the ultimate holding company	**1,823,832**	1,221,024
Deferred tax liabilities	**5,297,709**	5,107,089
Total non-current liabilities	**21,843,254**	18,495,617
Net assets	**27,318,940**	27,579,346
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**11,239,800**	269,053
Reserves	**13,932,591**	24,423,031
Proposed final dividend	–	645,727
	25,172,391	25,337,811
Non-controlling interests	**2,146,549**	2,241,535
Total equity	**27,318,940**	27,579,346

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014

1. CORPORATE INFORMATION

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 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 2014 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 2013.

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 2013, except for the adoption of the revised standards, interpretation and amendments as of 1 January 2014 noted below:

HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*

The adoption of the above revised 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 five 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 manufacturing segment engages in the manufacture and sale of industrial and commercial products; and

(e) the "others" segment comprises, principally, the hotel operation, manufacture and sale of aluminum alloy products and other businesses.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax from continuing operations. The adjusted profit before tax from continuing operations 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 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.

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 2014	Property development (Unaudited) *HK$'000*	Property investment (Unaudited) *HK$'000*	Property management (Unaudited) *HK$'000*	Manufacturing (Unaudited) *HK$'000*	Others (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Segment revenue:						
Sales to customers	2,949,477	303,583	576,396	179,455	248,716	4,257,627
Intersegment sales	–	5,473	2,079	–	18,898	26,450
	2,949,477	309,056	578,475	179,455	267,614	4,284,077
Reconciliation						
Elimination of intersegment sales						(26,450)
Revenue						4,257,627
Segment results before increase in fair value of investment properties	595,851	291,979	19,726	1,103	(58,476)	850,183
Increase in fair value of investment properties	–	720,395	–	–	–	720,395
Segment results after increase in fair value of investment properties	595,851	1,012,374	19,726	1,103	(58,476)	1,570,578
Reconciliation						
Elimination of intersegment results						(4,270)
Finance income						245,775
Dividend income and unallocated gains						28,666
Gain on disposal of a subsidiary *(note 14)*						297,424
Loss on deemed disposal of equity interest in an associate						(59,225)
Fair value losses on financial instruments at fair value through profit or loss, net						(2,523)
Corporate and other unallocated expenses						(43,687)
Finance costs						(373,784)
Profit before tax from continuing operations						1,658,954
As at 30 June 2014						
Segment assets	45,449,623	19,160,778	154,363	185,397	4,018,382	68,968,543
Reconciliation						
Corporate and other unallocated assets						10,104,119
Total assets						79,072,662
Segment liabilities	12,438,737	2,407,072	418,045	50,665	1,091,080	16,405,599
Reconciliation						
Corporate and other unallocated liabilities						35,348,123
Total liabilities						51,753,722

For the six months ended 30 June 2013 (Restated)	Property development (Unaudited) *HK$'000*	Property investment (Unaudited) *HK$'000*	Property management (Unaudited) *HK$'000*	Manufacturing (Unaudited) *HK$'000*	Others (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Segment revenue:						
Sales to customers	3,638,335	275,368	546,821	168,016	269,323	4,897,863
Intersegment sales	–	6,538	2,862	–	31,011	40,411
	3,638,335	281,906	549,683	168,016	300,334	4,938,274
Reconciliation						
Elimination of intersegment sales						(40,411)
Revenue						4,897,863
Segment results before increase in fair value of investment properties	1,533,226	284,059	16,698	603	132,603	1,967,189
Increase in fair value of investment properties	–	542,044	–	–	–	542,044
Segment results after increase in fair value of investment properties	1,533,226	826,103	16,698	603	132,603	2,509,233
Reconciliation						
Elimination of intersegment results						(3,699)
Finance income						163,003
Dividend income and unallocated gains						8,132
Gain on a bargain purchase						637,945
Fair value losses on financial instruments at fair value through profit or loss, net						(1,365)
Corporate and other unallocated expenses						(44,028)
Finance costs						(337,511)
Profit before tax from continuing operations						2,931,710
As at 31 December 2013 (Audited)						
Segment assets	44,357,392	18,921,005	142,511	170,647	4,077,519	67,669,074
Reconciliation						
Corporate and other unallocated assets						8,427,001
Assets related to a discontinued operation						795,450
Total assets						76,891,525
Segment liabilities	12,094,403	2,477,705	325,609	46,535	1,111,154	16,055,406
Reconciliation						
Corporate and other unallocated liabilities						32,832,410
Liabilities related to a discontinued operation						424,363
Total liabilities						49,312,179

As the Group generates substantially all of its revenues from customers domiciled in the Mainland China, 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	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Revenue		
Sale of properties	**2,949,477**	3,638,335
Gross management fee income	**576,396**	546,821
Gross rental income from investment properties	**303,583**	275,368
Sale of commercial and industrial goods	**179,455**	168,016
Others	**248,716**	269,323
	4,257,627	4,897,863
Other income and gains		
Finance income	**245,775**	163,003
Gain on a bargain purchase	**–**	637,945
Gain on disposal of a subsidiary *(note 14)*	**297,424**	–
Others	**51,739**	82,434
	594,938	883,382

