



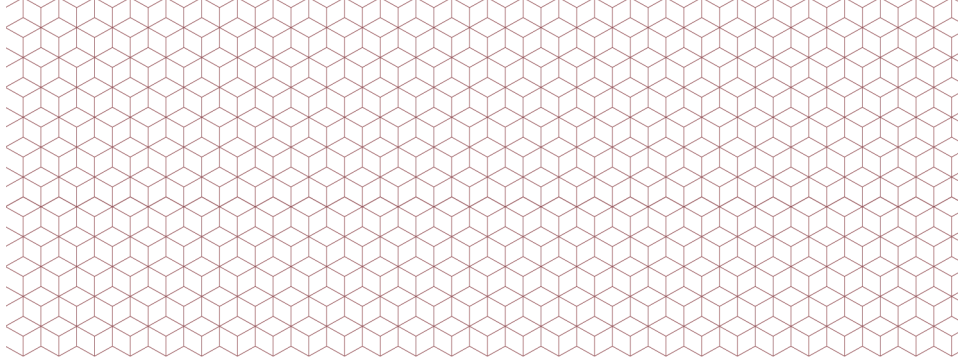
深圳控股有限公司  
SHENZHEN INVESTMENT LIMITED

股份代號 Stock Code: 604

Interim Report  
2016 中期報告



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# Contents

2	Corporate Information
3	Chairman Statement
8	Management Discussion and Analysis
20	Report on Review of Interim Financial Report Interim Financial Report
22	Consolidated Statement of Profit or Loss
23	Consolidated Statement of Profit or Loss and Other Comprehensive Income
24	Consolidated Statement of Financial Position
26	Consolidated Statement of Changes in Equity
28	Condensed Consolidated Cash Flow Statement
29	Notes to the Unaudited Interim Financial Report
73	Disclosure of Interests
76	Other Information

## Corporate Information

### Executive Directors

Dr. LU Hua, *Chairman*  
Mr. HUANG Wei, *President*  
Mr. MOU Yong  
Mr. LIU Chong

### Non-Executive Directors

Dr. WU Jiesi  
Mr. HUANG Yige

### Independent Non-Executive Directors

Mr. WU Wai Chung, Michael  
Mr. LI Wai Keung  
Dr. WONG Yau Kar, David

### Company Secretary

Mr. LEE Ka Sze, Carmelo

### Auditors

KPMG  
*Certified Public Accountants*  
Hong Kong

### Legal Adviser

Woo, Kwan, Lee & Lo  
Solicitors & Notaries

### Principal Bankers

Bank of China (Hong Kong) Ltd.  
DBS Bank Ltd., Hong Kong Branch  
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 Listing

The Stock Exchange of Hong Kong Limited  
(Stock code: 00604)

### Share Registrar

Tricor Standard Limited  
Level 22 Hopewell Centre  
183 Queen's Road East, Hong Kong

### Website

[www.shenzheninvestment.com](http://www.shenzheninvestment.com)



## Chairman Statement

In March 2016, real estate macro-control policies were successively rolled out in Shanghai, Shenzhen and other first-tier cities in a bid to curb property speculation and promote a more steady development of the market. In the light of this, Shenzhen's real estate market saw a decrease in trading volume in the first half of the year and prices were relatively stable with market sentiment switching from overheating to rational, despite that the real demand for housing remained robust. On the other hand, benefiting from the State's policy for overall destocking, there was a pickup in the real estate market in some third- and fourth-tier cities, including Huizhou, Changzhou and Taizhou, which represented a good opportunity for the Group to disinvest in third and fourth-tier cities. During the period, the Group intensified the development in Shenzhen and promoted sales in all aspects, hence maintaining a good operating performance.

### 2016 Interim Results

During the period, the Group achieved a turnover of HK\$6,382.7 million, representing an increase of 1.6% over the same period of last year. Profit attributable to shareholders was HK\$1,654.7 million, representing an increase of 68.0% 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 as well as one off gain on a bargain purchase of a subsidiary during the period, profit attributable to shareholders was HK\$588.6 million, representing an increase of 34.6% over the same period of last year. Basic earnings per share were HK22.41 cents, representing an increase of 53.5% over the same period of last year. The Board has decided to distribute an interim dividend of HK7.00 cents per share for 2016 in cash (with a scrip dividend alternative).

### Satisfactory Sales Results

Although Shenzhen's real estate market was affected by the policies in the first half of the year, the Group continued to capitalize on a diverse product mix and superior product quality to achieve a substantial increase in contracted sales through bulk sale of office buildings and multi-level marketing management close to the market. In light of the introduction of institutional clients, including Bank of Shanghai, Futian District's public institutions, China Pacific Property Insurance and China Pacific Life Insurance, to the UpperHills project, the one-off bulk sales of the office building of the Shumyip Zhongcheng project to Shenzhen International Holdings Limited, and the well-received launch of the Shumyip Dongling project, a residential project catering to rigid

## Chairman Statement

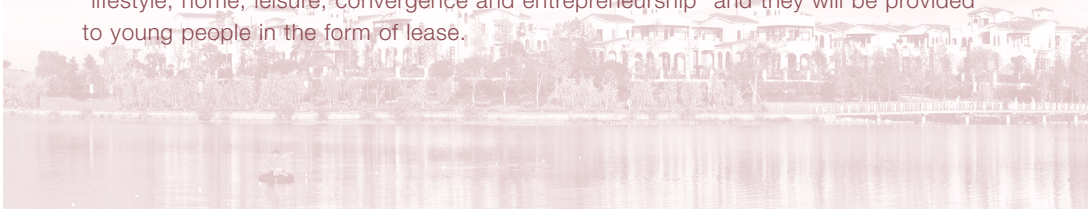
demand, all these projects achieved satisfactory sales results. In the first half of this year, the Group completed RMB14.04 billion of contracted sales, completing 76.0% of its full-year target contracted sales of RMB18.5 billion, representing a substantial year-on-year increase of 83.3%, of which, the contribution from Shenzhen projects of the Group with higher gross profit margin accounted for approximately 82%.

### **Further Intensification of the Development in Shenzhen and Expansion of Future Resources through Strategic Cooperation**

During the period, the Group actively explored opportunities to further intensify the development in Shenzhen and strived to expand high quality projects. The Group made effective progress in the development of potential projects in Guangming New District, Qianhai, Pingshan and Shenzhen-Shantou Cooperation Zone. In addition, Shum Yip Group, the parent company, signed a strategic cooperation agreement with Shenzhen Media Group (SZMG) and reached an understanding on the joint development of potential projects in regions such as Futian District, Nanshan District, Luohu District and Longhua New District. For projects that are intended for cooperation, the parent company would cooperate with SZMG to carry out preliminary work and develop relevant planning indicators. Upon the completion of land formalities, priority would be given to the Group for joint development. This strategic cooperation has established a new channel for the Group to acquire quality land in Shenzhen going forward.