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Interest on:		
Bank loans	**654,512**	574,668
Other borrowings	**46,306**	65,389
Loans from the ultimate holding company	**182,451**	46,440
Loans from fellow subsidiaries	**9,132**	6,536
Loans from non-controlling shareholders	**4,324**	4,362
Total interest expense on financial liabilities not at fair value through profit or loss	**896,725**	697,395
Less: Interest capitalised	**(522,941)**	(359,884)
	373,784	337,511

6. PROFIT BEFORE TAX

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

		For the six months ended 30 June	
		2014	2013
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
			(Restated)
Cost of properties and inventories sold		**2,379,816**	2,146,188
Cost of services provided		**846,010**	809,576
Depreciation		**69,573**	64,125
Amortisation of prepaid land lease payments		**795**	703
Gains on disposal of items of property, plant and equipment, net		**(9,289)**	(3)
Gain on disposal of a subsidiary	14	**(297,424)**	–
Loss on deemed disposal of equity interest in an associate*		**59,225**	–
Gain on a bargain purchase		**–**	(637,945)

* The loss on deemed disposal of equity interest in an associate is included in "Other expenses" in the interim condensed consolidated statement of profit or loss.

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 2013: 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 sale of properties less deductible expenditures including land cost, borrowing costs and all property development expenditures.

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Current:		
Mainland China corporate income tax	**268,396**	416,177
Withholding tax on dividend	**21,585**	–
LAT in Mainland China	**156,731**	464,370
Deferred:		
Mainland China corporate income tax	**184,694**	137,412
Withholding tax on dividend	**(144)**	47,047
LAT in Mainland China	**(12,311)**	(92,271)
Total tax charge for the period	**618,951**	972,735

The share of taxes attributable to associates and joint ventures amounting to HK$192,991,000 (six months ended 30 June 2013: HK$207,973,000) and HK$10,694,000 (six months ended 30 June 2013: HK$63,477,000), respectively, is included in "Share of profits and losses of associates" and "Share of profits and losses of joint ventures" on the face of the interim condensed consolidated statement of profit or loss.

8. DISCONTINUED OPERATION

On 31 December 2013, the Group entered into an agreement with Shum Yip Holdings, the immediate holding company, to dispose of its 80% equity interest in Shum Yip Shumkang (Group) Co., Ltd. ("Shum Yip Shumkang") for a cash consideration of RMB340,208,000 (equivalent to HK$435,058,000). The transaction was completed on 7 March 2014.

The directors of the Company are of the view that as the transportation services operated by Shum Yip Shumkang are not the core business activities of the Group, and the disposal of such operation will strengthen the Group's ability to focus on its real estate business and improve its management and operation efficiency.

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

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue	**46,701**	140,469
Cost of sales	**(31,006)**	(85,981)
Increase in fair value of investment properties	**–**	6
Other income and gains	**630**	4,644
Share of profits and losses of associates	**2,372**	2,383
Administrative expenses	**(14,839)**	(36,278)
Other expenses	**(224)**	(1,214)
Finance costs	**(1,152)**	(3,708)
Profit before tax from the discontinued operation	**2,482**	20,321
Income tax expense	**(535)**	(3,926)
Profit for the year from the discontinued operation	**1,947**	16,395
Attributable to:		
Owners of the parent	**2,092**	8,882
Non-controlling interests	**(145)**	7,513
	1,947	16,395

The net cash flows incurred by the discontinued operation are as follows:

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Operating activities	**(3,153)**	10,088
Investing activities	**(5,237)**	(41,868)
Financing activities	**(39,514)**	63,977
Net cash (outflow)/inflow	**(47,904)**	32,197
Earnings per share:		
Basic, from the discontinued operation	**HK0.04 cents**	HK0.22 cents
Diluted, from the discontinued operation	**HK0.04 cents**	HK0.22 cents

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

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
Profit attributable to ordinary equity holders of the parent from the discontinued operation	**HK$2,092,000**	HK$8,882,000
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation *(note 9)*	**5,381,151,566**	3,964,873,212
Weighted average number of ordinary shares used in the diluted earnings per share calculation *(note 9)*	**5,385,969,812**	3,984,396,175

9. 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 period attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculations		
From continuing operations	**953,246**	1,741,353
From a discontinued operation	**2,092**	8,882
	955,338	1,750,235

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**5,381,151,566**	3,964,873,212
Effect of dilution – weighted average number of ordinary shares:		
Share options	**4,818,246**	19,522,963
	5,385,969,812	3,984,396,175

10. DIVIDEND

On 27 August 2014, the board of directors declared an interim dividend of HK3.00 cents per share for the six months ended 30 June 2014 (six months ended 30 June 2013: HK7.00 cents per share).

11. TRADE RECEIVABLES

	30 June 2014 (Unaudited) *HK$'000*	31 December 2013 (Audited) *HK$'000*
Trade receivables	**366,097**	446,222
Impairment	**(29,520)**	(30,100)
	336,577	416,122

Under normal circumstances, the Group does not grant any credit terms to its customers. The Group seeks to maintain strict control over its outstanding receivables and to minimise credit risk. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	30 June 2014 (Unaudited) *HK$'000*	31 December 2013 (Audited) *HK$'000*
Within one year	**308,785**	407,207
One to two years	**27,792**	8,915
	336,577	416,122

12. PLEDGE OF ASSETS

As the end of reporting period, bank loans and other borrowings amounting to HK$3,978,714,000 (31 December 2013: HK$3,764,158,000) were secured by:

(i) certain of the Group's land and buildings in Mainland China with a net book value of approximately HK$863,951,000 (31 December 2013: HK$879,033,000);

(ii) certain of the Group's properties under development with a net book value of approximately HK$1,465,267,000 (31 December 2013: HK$1,826,242,000);

(iii) certain of the Group's investment properties with a net book value of approximately HK$4,351,220,000 (31 December 2013: HK$4,157,621,000);

(iv) certain of the Group's bank deposits with a net book value of HK$360,499,000 (31 December 2013: HK$30,871,000); and

(v) certain of the Group's completed properties held for sale with a net book value of HK$395,091,000 (31 December 2013: Nil).

13. TRADE PAYABLES

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

	30 June 2014 (Unaudited) ***HK$'000***	31 December 2013 (Audited) *HK$'000*
Within one year	**703,072**	948,763
One to two years	**252,564**	39,465
Two to three years	**7,609**	1,337
Over three years	**39,732**	39,410
	1,002,977	1,028,975

The trade payables are non-interest-bearing.

14. DISPOSAL OF A SUBSIDIARY

On 7 March 2014, the Group completed the disposal of its 80% equity interest in Shum Yip Shumkang to Shum Yip Holdings. The consideration of RMB340,208,000 (equivalent to HK$435,058,000) was settled on the disposal date. The net assets disposed of as at the date of disposal were as follows:

	Note	**7 March 2014 (Unaudited)** ***HK$'000***
Net Assets disposed of:		
Property, plant and equipment		**232,656**
Investment properties		**178,674**
Prepaid land lease payments		**4,044**
Intangible assets		**116,081**
Investments in associates		**57,004**
Available-for-sale investments		**7,463**
Other long term assets		**35,759**
Deferred tax assets		**3,016**
Trade receivables		**5,067**
Prepayments, deposits and other receivables		**50,167**
Inventories		**2,647**
Cash and cash equivalents		**63,425**
Interest-bearing bank loans and other borrowings		**(85,387)**
Trade payables		**(954)**
Other payables and accruals		**(291,772)**
Tax payable		**(1,392)**
Deferred tax liabilities		**(22,528)**
Non-controlling interests		**(124,519)**
		229,451
Gain on disposal of a subsidiary:		
Cash consideration		**435,058**
Net assets disposed of		**(229,451)**
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from other comprehensive income to profit or loss upon disposal		**91,817**
	4	**297,424**

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	7 March 2014 (Unaudited) *HK$'000*
Cash consideration	**435,058**
Cash and cash equivalents disposed of	**(63,425)**
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	**371,633**

15. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

		Notes	**For the six months ended 30 June 2014 (Unaudited)** *HK$'000*	2013 (Unaudited) *HK$'000*
(1)	Shum Yip Group, the ultimate holding company:			
	– Interest expense	*(i)*	**182,451**	46,440
(2)	Shum Yip Holdings, the immediate holding company:			
	– Rental expenses	*(ii)*	**5,544**	919
(3)	Associates:			
	– Sales of products	*(iii)*	**70,835**	48,648
(4)	Fellow subsidiaries:			
	– Sales of properties		**–**	341,484
	– Interest expense	*(i)*	**9,132**	6,536
	– Estate agency fee income	*(iv)*	**4,131**	18,804
(5)	Joint ventures:			
	– Interest income	*(v)*	**211,777**	116,791
(6)	Non-controlling shareholders			
	– Interest expense	*(i)*	**4,324**	4,362

Notes:

(i) Interest expenses were calculated for the amounts which the Group had borrowed from Shum Yip Group, certain fellow subsidiaries and certain non-controlling shareholders. The interest rates charged for the balances ranged from one-year benchmark lending rates of the People's Bank of China (the "PBOC") to 9.9% per annum.

(ii) The rentals were recognised at prices based on mutual agreement between the parties.

(iii) The sales to the associates were made according to the published prices and conditions offered to the major customers of the Group.

(iv) The estate agency fee income from a fellow subsidiary was charged at prices based on mutual agreement between the parties.

(v) The interest income was calculated for the amounts which the Group had lent to joint ventures, and the interest rate charged for the balance ranged from one-year benchmark lending rate of the PBOC to 12% per annum.

(vi) In the opinion of the directors, the above related party transactions were conducted on normal commercial terms and in the ordinary course of the Group's business.

(b) Other transaction with related parties

(i) At 30 June 2014, the Group's bank loans amounting to HK$3,815,700,000 (31 December 2013: 3,179,750,000) were guaranteed by Shum Yip Group.