### **Official Launch of the Youth Apartment Scheme**

During the period, the Group, together with relevant government departments, commenced the “Youth Apartment Scheme” with a view to solving the accommodation problems of fresh university graduates who are newcomers to Shenzhen. The Youth Apartment Scheme is an important way for the Group to take part in affordable housing projects as well as a key initiative for the Group to transform to long leasing apartment business by way of asset-light operations. The Group and Shum Yip Group, the parent company, are responsible for joint implementation of the scheme. By industrialized, modularized and standardized methods, idle properties or inefficient old quarters and factories provided by the government will be upgraded and redeveloped into youth apartments integrating “lifestyle, home, leisure, convergence and entrepreneurship” and they will be provided to young people in the form of lease.





## Chairman Statement

### Official Establishment of the Chinese “CES” in UpperHills

“Shenzhen International Consumer Electronics Exhibition and Trade Center” (the Chinese “CES”) led by the Shenzhen government was officially established in UpperHills during the period. The center is positioned as an exhibition and trading platform for high-end international consumer electronic products at LOFT-D area and part of the commercial area in UpperHills spanning a total of 50,000 square meters of industrial space as its core, featuring the three major elements of technology, innovation and trend and gradually introducing big domestic and foreign high-end consumer electronic brands to enrich the business form and category of UpperHills. The establishment of the Chinese “CES” is expected to enhance the appeal of UpperHills to consumers of high-end electronic products and innovative enterprises. Being a large-scale high-end urban complex, UpperHills will be benefited accordingly in terms of commercial investment, office leasing and sales as well as hotel operation and management.

### Sound Financial Position Maintained

The Group continued to maintain a good sales proceeds collection and strengthened fund integrated planning and management. As of 30 June 2016, net gearing ratio (including all interest-bearing liabilities) of the Group was 37.9%.

We will continue to seek for high-quality assets, improve the Group's operational efficiency and promote the transformation of earnings model to create a sustained and steady return for shareholders.

### Outlook

At the beginning of the year, the real estate market in first-tier cities continued to maintain a rapid upward trend with asset prices hovering at record-high levels. Coupled with the rise in home prices, this has aroused discussion on Shenzhen in terms of talent attraction, business cost, urban competitiveness and other aspects. With the successive introduction of macro-control policies in regions such as Shanghai and Shenzhen in March, speculation has been effectively suppressed and trading volume has fallen, leading to relatively stable prices. We believe that the real estate market in China's first-tier cities will be healthier and promising upon reasonable regulation and control. Take Shenzhen as an example, having immense



## Chairman Statement

rigid demand and the housing upgrade demand, Shenzhen enjoys a rational industrial structure and continuous inflow of working population, yet land is extremely scarce. All these fundamentals will remain unchanged over a relatively long period and will be supportive of Shenzhen's real estate market developments in the long run. On the other hand, Shenzhen's urban competitiveness has been built upon its marketization, entrepreneurial atmosphere, sense of innovation and service-oriented government and provides the fertile ground for attracting talents, stimulating creativity and breeding great enterprises which is expected to continuously boost the urban developments and economic growth in Shenzhen.

In the next five years, with the vision of "Leader in Value Creation for City Spaces", the Group will continue to firmly intensify the development in Shenzhen to continue to vigorously expand the land reserves in Shenzhen through asset injection from the parent company, speeding up the development in urban renewal projects, stronger cooperation with the government and state-owned enterprises and other methods; while maintaining a steady growth in the size of developments and sales, the Group will increase and efficiently operate quality investment properties located in core regions to constantly enhance the quality and value of assets. Meanwhile, in the course of cultivating new industries and sources of profit growth, the Group will actively build an operation and service platform with core competitiveness to strengthen the construction in operational capability and brand, and to enhance the value of city spaces of industry, commercial and residential by leveraging the strategic cooperation platform established with outstanding innovative enterprises, such as Shenzhen Kuang-Chi, Tencent and Huawei, as well as the "City Dream Plant" platform established on the initiative of the parent company.

The Group has saleable properties amounting to approximately RMB29 billion through 2016, of those in Shenzhen account for more than 80%. In the first half of the year, the Group achieved contracted sales of RMB14.04 billion, representing a year-on-year increase of 83.3% and accomplishing 76% of the full-year plan. In the second half of the year, the Group will strengthen market tracking and keep abreast of market trends with "eliminating inventories and growing profits" as its goal, actively and flexibly promoting the growth in sales to ensure that the contracted sales targets for the year can be completed.



## Chairman Statement

The Group will continue to implement the cooperation with state-owned enterprises, such as SZMG, Shenzhen International and Shenzhen Metro, make great efforts to increase resources for new urban renewal projects and actively participate in the project development in Longgang, Pingshan and other key regions in Shenzhen. The Group will also ride on the national destocking policy to promote product sales and disinvestments in third- and fourth-tier cities so as to accelerate the optimization of the structure of land reserves.

In affordable housing construction projects, the Group will take the Youth Apartment Scheme as the starting point and exert our professional ability and brand advantages, to explore business opportunities, and build up the Group's product, service and brand in the field of long leasing apartment. The Group will make contribution to the healthy development of Shenzhen's real estate market and the transformation of Shenzhen into a more livable, dynamic and competitive city.

On the service and operation front, the Group will perfect and implement the optimization program in integrating the strength of wisdom park operation, residential property services, commercial management and operation and elderly care services within the parent company and the Group to improve the operational level and operating income and to promote the development of asset-light business that focuses on operations and services.

In financial management, the Group will strengthen the overall fund management and make full use of our edge in credit as granted by banks to the headquarters of the Group to reduce continuously financial cost. We will lower the percentage of foreign currency loans through a variety of ways for a better loan structure.

I believe that, through unremitting efforts, the Group will be able to achieve a balance between scale expansion and value enhancement in the next five years and a constant optimization of the structure of land reserves and assets. At the same time, we will spur with long accumulation on a well-grounded strategy for transformation and upgrading in branding to achieve a sound and sustainable development of the Company and create better benefits and return for shareholders.

**LU HUA**  
*Chairman*

29 August 2016





## Management Discussion and Analysis

### Overall Results

In March 2016, real estate macro-control measures were introduced in Shenzhen. Under the influence of regulation and control, Shenzhen's real estate trading volume decreased as compared with the same period of last year and prices were maintained at relatively high levels with market sentiments returning to rational, though the housing demand was still sufficient. In addition, benefiting from the destocking policy, destocking in third and fourth-tier cities was quickened and some cities saw a pickup both in terms of trading prices and volumes. The Group closely followed market trends and made concerted efforts to continuously maintain sales growth and achieve a good performance on top of the high base last year.

For the six months ended 30 June 2016, the Group achieved a turnover from continuing operations of HK\$6,382.7 million, representing an increase of 1.6% over the same period of last year. Gross profit margin was 33.8%, which remained more or less the same as that of the same period of last year. Profit attributable to shareholders was HK\$1,654.7 million, representing an increase of 68.0% 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 one-off gain on a bargain purchase of a subsidiary during the period, profit attributable to shareholders was HK\$588.6 million, representing an increase of 34.6% over the same period of last year. Basic earnings per share were HK22.41 cents, representing an increase of 53.5% over the same period of last year.