(ii) On 7 March 2014, the Group disposed of its 80% equity interest in Shum Yip Shumkang to Shum Yip Holdings for a cash consideration of RMB340,208,000 (equivalent to HK$435,058,000). Further details of the transaction are included in note 14 to the interim condensed consolidated financial statements.

16. CAPITAL COMMITMENTS

	30 June 2014 (Unaudited) *HK$'000*	31 December 2013 (Audited) *HK$'000*
Commitments in respect of the acquisition of land and buildings, and development costs attributable to properties under development:		
Contracted, but not provided for	**6,951,052**	6,566,422
Authorised, but not contracted for	**38,829**	39,534
	6,989,881	6,605,956

17. CONTINGENT LIABILITIES

At 30 June 2014, the Group has given guarantees to a maximum extent of approximately HK$2,173,740,000 (31 December 2013: HK$3,193,044,000) 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 when 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.

18. EVENT AFTER THE REPORTING PERIOD

Pursuant to an acquisition agreement and a supplemental agreement entered into by the Company, Shum Yip Holdings, Shum Yip Group and Shenzhen Nongke Group Limited ("Nongke Group") (深圳市農科集團有限公司) on 27 January 2014 and 8 May 2014, respectively, the Company has conditionally agreed to acquire the entire issued share capital of Shenzhen Bio-Agriculture Company Limited ("Shenzhen Bio-Agriculture"), the intermediate holding company of Nongke, from Shum Yip Holdings. Further details of the acquisition are set out in the circular of the Company dated 12 May 2014.

The acquisition of Shenzhen Bio-Agriculture was completed on 22 August 2014, which is shortly before the date of approval of the interim condensed consolidated financial statements. It is not practicable to disclose further details of the financial effect of the acquisition in the interim condensed consolidated financial statements.

CHAIRMAN'S STATEMENT

Business Review

In the first half of 2014, under the effect of a slowdown in economic growth and rather a tight liquidity, China's real estate market stepped into an adjustment period, the real estate transactions had dropped markedly, and house prices were fallen in some of cities. Facing the challenging environment, the Group adhered to the established strategy, put a great effort on sales, implemented its strategic arrangement, and maintained a healthy financial position.

Interim results and payment of dividends

During the period, the Group achieved a turnover of HK$4,257.6 million, representing a decrease of 13.1% over the same period of last year. Profit for the period attributable to the shareholders was HK$955.3 million, representing a decrease of 45.4% over the same period of last year. Basic earnings per share was HK17.75 cents, representing a decrease of 59.8% over the same period of last year. The Board resolved to declare an interim dividend of HK3.00 cents per share for 2014 by cash.

Continue to obtain quality land resources, further implementing the strategy of intensifying the development in Shenzhen

In the period, the Group acquired from its parent company a 100% stake in Nongke Group at a price of RMB5.589 billion. Nongke Group owns valuable lands and property assets in Honey Lake area of Futian District of Shenzhen. Nongke Group's core assets, Shumyip Zhongcheng project (also known as Mingren project) is located in the central of Honey Lake, with a gross floor area of 259,300 square meters. It is a planned complex project comprising of residential houses, apartments, offices, commercials and a hotel, which is extremely high quality assets.

Through this asset injection, the Group further optimized the structure of its land bank, improved the quality of assets, and laid a firm foundation for sustainable growth in future.

Disposal of inefficient assets, enhancing strategic cooperation, and improving operational efficiency

During the period, the Group strengthened its implementation effort in disposing its projects in the third and fourth-tier cities, enhanced the strategic cooperation with enterprises such as Shenzhen Metro, continued to improve the cost management and capacity building, strived to accelerate its assets turnover, and to improve its operational efficiency further.

Business Outlook

Industry prospect

In the first half of 2014, China's real estate market stepped into an adjustment period, the housing prices in some of the third and fourth-tier cities began to decrease, while the housing prices in the first-tier cities remained stable, but the market was amidst a strong "wait-and-see" sentiment and there was an obvious shrinkage in transaction volume. In the second half of the year, the overall situation of the real estate market is not optimistic. The market faces destocking pressure in short term and industrial adjustment will be continued. However, we also note that the control in some cities is showing the signs of loosening, with the launch of micro stimulus policy, it will improve the mobility in the second half of the year, all these factors may create certain opportunities to the market. The Group will be fully prepared to cope with the market changes in a timely manner by adopting flexible strategies to develop progressively and steadily.

Accelerating strategic transformation and upgrade

We believe that Shenzhen, being one of the first-tier cities in China, has a big population base, a low average age and a high level of income. In long term, there is sufficient rigid demand and upgrading demand in Shenzhen, so it is a strong resistent force against risk arising from the industrial adjustment. The land resources in the first-tier cities are scarce, and the holding value of the quality properties in the core area will be prominent in future. The Group will determine to accelerate its strategic transformation, continual implementation of its strategy of intensifying the development in Shenzhen, continual promotion of the transformation model from "development – sales" to "development – sales – holding" through building up various professional platforms and improving the mix of investment properties to achieve a stable and prudent operation.

During the market adjustment period, the Group emphasizes on cash flow management, on the one hand, to improve the selling rate of housing, speed up the sale proceeds collection; on the other hand, to revitalize the stocked assets and speed up the capital returns to ensure fund safety and a steady financial growth.

Property development and sales

Affecting by the factors such as the real estate market adjustment, our project delivery are mainly scheduled in the second half of the year, and the sales launch of some industrial properties having been delayed due to policy issues, the booked revenue on property sales of the Group during the period was lower than the same period of last year. As for the revenue booked in the first half of the year, Shenzhen projects with high gross profit margin contributed less, and the Group also took initiative to organize promotional activities for the projects in the third and forth-tier cities, both of which lead to a decrease in gross profit margin. However, the Group believes that most of the projects, of which with high gross profit margin particularly, will be launched for sale and delivered in the second half of the year, hence the Group's turnover and gross profit margin for the year will improve significantly as compared with the first half of the year.

During the period, the Group actively adjusted its sales strategy, and endeavored to deal with the weak market, it recorded a contracted sales of RMB3.17 billion in the first half of the year, achieved around 30% of the annual target. The value of the Group's saleable properties in 2014 is approximately RMB25 billion whereas the annual sales target is approximately RMB10.5 billion. In the second half of the year, the Group will boost its sales by various ways such as focus on launching for new properties, flexible pricing and mass marketing, the main projects include UpperHills, Jiangyue Bay, Qingshuihe Auto Park, Terra Building and Rui Cheng.

The Group will grasp the pace of development to ensure the projects such as UpperHills North Apartment and Jiangyue Bay will be completed and delivered, and speed up the construction progress of Tanglang project and Guanlan project, that to ensure sufficient properties available for sale in future.

Opitimizing land reserves

Having given full consideration to the existing development schedules and ensure the fund safety condition, the Group will maintain sustainable development by focusing on land acquisition in Shenzhen, and control the cost on land acquisition continuously. On the other hand, the Group will continuously optimize the structure of its land reserves and the operational efficiency of assets by accelerating the implementation of the disposal of certain projects in the third and fourth-tier cities.

Strengthen strategic cooperation, enhance operation ability

Integration and cooperation has become the trend of real estate industry, the Group will expand land reserve effectively by strengthening the strategic cooperation with the enterprise which has quality land resources in Shenzhen, such as Shenzhen Metro with much open attitude, and in terms of the operation of holding properties, it will consider the cooperation with well-known international real estate groups and investment institutions to strive for mutually beneficial and win-win cooperation.

Financial strategy

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

Corporate prospect

Looking forward, the Group is very confident with the development of the Group. The Group will continue to carry out the strategic transformation, adhere to its strategy of intensifying development in Shenzhen, continuously to optimize the structure of its land reserves, focus on both holding and development, improve cost control and operation standard, accelerate the assets 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$4,257.6 million, representing a decrease of 13.1% over the same period of last year. Gross profit margin was 24.2%, representing a decrease of 15.5 percentage points. Profit attributable to shareholders was HK$955.3 million, representing a decrease of 45.4% over the same period of last year. If excluding the net effect of the changes in fair value of investment properties attributable to the Group and the gain on an one-off bargain purchase in last year, profit attributable to shareholders was approximately HK$447.4 million, representing of a decrease of 41.2% over the same period of last year. Basic earning per share were HK17.75 cents, representing a decrease of 59.8% over the same period of last year.

Property sales and development

Affecting by the factors such as the real estate market adjustment, our project delivery are mainly scheduled in the second half of the year, and the sales launch of industrial properties such as Terra Building having been delayed due to policy issues, during the period, the Group recorded 329,000 square meters in property sales (excluding the interests attributable to the Group in its three principal associates), representing an increase of 28.5% over the same period of last year, and achieved a net revenue in property development of RMB2,344.9 million (equivalent to HK$2,949.5 million) (net of business tax), representing a decrease of 18.9% over the same period of last year.

The prohibition of sales of industrial property to individuals and the requirement for the payment to the Government of a proportion of the disposal gain from industrial property sales pursuant to the Management Measures for Industrial Building Transfer in Shenzhen (the "Measures") implemented during the period had negative impact on the sales arrangements of the industrial buildings of the Group located in Shenzhen (for example, Terra Building and Qingshuihe Auto Park). The Measures have been revised in 14 August 2014; the previous negative impact of the Measures' on sales of the Group's industrial buildings is therefore generally eliminated after the revision, and the Group intends to launch for sale for the unsold premises in the industrial buildings such as Terra Building soon.

During the period, the gross profit margin in properties sales was 24.0%, representing a decrease of 19.7 percentage points over the same period of last year. The decrease of the gross profit margin was mainly due to high proportion of projects of the Group with low gross profit margin was booked in the first half of the year while most of the projects with high gross profit margin will be delivered in the second half of the year. As for the revenue booked in the first of the year, the projects in the first-tier cities accounted for 22.7% only (as for the revenue in the same period of 2013, the projects in the first-tier cities accounted for 63.5% approximately). In addition, the Group took initiative to hold promotional activities for the projects in the third and forth-tier cities in the first half of the year, which also affected the level of gross profit margin.