## Management Discussion and Analysis

### Property Development Business

Despite the impact of macro-control measures on Shenzhen which has led to a decrease in trading volume, Shenzhen's housing demand was still sufficient; coupled with the recovery of the real estate market in third and fourth-tier cities, the Group achieved very satisfactory contracted sales during the period. As several Shenzhen projects which have been sold during the period will be completed in the second half of the year or next year, therefore they could not be booked during the period. The sales revenue booked and gross profit margin during the period remained more or less the same as that of the same period of last year. As part of the projects sold will be successively completed in the second half of the year, the Group believes that the situation will be significantly improved throughout the year.

**Sales Revenue Booked:** During the period, the Group recorded 382,000 square meters in property sales (excluding the interests attributable to the Group in its three principal associates), representing an increase of 87.3% over the same period of last year, and achieved a net revenue in property sales of approximately RMB3,887.2 million (equivalent to HK\$4,621.0 million) (net of business tax), representing a decrease of 1.9% over the same period of last year. The gross profit margin of property development and sales was 36.5%, remained more or less at the same level as that of the same period of last year. As the major Shenzhen projects including T2 Industrial Research and Development Building of UpperHills, office building of Shumyip Zhongcheng and Guanlan Rose Garden that have been sold by the Group during the period will be completed in the second half of the year, they could not be booked during the period and thus the percentage of Shenzhen projects with high gross profit in total was only 45.4% which was lower than 72.2% for the same period of last year. During the period, the average gross profit margin for Shenzhen projects of the Group was approximately 56.2%, whereas the average gross profit margin in other first-tier cities was approximately 32.1%, the average gross profit margin in second-tier cities was approximately 20.5% and third-tier cities was approximately 16.0%.



## Management Discussion and Analysis

### Property Sales Booked in the First Half of 2016

Property Name	Type	Sales Area (sq.m.)	Net Sales (RMB million)	After Tax Unit Price (RMB/sq.m.)
Wanlin Lake	Residential, shop, parking space	20,719	108.5	5,237
Rui Cheng	Residential	47,506	202.0	4,253
Noah Mountain Forest	Residential	622	3.1	4,994
Splendid City	Residential	54,768	195.2	3,564
Garden Hill	Residential	731	7.7	10,478
Euro-view Garden	Residential, shop	1,226	12.9	10,498
Shanglin Garden	Residential	30,257	128.3	4,240
Nanhu Rose Bay	Residential, shop, parking space	7,497	86.1	11,482
Yihu Rose Bay	Residential, shop	12,965	47.8	3,685
Purple Kylin Hill Garden	Residential	423	7.2	16,934
Noble Times	Residential, shop	383	9.8	25,518
Shumyip City	Residential, parking space	76,127	502.9	6,606
Yundonghai	Residential	5,434	40.5	7,443
Saina Bay	Residential, shop	24,361	87.8	3,606
Jianguyue Bay	Residential, shop	25,914	458.3	17,685
Boxing Building	Office building	4,098	117.4	28,658
Bolong Building	Office building	8,848	235.6	26,626
Royal Spring	Residential	1,260	11.0	8,719
UpperHills	Residential	18,537	1,337.2	72,136
Maanshan Shumyip Huafu	Residential	28,015	137.7	4,917
Changzhou Shumyip Huafu	Residential	8,568	63.7	7,437
Others	Residential, parking space	4,144	86.5	20,880
<b>Total</b>		<b>382,403</b>	<b>3,887.2</b>	<b>10,165</b>



## Management Discussion and Analysis

**Contracted sales:** During the period, the Group achieved approximately 591,600 square meters in contracted sales area and contracted sales income of approximately RMB14 billion, representing a significant increase of 83.3% over the same period of last year.

### Contracted Sales in the First Half of 2016

Project Name	City	Type	Sales Area	Sales	Unit Price
			(sq.m.)	(RMB million)	(RMB/sq.m.)
UpperHills	Shenzhen	Complex	116,919	6,702	57,324
Shumyip Dongling	Shenzhen	Complex	48,468	2,958	61,029
Guanlan Rose Garden	Shenzhen	Complex	19,191	532	27,702
Shumyip City	Shunde	Residential	48,838	388	7,947
Jinshazhou	Guangzhou	Residential	15,979	323	20,233
Garden Hill	Huizhou	Residential	53,816	322	5,983
Maanshan Shumyip Huafu	Maanshan	Residential	62,706	309	4,931
Rui Cheng	Changsha	Residential	56,999	263	4,623
Changzhou Shumyip Huafu	Changzhou	Residential	35,631	245	6,862
Shanglin Garden	Taizhou	Residential	20,547	107	5,220
Tanglang City*	Shenzhen	Complex	2,612	101	38,828
Splendid City	Jiangyan	Residential	24,419	90	3,674
Nanhu Rose Bay	Wuhan	Residential	7,388	89	12,067
Wanlin Lake	Huizhou	Residential	13,630	89	6,541
Royal Spring	Chaohu	Residential	8,375	85	10,165
Qingshuihe Auto Park	Shenzhen	Warehouse/ Commercial	2,476	79	31,737
Yihu Rose Bay	Chengdu	Residential	11,608	48	4,107
European Garden	Dongguan	Residential	3,969	44	10,978
Saina Bay	Heyuan	Residential	12,195	42	3,466
Yundonghai	Sanshui	Residential	5,125	35	6,761
Noble Times	Shenzhen	Residential	348	14	39,684
Terra Building	Shenzhen	Industrial/ Commercial	170	6	36,000
Shumyip Zhongcheng	Shenzhen	Complex	20,154	1,168	57,954
<b>Total</b>			<b>591,563</b>	<b>14,039</b>	<b>23,732</b>

\* This project was co-developed with Shenzhen Metro Group, with 50% equity attributable to our Group, and it is calculated based on equity method.

## Management Discussion and Analysis

**Project development:** During the period, the Group had a new construction area of approximately 95,000 square meters, and a completed construction area of approximately 494,000 square meters.

### New Construction Projects in the First Half of 2016

Project Name	City	Type	Total GFA (sq.m)	Saleable area (sq.m)
Yihu Rose Bay Phase I-I Building No.5/6	Chengdu	Residential	17,946	14,108
Huangbeiling Land Plot 04-01	Shenzhen	Commercial (including hotel and office)	76,733	57,200
<b>Total</b>			<b>94,679</b>	<b>71,308</b>

### Completed Projects in the First Half of 2016

Project Name	City	Type	Total GFA (sq.m)	Saleable area (sq.m)
Rui Cheng Phase 2.1	Changsha	Residential	123,778	87,115
Splendid City Phase 2.2	Jiangyan	Residential	100,807	96,325
Shumyip City Phase 3.1B	Shunde	Residential	116,008	73,452
Shanglin Garden Phase 1.1	Taizhou	Residential	153,801	91,693
<b>Total</b>			<b>494,394</b>	<b>348,585</b>

### Land Reserves

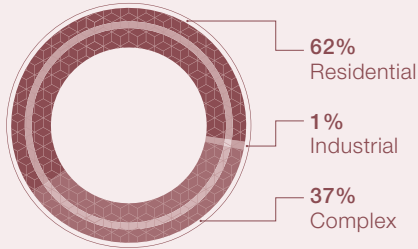
As of the end of June 2016, the Group had a total planned gross floor area (GFA) of approximately 9.013 million square meters in land reserves (of which the Group had rights and interests in 7.856 million square meters), and a capacity building area of 6.948 million square meters (of which the Group had rights and interests in 5.989 million square meters), of which, the projects under construction had a total planned GFA of approximately 4.322 million square meters (of which the Group had rights and interests in 3.744 million square meters) and a capacity building area of 3.206 million square meters (of which the Group had rights and interests in 2.732 million square meters).