As at the end of June 2014, the unrecognised presale proceeds in properties of Shenzhen Investment was approximately HK$6,817.0 million, the key projects include Shenzhen UpperHills and Guangzhou Jiangyue Bay, and it is expected that most of these projects will be delivered in this year. With some of the projects with high gross profit margin to be delivered in the second half of the year, it is expected that the revenue and the gross profit margin in property sales for the year will be improved significantly as compared with the first half of the year.

Table of Property Sales Booked from January to June 2014

Property Name	City	Nature of Land	Sales area *(sqm)*	Net sales *(RMB Million)*	Unit price *(RMB/ sqm)*
Wanlin lake Phase 8 & Phase 3 remaining buildings	Huizhou	Residential	29,371	249	8,470
Rui Cheng Phase1.1 & 1.2a	Changsha	Residential	77,030	341	4,423
Garden Hill Phase 1.1&1.2	Huizhou	Villa	2,048	21	10,015
Garden Hill Phase 1.3	Huizhou	Residential	9,892	45	4,548
European-view Garden	Dongguan	Residential	38,964	235	6,036
Terra Building	Shenzhen	Office buildings	5,438	186	34,204
Nanhu Rose Bay Phase 1 & 2	Wuhan	Shops	121	3	23,978
Nanhu Rose Bay Phase 3.1-3.4	Wuhan	Residential	11,099	100	9,017
Yihu Rose Garden	Chengdu	Residential/Shops	13,058	52	3,991
Purple Kylin Hill Phase 1& 3	Shenzhen	Residential	3,647	72	19,691
Royal Garden	Shenzhen	Residential	8,997	72	8,012
Noble Times Phrase 1 & 2	Shenzhen	Residential/Shops	14,306	202	14,133
Royal Spring Garden	Dongguan	Car park	73	1	7,344
Shumyip City Phase 1.2	Foshan	Shops	7,029	62	8,785
Shumyip City Phase 1.2 & 2	Foshan	Residential	13,551	94	6,945
Shumyip City	Foshan	Car park	3,686	12	3,246
Yundonghai Phase I Land 2	Foshan	Villa	6,667	70	10,429
Saina Bay Phase 1	Heyuan	Residential	16,241	134	8,301
Shumyip Huafu Phase 1.1 4-6#	Maanshan	Residential	17,228	125	7,281
Others		Residential/Shops	50,996	269	5,285
Total			**329,442**	**2,345**	**7,118**

During the period, the Group achieved 281,421 square meters in contracted sales area and contracted sales income of RMB3,168 million, representing a decrease of 26.5% over the same period of last year.

Contracted Sales from January to June 2014

Project	**City**	**Nature of Land**	**Accumulated sales area from January to June 2014** *(sqm)*	**Accumulated Sales from January to June 2014** *(RMB million)*	**Pre-sale unit price** *(RMB/sqm)*
UpperHills	Shenzhen	Apartment	7,912	568	71,725
Tianyuxiangshan Garden*	Shenzhen	Residential	4,138	160	38,575
Noble Times	Shenzhen	Residential	3,205	49	16,445
Purple Kylin Hill	Shenzhen	Residential	1,897	47	21,346
Bolong Building (Qingshuihe Project Phase 2)	Shenzhen	Warehouse/ Commercial	1,493	35	23,642
Terra Building	Shenzhen	Industrial (including science and technology parks, warehouse)	5,446	198	36,352
Jinshazhou Project	Guangzhou	Residential	43,508	730	16,772
Nanhu Rose Bay	Wuhan	Residential	13,482	123	9,156
Yihu Rose Garden	Chengdu	Residential	7,970	37	4,669
Rui Cheng	Changsha	Residential	19,336	93	4,786
European Garden	Dongguan	Residential	43,051	327	7,590
Splendid city	Jiangyan	Residential	44,879	174	3,878
Shumyip city	Shunde	Residential	23,469	176	7,501
Garden Hill	Huizhou	Residential	8,648	90	10,380
Wanlin Lake	Huizhou	Residential	30,820	190	6,175
Maanshan Shumyip Phase 1	Maanshan	Residential	13,494	85	6,322
Saina Bay	Heyuan	Residential	6,024	59	9,783
Others		Residential	2,649	27	10,223
Total			**281,421**	**3,168**	**11,257**

During the period, the Group emphasized on cash flow management, paid high attention to the sale proceeds collection and its collection rate maintained at a level of above 90 %.

During the period, the Group had a new construction area of approximately 660,000 square meters.

* Tianyuxiangshan Garden is held by Nongke Group, which was acquired by the Group on 22 August 2014 (details of the acquisition are included in note 18 to the interim financial statements).