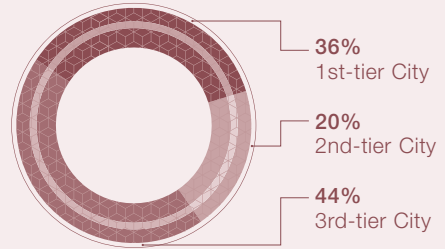
## Management Discussion and Analysis

### Distribution of Land Reserves (As at 30 June 2016)

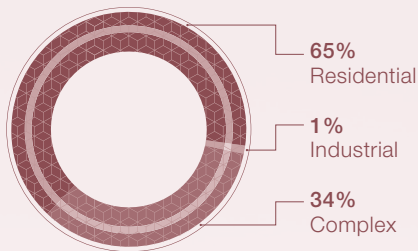
By Type – Planned GFA<sup>Notes 1,3</sup>



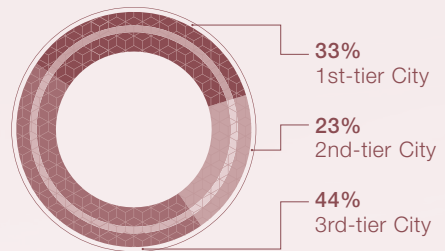
By City – Planned GFA<sup>Notes 1,3</sup>



By Type – Capacity Building Area<sup>Notes 2,3</sup>



By City – Capacity Building Area<sup>Notes 2,3</sup>



#### Notes:

1. Planned GFA: the sum of the gross floor area of all the floors above and under the ground of the single building or buildings within the scope of the land for construction.
2. Capacity building area: the sum of the gross floor area which is used in the calculation of the plot ratio within the land for construction.
3. Excluded the land in Heyuan project and Jiangyan project which have been returned to the local government.



## Management Discussion and Analysis

### Optimization of the Structure of Land Reserves:

**Asset injection:** On 11 March 2016, the transaction in respect of the acquisition of approximately 95% equity interests in Fairwind Power Limited from Shum Yip Holdings Company Limited, the parent company, was passed at the extraordinary general meeting of the Company. Fairwind Power Limited holds the Shenzhen Dongling project located in Luohu District, Shenzhen. The transaction was completed on 15 March 2016. The transaction generated a gain on bargain purchase of HK\$526.2 million, which was included in the profit or loss for the period.

**Disposal of inefficient land projects:** During the period, the Group made attempt on various measures with focus on promoting the disposal of projects in third- and fourth-tier cities. In January 2016, the Group and relevant department of the Heyuan government reached an agreement under which the local government would resume approximately 620,000 square meters of undeveloped land and would return the land price to the Company after the land is sold through public listing-for-sale. In June 2016, the Group entered into an agreement with Jiangyan Land Development and Reserve Centre of Taizhou (泰州市姜堰土地開發儲備中心) to return a piece of undeveloped commercial land with a site area of approximately 91,000 square meters at a return price of RMB116 million. The Group intends to continue to push ahead the project disposal work in locations such as Taizhou, Sanshui, and Maanshan.

### Property Investment

As at 30 June 2016, the Group has a total area of approximately 1,000,000 square meters in investment properties, which are mainly located in Shenzhen. During the period, the Group achieved a rental income of HK\$386.2 million, representing an increase of approximately 1.2% over the same period of last year, while the gross profit margin of its property investment was approximately 87.2%, representing a decrease of 2.7 percentage points over the same period of last year. As a result of the increase in property value, the Group recorded a revaluation gain in its investment property portfolio of HK\$741.5 million for the period. With the completion of the projects including UpperHills and Taifu Square, the Group's income from, and the scale in, investment properties, will increase significantly.



## Management Discussion and Analysis

### Property Management

The Group holds six property management companies with first class property management qualifications at the national level. The property management team is committed to improve services, support the development of real estate business, and help to enhance the corporate brand. As of the end of the period, the total area of properties under the Group's management was approximately 40 million square meters, including a variety of property types such as government offices, office buildings, residential estates, villas, and science and technology parks, which are mainly located in the Pearl River and Yangtze River deltas as well as the central region. During the year, the property management business contributed a turnover of approximately HK\$734.4 million to the Group, representing an increase of approximately 10.1% over the same period of last year.

### Hotel Operations

The Group has three hotels in operation and three under construction. Those in operation are Suzhou Marriott Hotel (with 293 guest rooms), Chaohu Shumyip-Bantang Hot Spring Hotel (with 20 spring villas) and Holiday Inn Resort Chaohu Hot Spring (with 203 guest rooms). Those under construction are Mandarin Oriental Shenzhen (with 190 guest rooms planned), Shumyip UpperHills Boutique Hotel (with 90 guestrooms planned) and Tanglang City project hotel, which is co-developed with Shenzhen Metro Group (with 200 guest rooms planned).

During the period, the three hotels in operation achieved a turnover (under other operating segment) of approximately HK\$84.5 million, representing an increase of 0.4% over the same period of last year.

### Manufacturing Business

The Group's manufacturing business mainly represents the LCD manufacturing and metal materials processing and other business which has been engaged in by the companies under the Group over the years. During the period, the manufacturing business achieved a turnover of approximately HK\$144.8 million, representing a decrease of 38.4% over the same period of last year.



## Management Discussion and Analysis

### Joint Ventures

During the period, Taizhou Shum Yip Investment Development Limited (a 51% owned company of the Group) performed more or less the same as the same period of last year, during which it made a loss contribution of HK\$1.3 million to the Group. The principal activity of this company is to assist local governments in primary land development and the local government did not have any arrangement to launch such lands during the period. In addition, Shenzhen Langtong Real Estate Development Co., Ltd. (a 50% owned company of the Group) made a net profit contribution of HK\$142.8 million to the Group for the period. This company is a project company which co-developed Shenzhen's Tanglang City Project with Shenzhen Metro Group. Shenzhen Tianan Cyber Park (Group) Co. Ltd., made a net profit contribution of HK\$64.6 million to the Group, representing a decrease of 52.7% over the same period of last year.

### Performance of Associates

During the period, the performance of the associates invested by the Group was within expectation. Of which, Road King Infrastructure Limited, a listed company in Hong Kong, made a net profit contribution of HK\$59.7 million to the Group, representing a decrease of 4.3% over the same period of last year. Coastal Greenland Limited, a listed company in Hong Kong, made a net profit contribution of HK\$15.5 million to the Group, whereas it made a loss contribution of HK\$61.5 million for the same period of last year.