Table of New Construction Projects From January to June 2014

Item	Project Name	Project Location	Nature of Land	GFA (sqm)	Saleable area (sqm)
1	Shumyip Huafu Phase 3.1	Maanshan	Residential	108,265	107,714
2	Saina Bay Phase 1	Heyuan	Com./Res.	99,932	83,479
3	Garden Hill Phase 3.1	Huizhou	Com./Res.	129,820	129,820
4	Gaobangshan Garden 1 Phase 1	Huizhou	Com./Res.	29,042	28,028
5	Rui Cheng Phase 2.2	Changsha	Com./Res.	73,757	73,757
6	Taizhou Shanglinyuan Phase 1.1	Taizhou	Com./Res.	93,635	91,693
7	Guanlan Rose Garden	Shenzhen	Com./Res.	124,890	107,648
	Total			**659,341**	**622,139**

Asset injection and land reserves

During the period, the Group acquires from its parent company a 100% stake in Nongke Group at a price of RMB5.589 billion.

Nongke Group is a subsidiary wholly-owned by parent, Shum Yip Holdings. It engages in property development, garden design, and manufacture and sales of agricultural products. Nongke Group owns valuable lands and property assets in Shenzhen downtown, and the property business became its largest segment. As at the announcement date, a total gross floor area attributable to Nongke Group was around 384,775 square meters (including undeveloped land, investment properties and self-occupied properties).

Mingren project, the core asset owned by Nongke Group, is located in Honey Lake area of Futian District, with a land area of 39,158 square meters and a gross floor area of 259,300 square meters. It is a planned complex project with residential and serviced apartments of 141,185 square meters, offices of 80,547 square meters, hotel of 7,200 square meters, commercial spaces of 20,000 square meters and other facilities. There is an outstanding land premium of RMB3.633 billion in this project, of which, RMB1.189 billion had been paid during the period, and the balance of approximately RMB2.444 billion should be paid before June 2015. (For details, please refer to the circular dated 12 May 2014).

The transaction is a major and connected transaction, which was approved at the extraordinary general meeting held on 29 May 2014. The transaction was completed on 22 August 2014.

As at the end of June 2014, the Group had a gross floor area of 10.44 million square meters in land reserves with an attributable gross floor area of 9.39 million square meters (excluding the interests attributable to the Group in its three principal associates).

Table of Land Reserves By City Distribution (as at 30 June 2014)

City	Total GFA *(sqm)*	Attr. GFA *(sqm)*	*Percentage*
Shenzhen	2,059,492	1,808,551	20%
Heyuan	1,468,745	1,468,745	14%
Huizhou	1,199,742	1,088,119	11%
Foshan	869,382	869,382	8%
Guangzhou	264,630	264,630	3%
Changzhou	129,466	129,466	1%
Taizhou	1,089,278	1,089,278	10%
Chaohu	102,700	102,700	1%
Maanshan	764,887	764,887	7%
Wuhan	798,942	439,426	8%
Changsha	520,738	483,187	5%
Chengdu	783,800	518,611	8%
Others	384,598	362,838	4%
Total	**10,436,400**	**9,389,820**	**100%**

Property investment

During the period, the Group's property investment business continued to maintain steady growth. The total area of our investment properties was over 900,000 square meters, with an achieved rental income of HK$303.6 million for the period, representing an increase of approximately 10.2% over the same period of last year. During the period, the Group recorded a revaluation gain in its investment property portfolio of HK$720.4 million, which had been recorded in profit for the period.

Other income and gains

During the period, the Group completed the intra-group transfer of equity interests in Shenyang Wuai and the disposal of equity interests in Shum Yip Shumkang, and achieved a profit before tax of HK$297.4 million (including other comprehensive gains benefited from the reclassification), which had been recorded in profit for the period. (For details, please refer to the announcement dated 31 December 2013).

Joint ventures

During the period, Taizhou Shum Yip Investment Development Limited (a 51% owned company of the Group) made a net profit contribution of HK$29.6 million to the Group, representing a decrease of 84.5% over the same period of last year. The principal activity of this company is to provide relevant services to local government in primary land development. The local government had no arrangement on public listing for land parcels during the first half of the year.

Associates' results

During the period, the performance of associates invested by the Group was within the expectation. Of which, Shenzhen Tianan Cyber Park (Group) Co. Ltd. made a net profit contribution of HK$114.2 million to the Group, representing a decrease of 0.6% over the same period of last year. Road King Infrastructure Limited, a listed company in Hong Kong, made a net profit contribution of HK$54.6 million to the Group, representing a decrease of 21.6% over the same period of last year. Coastal Greenland Limited, a listed company in Hong Kong, made a profit of HK$28.1 million to the Group, as compared to the loss of HK$32.8 million in the same period of last year.

On 24 January 2014, Coastal Greenland announced a plan to issue 1,395,291,428 open offer shares at a price of HK$0.25 per open offer share by way of one open share for every two existing shares held by the shareholders. The Company did not take up its entitlements under the open offer. Upon completion of the open offer on 14 March 2014, the equity interest held by the Company in Coastal Greenland decreased from 22.62% as at 31 December 2013 to 15.08%. The loss on deemed disposal of equity interest in Coastal Greenland of HK$59.2 million was charged to the profit for the period.