### Financing Position

During the period, the Group focused on integrated financial management to safeguard its business development.

During the period, the Company entered into an agreement with several banks in Hong Kong in respect of a syndicated transferrable term loan facility in the principal amount of as high as US\$230,000,000 and HK\$1,000,000,000 for a period of five years.



## Management Discussion and Analysis

As of 30 June 2016, the Group's total bank loans and other borrowings amounted to HK\$22,280.6 million (31 December 2015: HK\$21,375.1 million), of which HK\$17,681.9 million were floating-rate loans, and the remaining parts were fixed-rate loans. Long-term loans amounted to HK\$17,903.5 million, representing approximately 80.4% of total borrowings, and short-term loans were HK\$4,377.1 million, representing approximately 19.6% of total borrowings. Borrowings from Hong Kong and overseas amounted to HK\$12,902.5 million, representing 57.9% of total borrowings, and the remaining parts were borrowings from mainland China, representing 42.1% of total borrowings. During the period, the Group achieved an annual average consolidated interest rate of approximately 4.6% for bank loans and other borrowings.

As of 30 June 2016, the Group's cash and bank balance (including restricted cash) was HK\$14,384.1 million (31 December 2015: HK\$13,818.8 million (including restricted cash)), of which approximately 93.0% and 7.0% were denominated in Renminbi and other currencies (mainly in US\$ and HK\$) respectively.

The Group's assets are mainly denominated in Renminbi. Of the bank loans and other borrowings, 42.1% is the debt denominated in Renminbi, while 57.9% is the debt denominated in HK\$ and US\$. HK\$ is used as the reporting currency in the Group's financial report. The effect of the decrease in RMB exchange rate on the Group's finance will be mainly reflected in the depreciation of the asset and earnings denominated in Renminbi against HK\$, the reporting currency. The Group will monitor the exchange rate risk, make great efforts to lower the percentage of foreign currency loans through a variety of ways, and consider prudently applying financial instruments to hedge the currency risk at the appropriate time.

As of 30 June 2016, the Group had net assets (excluding non-controlling interests) of HK\$33,041.5 million (31 December 2015: HK\$33,325.9 million). The net gearing ratio (being the difference of total interest-bearing liabilities and cash and bank balance (including restricted cash) divided by net assets (excluding the equity of non-controlling shareholders)) with the liabilities including bank loans and other borrowings only was 23.9% and the net gearing ratio with the liabilities including shareholders' loan from the parent company and all other interest-bearing liabilities was 37.9%. The gross gearing ratio (the ratio of total liabilities over total assets) was 65.6%.





## Management Discussion and Analysis

### Financial Position

HK\$ million	As at 30 June 2016	As at 31 December 2015
Bank loans	22,280.6	21,375.1
Long-term debts	17,903.5	16,100.9
Short-term debts	4,377.1	5,274.2
Floating-rate loans	17,681.9	16,672.7
Cash and bank balance (including restricted cash)	14,384.1	13,818.8
Net gearing ratio with the liabilities including bank loans and other borrowings only	23.9%	22.7%
Net gearing ratio with the liabilities including all interest-bearing liabilities	37.9%	36.5%

### Pledge of Assets and Contingent Liabilities Position

As at 30 June 2016, the Group had total loans of HK\$1,172.4 million (31 December 2015: HK\$1,917.6 million) that were pledged with assets (for details, see note 18 to the interim financial statements).

As at 30 June 2016, the Group had provided guarantees to a maximum of HK\$6,549.3 million (31 December 2015: HK\$8,857.7 million) to banks for housing loans extended by the banks to the purchasers of the Group's properties (for details, see note 26 to the interim financial statements).



## Management Discussion and Analysis

In 2015, the Wuhan project of Shum Yip Terra (Holdings) Company Limited (“Terra Company”), a 75.05%-owned subsidiary of the Company, and its wholly-owned subsidiary, Wuhan Shum Yip Terra Property Development Company Limited (“Wuhan Terra Company”) was implicated in the corruption case(s) involving the local government officials and thus it was involved in criminal investigation. The People’s Procuratorate of Jianli County of Hubei Province has frozen certain bank accounts of Wuhan Terra Company and those of Terra Company. As at 30 June 2016, all of the frozen bank accounts of Terra Company were released while the balance of the frozen bank accounts of Wuhan Terra Company amounted to RMB540 million. The investigation is still in progress. The Company believes that the matter is an individual incident and will not have material effect on the assets, financials and operations of the Group as a whole.

### Employees and Remuneration Policy

As at 30 June 2016, the Group employed 17,729 employees (2015: 17,606) of whom 37 were stationed in Hong Kong (mainly managerial and finance related personnel), and the rest were in Mainland China. The total remuneration for the six months ended 30 June 2016 (excluding remuneration of the Directors) amounted to approximately HK\$520.7 million (2015: HK\$497.8 million).

Employee benefits and bonuses are based on their individual performance, the Group’s profit condition, benefit level of the industry and the current market condition. The remuneration packages are reviewed on an annual basis to ensure internal equity and its competitiveness in the market. In driving performance, we also grant share options, under the share option scheme of the Group, to employees based on individual performance and the results of the Group.



## Report on Review of Interim Financial Report



### **Review report to the board of directors of Shenzhen Investment Limited**

(Incorporated in Hong Kong with limited liability)

### **Introduction**

We have reviewed the interim financial report set out on pages 22 to 72 which comprises the consolidated statement of financial position of Shenzhen Investment Limited (the “Company”) as of 30 June 2016 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.



## Report on Review of Interim Financial Report

### 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 the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2016 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

### KPMG

Certified Public Accountants  
8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

29 August 2016



## Consolidated Statement of Profit or Loss

For the six months ended 30 June 2016 – unaudited

	Note	Six months ended 30 June	
		2016 HK\$'000	2015 HK\$'000
<b>Revenue</b>	4	<b>6,382,666</b>	6,279,078
Cost of sales		<b>(4,225,765)</b>	(4,147,060)
<b>Gross profit</b>		<b>2,156,901</b>	2,132,018
Other income and gains	4	<b>616,766</b>	268,333
Increase in fair value of investment properties		<b>741,479</b>	753,971
Fair value gain on equity investments at fair value through profit or loss, net		<b>72</b>	1,933
Selling and distribution costs		<b>(156,241)</b>	(161,366)
Administrative expenses		<b>(407,426)</b>	(383,896)
Other expenses		<b>(116,362)</b>	(109,618)
Finance costs	5	<b>(313,566)</b>	(418,103)
Share of profits less losses of:			
Joint ventures		<b>212,601</b>	168,137
Associates		<b>79,057</b>	(35,103)
<b>Profit before tax</b>	6	<b>2,813,281</b>	2,216,306
Income tax	7	<b>(1,120,729)</b>	(1,184,483)
<b>Profit for the period</b>		<b>1,692,552</b>	1,031,823
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>1,654,741</b>	984,733
Non-controlling interests		<b>37,811</b>	47,090
		<b>1,692,552</b>	1,031,823
<b>Earnings per share</b>	8		
Basic		<b>HK22.41 cents</b>	HK14.60 cents
Diluted		<b>HK22.40 cents</b>	HK14.57 cents

The notes on pages 29 to 72 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 9.



## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2016 – unaudited

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
<b>Profit for the period</b>	<b>1,692,552</b>	<b>1,031,823</b>
<b>Other comprehensive income for the period (after tax and reclassification adjustments):</b>		
Items that may be reclassified subsequently to profit or loss:		
– Available-for-sale investments:		
Change in fair value	(4,255)	9,581
Income tax effect	1,064	(2,395)
	<b>(3,191)</b>	<b>7,186</b>
– Exchange differences on translation of foreign operations	<b>(973,170)</b>	<b>5,092</b>
– Share of other comprehensive income of associates	<b>(65,375)</b>	<b>(10,859)</b>
Net other comprehensive income that may be reclassified subsequently to profit or loss	<b>(1,041,736)</b>	<b>1,419</b>
Item that will not be reclassified to profit or loss:		
– Share of other comprehensive income of associates	–	(72)
Net other comprehensive income will not be reclassified to profit or loss	–	(72)
<b>Other comprehensive income for the period</b>	<b>(1,041,736)</b>	<b>1,347</b>
<b>Total comprehensive income for the period</b>	<b>650,816</b>	<b>1,033,170</b>
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>664,643</b>	<b>987,201</b>
Non-controlling interests	<b>(13,827)</b>	<b>45,969</b>
<b>Total comprehensive income for the period</b>	<b>650,816</b>	<b>1,033,170</b>

The notes on pages 29 to 72 form part of this interim financial report.

## Consolidated Statement of Financial Position

As at 30 June 2016 – unaudited

	Note	30 June 2016 HK\$'000	31 December 2015 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	10	4,049,919	4,144,176
Prepaid land lease payments		39,777	40,355
Goodwill		322,449	322,542
Investment properties	11	21,672,747	20,908,173
Interests in associates	13	3,794,378	3,838,027
Interests in joint ventures	14	3,125,602	3,037,310
Available-for-sale investments		117,115	123,684
Other long term assets	15	2,955,053	1,778,889
Deferred tax assets		1,429,425	1,386,915
Breeding biological assets		6,922	7,075
		<b>37,513,387</b>	<b>35,587,146</b>
<b>Current assets</b>			
Inventories		88,064	98,803
Completed properties held for sale		7,103,241	9,031,517
Properties under development	12	41,446,537	30,311,525
Trading biological assets		9,000	9,576
Trade receivables	16	429,426	528,154
Prepayments, deposits and other receivables		1,880,608	1,696,026
Equity investments at fair value through profit or loss		3,769	3,696
Restricted cash	17	4,125,111	4,110,729
Cash and cash equivalents	17	10,258,993	9,708,046
		<b>65,344,749</b>	<b>55,498,072</b>



## Consolidated Statement of Financial Position

As at 30 June 2016 – unaudited

	Note	30 June 2016 HK\$'000	31 December 2015 HK\$'000
<b>Current liabilities</b>			
Interest-bearing bank loans and other borrowings	18	4,377,053	5,274,153
Trade payables	19	811,531	1,013,126
Other payables and accruals	20	23,174,892	13,920,890
Due to the immediate holding company	27(d)(ii)	1,463,932	158,301
Due to the ultimate holding company		4,478,299	3,816,007
Tax payable		5,479,877	6,494,559
		<b>39,785,584</b>	<b>30,677,036</b>
<b>Net current assets</b>		<b>25,559,165</b>	<b>24,821,036</b>
<b>Total assets less current liabilities</b>		<b>63,072,552</b>	<b>60,408,182</b>
<b>Non-current liabilities</b>			
Interest-bearing bank loans and other borrowings	18	17,903,502	16,100,940
Due to the immediate holding company	27(d)(ii)	342,800	348,894
Due to the ultimate holding company		–	965,897
Deferred income		25,126	32,088
Deferred tax liabilities		9,387,322	7,391,297
		<b>27,658,750</b>	<b>24,839,116</b>
<b>NET ASSETS</b>		<b>35,413,802</b>	<b>35,569,066</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	22	17,478,481	17,478,481
Reserves	22	15,563,003	15,847,384
<b>Total equity attributable to equity shareholders of the Company</b>		<b>33,041,484</b>	<b>33,325,865</b>
<b>Non-controlling interests</b>		<b>2,372,318</b>	<b>2,243,201</b>
<b>TOTAL EQUITY</b>		<b>35,413,802</b>	<b>35,569,066</b>

The notes on pages 29 to 72 form part of this interim financial report.

## Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016 – unaudited

	Attributable to equity shareholders of the Company												
	Share capital	Other 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	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
Balance at 1 January 2015	14,564,800	(279,127)	69,525	59,019	216,214	24,271	1,799,651	3,341,494	9,634,726	865,287	30,495,860	2,277,775	32,773,635
Changes in equity for the six months ended 30 June 2015:													
Profit for the period	-	-	-	-	-	-	-	-	994,733	-	994,733	47,090	1,041,823
Other comprehensive income	-	-	-	-	(72)	7,186	-	(4,646)	-	-	2,468	(1,121)	1,347
Total comprehensive income	-	-	-	-	(72)	7,186	-	(4,646)	994,733	-	997,201	45,969	1,043,170
Final 2014 dividend declared	-	-	-	-	-	-	-	-	(94,318)	(865,287)	(959,605)	-	(959,605)
Exercised of share options	175,007	-	(34,936)	-	-	-	-	-	-	-	140,072	-	140,072
Issue of shares	2,730,275	-	-	-	-	-	-	-	-	-	2,730,275	-	2,730,275
Equity-settled share option reverse (note 21)	-	-	11,187	-	-	-	-	-	-	-	11,187	-	11,187
Transfer from retained profits	-	-	-	-	-	-	19,377	(19,377)	-	-	-	-	-
Balance at 30 June 2015	17,470,082	(279,127)	45,717	59,019	216,142	31,457	1,813,028	3,336,848	10,711,764	-	33,404,930	2,323,744	35,728,674

## Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016 – unaudited

	Attributable to equity shareholders of the Company										Total equity HK\$'000	
	Share capital HK\$'000	Other reserve HK\$'000	Share option reserve HK\$'000	Capital reserve HK\$'000	Asset revaluation reserve HK\$'000	Available-for-sale investment revaluation reserve HK\$'000	Statutory reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000		Non-controlling interests HK\$'000
Balance at 1 January 2016	17,478,481	(208,140)	57,504	59,019	216,142	19,575	1,837,976	1,515,524	12,349,784	33,325,865	2,243,201	35,569,066
Changes in equity for the six months ended 30 June 2016												
Profit for the period	-	-	-	-	-	-	-	-	1,654,741	1,654,741	37,811	1,692,552
Other comprehensive income	-	-	-	-	-	(3,191)	-	(986,907)	-	(990,098)	(51,638)	(1,041,736)
Total comprehensive income	-	-	-	-	-	(3,191)	-	(986,907)	1,654,741	664,643	(13,827)	650,816
Final 2015 dividend declared	-	-	-	-	-	-	-	-	(959,922)	(959,922)	-	(959,922)
Equity-settled share option expense (note 21)	-	-	7,891	-	-	-	-	-	-	7,891	-	7,891
Acquisition of subsidiary with NCI	-	-	-	-	-	-	-	-	-	-	146,867	146,867
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	(3,923)	(3,923)
Share of reserves of associates	-	-	-	107	2,900	-	-	-	-	3,007	-	3,007
Balance at 30 June 2016	17,478,481	(208,140)	65,395	59,126	219,042	16,384	1,837,976	528,617	13,044,603	33,041,484	2,372,318	35,413,802

The notes on pages 29 to 72 form part of this interim financial report.



## Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2016 – unaudited

	Note	Six months ended 30 June	
		2016 HK\$'000	2015 HK\$'000
<b>Operating activities</b>			
Cash generated from operations		6,990,344	(835,717)
Mainland China taxes paid		(2,447,728)	(1,282,913)
<b>Net cash generated from/(used in) operating activities</b>		<b>4,542,616</b>	<b>(2,118,630)</b>
<b>Investing activities</b>			
Payment for the purchase of property, plant and equipment		(110,955)	(98,058)
Acquisition of a subsidiary	23	(2,158,664)	–
Other cash flows arising from investing activities		(89,584)	185,913
<b>Net cash (used in)/generated from investing activities</b>		<b>(2,359,203)</b>	<b>87,855</b>
<b>Financing activities</b>			
Proceeds from bank and other borrowings		4,348,489	7,773,277
Repayment of bank and other borrowings		(4,603,350)	(6,478,203)
Other cash flows arising from financing activities		(1,466,046)	3,209,960
<b>Net cash (used in)/generated from financing activities</b>		<b>(1,720,907)</b>	<b>4,505,034</b>
<b>Net increase in cash and cash equivalents</b>		<b>462,506</b>	<b>2,474,259</b>
<b>Cash and cash equivalents at 1 January</b>		<b>9,708,046</b>	<b>8,375,476</b>
<b>Effect of changes in foreign exchange rate</b>		<b>88,441</b>	<b>3,367</b>
<b>Cash and cash equivalents at 30 June</b>		<b>10,258,993</b>	<b>10,853,102</b>

The notes on pages 29 to 72 form part of this interim financial report.

## Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

### 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 Company 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 financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue on 29 August 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of any changes in accounting policies are set out in note 2.2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.



## Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

### 2.1 Basis of preparation (Continued)

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2015 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited, but has been reviewed by KPMG 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 HKICPA. KPMG's independent review report to the Board of Directors is included on page 20 to 21.

The financial information relating to the financial year ended 31 December 2015 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) (the "Companies Ordinance") is as follows:

The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.



## Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

### 2.2 Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- *Annual Improvements to HKFRSs 2012-2014 Cycle*
- *Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

#### **Annual Improvements to HKFRSs 2012-2014 Cycle**

This cycle of annual improvements contains amendments to four standards. Among them, HKAS 34, Interim financial reporting, has been amended to clarify that if an entity discloses the information required by the standard outside the interim financial statements by a cross-reference to the information in another statement of the interim financial report, then users of the interim financial statements should have access to the information incorporated by the cross-reference on the same terms and at the same time. The amendments do not have an impact on the Group's interim financial report as the Group does not present the relevant required disclosures outside the interim financial statements.

#### **Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative**

The amendments to HKAS 1 introduce narrow-scope changes to various presentation requirements. The amendments do not have a material impact on the presentation and disclosure of the Group's interim financial report.



## Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

### 3. Segment reporting

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 agricultural products, design and construction of gardens and other businesses.

Management monitors the operating results of the Group’s business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group’s profit before tax except that interest income, finance costs, dividend income, fair value gains 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.

## Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

### 3. Segment reporting (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 2016	Property development HK\$'000	Property investment HK\$'000	Property management HK\$'000	Manufacturing HK\$'000	Others HK\$'000	Total HK\$'000
<b>Segment revenue:</b>						
Sales to customers	4,621,049	386,246	734,394	144,782	496,195	6,382,666
Intersegment sales	-	17,342	17,686	-	39,788	74,816
	4,621,049	403,588	752,080	144,782	535,983	6,457,482
<i>Reconciliation</i>						
Elimination of intersegment sales						(74,816)
Revenue						6,382,666
Segment results before increase in fair value of investment properties	1,834,285	527,625	42,994	7,884	(68,153)	2,344,635
Increase in fair value of investment properties	-	741,479	-	-	-	741,479
<b>Segment results after increase in fair value of investment properties</b>	<b>1,834,285</b>	<b>1,269,104</b>	<b>42,994</b>	<b>7,884</b>	<b>(68,153)</b>	<b>3,086,114</b>
<i>Reconciliation</i>						
Elimination of intersegment results						(2,165)
Finance income						77,267
Dividend income and unallocated gains						-
Fair value losses on financial instruments at fair value through profit or loss, net						72
Corporate and other unallocated expenses						(34,441)
Finance costs						(313,566)
Profit before tax						2,813,281
<b>As at 30 June 2016</b>						
<b>Segment assets</b>	<b>59,430,172</b>	<b>24,080,036</b>	<b>326,713</b>	<b>146,070</b>	<b>3,677,667</b>	<b>87,660,658</b>
<i>Reconciliation</i>						
Corporate and other unallocated assets						15,197,478
Total assets						102,858,136
<b>Segment liabilities</b>	<b>25,160,496</b>	<b>1,625,293</b>	<b>728,603</b>	<b>71,879</b>	<b>626,933</b>	<b>28,213,204</b>
<i>Reconciliation</i>						
Corporate and other unallocated liabilities						39,231,130
Total liabilities						67,444,334