Financial position

As at 30 June 2014, the Group's total bank loans and other borrowings amounted to HK$26,765.9 million, of which HK$22,370.5 million were floating-rate loans, and the balance were fixed-rate loans. Long-term loans amounted to HK$14,721.7 million, representing approximately 55.0% of total borrowings, and short-term loans were HK$12,044.2 million, representing approximately 45.0% of total borrowings. The average finance cost of the Group for the period was 5.5% per annum.

On 25 August 2013, the Group entered into an agreement for a syndicated loan equivalent to US$756 million for a term of 5 years with certain banks in Hong Kong. The loan bears a preferential interest rate. By entering into the syndicated loan agreement, the Group has successfully completed the refinancing for the syndicated loan which falls due in the second half of the year soon.

As at 30 June 2014, the Group's cash balance (including pledged deposits and restricted cash) was HK$8,745.9 million, of which approximately 74.8% and 25.2% were denominated in Renminbi and other currencies (mainly in US$ and HK$) respectively. As the Group's main operating cash inflow was denominated in Renminbi, while the assets held and debts committed are mainly stated in Renminbi and US$ unit, therefore the Renminbi exchange rate fluctuations will not have significant impact to the Group in short run.

As at 30 June 2014, the Group had net assets (excluding non-controlling equity interests) of HK$25,172.4 million. The net gearing ratio with the liabilities including bank loans and other borrowings only was 71.6% and the net gearing ratio with the liabilities including shareholders' loan from the parent company and all other interest-bearing debts was 91.0%. The gross gearing ratio (the ratio of total liabilities over total assets) was 65.5%.

Table of Financial Position

HK$million	**30 June 2014**	31 December 2013
Bank loans and other borrowings	**26,765.9**	24,289.4
Long-term debts	**14,721.7**	12,167.5
Short-term debts	**12,044.2**	12,121.9
Floating-rate debts	**22,370.5**	21,297.9
Cash (including pledged deposits and restricted cash)	**8,745.9**	7,478.3
The net gearing ratio with the liabilities including bank loans and other borrowings only	**71.6%**	66.3%
The net gearing ratio with the liabilities including all the liabilities carrying interest	**91.0%**	87.3%

Pledge of assets and contingent liabilities position

As at 30 June 2014, the Group had a total loans of HK$3,978.7 million that were pledged with assets. (For details, please refer to note 12).

As at 30 June 2014, the Group provided guarantees of not exceeding HK$2,173.7 million to banks for housing loans extended by the banks to the purchasers on the Group's properties. (For details, please refer to note 17).

Share capital structure

As at 30 June 2014, Shum Yip Holdings Company Limited, the parent company of the Company, was interested in approximately 60.57% of the Company.

During the period, a total of 1,472,400 share options were exercised at the exercise price of HK$2.39. During the period, the Company did not buy-back any of its shares.

As at 30 June 2014, the number of shares in issue of the Company was 5,382,527,705 shares (31 December 2013: 5,381,055,305 shares).

On 28 January 2014, the Group granted a total of 123,134,000 share options to certain directors, officers and employees of the Group and its subsidiaries. The respective share options shall be exercisable at an exercise price of HK$2.85 per share for the period from the expiry of 2 years from the grant date and up to 5 years from the grant date on pro-rata basis and subject to the performance review.

Staff headcount and remuneration

As at 30 June 2014, the Group had a total staff number of 15,338, of which 35 were stationed in Hong Kong (mainly managerial and finance-related personnel), and the rest 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.

INTERIM DIVIDEND

At a meeting of the Board of the Company held on 27 August 2014, the Board resolved to declare an interim dividend of HK3.00 cents per share for the six months ended 30 June 2014 (2013: HK7.00 cents) payable on or about Monday, 13 October 2014 to shareholders whose names appear on the Register of Members of the Company on Tuesday, 16 September 2014.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 15 September 2014, to Tuesday, 16 September 2014 (both dates inclusive), during which period no transfers of shares will be registered, and will reopen on Wednesday, 17 September 2014. 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Friday, 12 September 2014.

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 E.1.2 that our Chairman, Mr. LU Hua did not attend the annual general meeting of the Company held on 19 June 2014 with apology due to other business commitment but our President, Mr. GAO Shengyuan chaired the meeting in his absence.

AUDIT COMMITTEE

As at the date of this announcement, 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 2014 and the Interim Report 2014.

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.

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.

APPRECIATION

It is the Board's privilege to express our gratitude to our investors and shareholders for their trust and support and to offer our heartfelt thanks to all Directors, executives and staff members in the Group for their team spirit and loyalty.

By order of the Board of
SHENZHEN INVESTMENT LIMITED
LU Hua
Chairman

Hong Kong, 27 August 2014

As at the date of this announcement, the Board comprises 9 Directors, of which Mr. LU Hua, Mr. GAO Shengyuan, Mr. MOU Yong and Mr. LIU Chong are the executive Directors, Dr. WU Jiesi and Mr. HUANG Yige are the non-executive Directors and Mr. WU Wai Chung, Michael, Mr. LI Wai Keung and Dr. WONG Yau Kar David are the independent non-executive Directors.