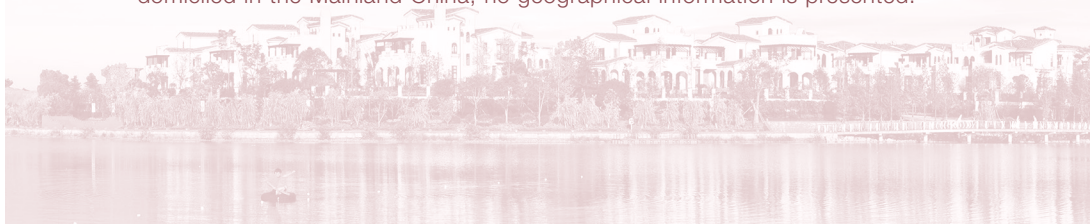


## Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

For the six months ended 30 June 2015	Property development HK\$'000	Property investment HK\$'000	Property management HK\$'000	Manufacturing HK\$'000	Others HK\$'000	Total HK\$'000
<b>Segment revenue:</b>						
Sales to customers	4,709,603	381,542	667,132	235,023	285,778	6,279,078
Intersegment sales	-	5,336	11,895	-	36,129	53,360
	4,709,603	386,878	679,027	235,023	321,907	6,332,438
<i>Reconciliation</i>						
Elimination of intersegment sales						(53,360)
Revenue						6,279,078
Segment results before increase in fair value of investment properties	1,333,949	434,200	37,157	1,021	(37,833)	1,768,494
Increase in fair value of investment properties	-	753,971	-	-	-	753,971
<b>Segment results after increase in fair value of investment properties</b>	1,333,949	1,188,171	37,157	1,021	(37,833)	2,522,465
<i>Reconciliation</i>						
Elimination of intersegment results						(28,565)
Finance income						171,842
Dividend income and unallocated gains						13,409
Fair value losses on financial instruments at fair value through profit or loss, net						1,933
Corporate and other unallocated expenses						(46,675)
Finance costs						(418,103)
Profit before tax						2,216,306
<b>As at 31 December 2015</b>						
<b>Segment assets</b>	48,747,765	22,729,484	162,570	184,983	3,924,577	75,749,379
<i>Reconciliation</i>						
Corporate and other unallocated assets						15,335,839
Total assets						91,085,218
<b>Segment liabilities</b>	16,624,958	1,057,481	623,955	39,371	499,493	18,845,258
<i>Reconciliation</i>						
Corporate and other unallocated liabilities						36,670,894
Total liabilities						55,516,152

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



## Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

### 4. Revenue, other income and gains

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
<b>Revenue</b>		
Sale of properties	4,621,049	4,709,603
Management fee income	734,394	667,132
Rental income from investment properties	386,246	381,542
Sale of commercial and industrial goods	144,782	235,023
Others	496,195	285,778
	<b>6,382,666</b>	<b>6,279,078</b>
<b>Other income and gains</b>		
Finance income	77,267	171,842
Gain on disposal of investment properties	1,628	59,468
Gain on bargain purchase of a subsidiary (note 23)	526,249	–
Others	11,622	37,023
	<b>616,766</b>	<b>268,333</b>

## Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

### 5. Finance costs

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Interest on:		
Bank loans	<b>396,620</b>	718,760
Other borrowings	<b>106,670</b>	14,214
Loans from the ultimate holding company	<b>143,612</b>	108,854
Loans from fellow subsidiaries	–	6,669
Loans from non-controlling shareholders	<b>10,062</b>	2,637
Total interest expense on financial liabilities not at fair value through profit or loss	<b>656,964</b>	851,134
Less: Interest capitalised	<b>(343,398)</b>	(433,031)
	<b>313,566</b>	418,103



## Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

### 6. Profit before tax

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

		Six months ended 30 June	
	Note	2016 HK\$'000	2015 HK\$'000
Cost of properties and inventories sold		<b>3,026,341</b>	3,177,192
Cost of services provided		<b>1,199,424</b>	969,868
Depreciation	10	<b>94,761</b>	69,499
Reversal of impairment of other receivables		–	(6,233)
(Decrease)/increase in fair value of contingent consideration payable to the immediate holding company	27(d)(ii)	<b>(6,095)</b>	19,179
Amortisation of prepaid land lease payments		<b>452</b>	580
Gain on disposal of investment properties	4	<b>(1,628)</b>	(59,468)
(Gain)/loss on disposal of items of property, plant and equipment		<b>(2,329)</b>	127

## Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

### 7. Income tax

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 2015: 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 amortization of land use rights, borrowing costs and all property development expenditures.

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Current:		
Mainland China corporate income tax	<b>505,749</b>	585,548
Withholding tax on dividend	–	9,173
LAT in Mainland China	<b>519,293</b>	693,059
Deferred:		
Mainland China corporate income tax	<b>116,625</b>	(48,483)
Withholding tax on dividend	<b>37,161</b>	36,880
LAT in Mainland China	<b>(58,099)</b>	(91,694)
<b>Total tax charge for the period</b>	<b>1,120,729</b>	1,184,483



## Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

### 8. Earnings per share

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

The calculation of the diluted earnings per share is based on the profit for the period attributable to equity shareholders 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 are based on:

	Six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
<b>Earnings</b>		
Profit attributable to equity shareholders of the Company, used in the basic and diluted earnings per share calculations	<b>1,654,741</b>	984,733
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<b>7,384,016,988</b>	6,745,807,053
Effect of dilution – weighted average number of ordinary shares:		
Share options	<b>3,212,710</b>	14,003,321
	<b>7,387,229,698</b>	6,759,810,374



## Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

### 9. Dividend

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Dividends recognised as distribution during the period:		
Final dividend declared for 2015 — HK13.00 cents per share (2015: declared for 2014 — HK13.00 cents per share) (i)		
Scrip shares	<b>751,256</b>	4,846
Cash	<b>208,666</b>	954,759
	<b>959,922</b>	959,605
Dividend declared in respect of current period:		
Interim dividend for 2016 HK7.00 cents per share (2015: HK3.00 cents per share) (ii)	<b>516,881</b>	221,447

#### Notes:

- (i) The declared final dividend of HK13.00 cents per share for the year ended 31 December 2015 was paid in August 2016. The declared final dividend of HK13.00 cents per share for the year ended 31 December 2014 was paid in August 2015.
- (ii) On 29 August 2016, the board of directors has declared an interim dividend of HK7.00 cents per share for the six months ended 30 June 2016 (six months ended 30 June 2015: HK3.00 cents per share). The interim dividends will be paid in cash but shareholders will be given the option of receiving such dividend wholly in new fully paid share(s) of the Company in lieu of cash, or partly in cash and partly in the form of scrip shares.



## Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

### 10. Property, plant and equipment

	Note	At 30 June 2016 HK\$'000	At 31 December 2015 HK\$'000
Carrying amount at 1 January		4,144,176	3,240,502
Additions		110,955	295,474
Acquisition of a subsidiary		1,711	–
Transfer from investment property	11	–	800,637
Transfer from completed properties held for sale		–	69,714
Transfer to completed properties held for sale		(15,725)	–
Disposals		(2,048)	(4,117)
Depreciation charge for the period/year		(94,761)	(155,936)
Exchange realignment		(94,389)	(102,098)
Carrying amount at 30 June/31 December		4,049,919	4,144,176

As at 30 June 2016, the Group has not yet obtained the ownership certificates in respect of the buildings with a net carrying value of HK\$238,795,000 (31 December 2015: HK\$344,270,000).

As at 30 June 2016, certain of the Group's land and buildings in Mainland China with a net carrying amount of approximately HK\$723,147,000 (31 December 2015: HK\$728,180,000) were pledged to secure bank loans granted to the Group (note 18(a)(i)).

## Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

## 11. Investment properties

At 30 June 2016	Completed investment properties at fair value HK\$'000	Investment properties under construction at fair value HK\$'000	Total HK\$'000
Carrying amount at			
1 January 2016	14,486,000	6,422,173	20,908,173
Additions	247,146	230,449	477,595
Recognition of change in fair value of completed properties held for sale upon transfer to investments properties	88,596	–	88,596
Net gain from a fair value adjustment recognised in profit or loss	652,883	–	652,883
Disposal	(36,979)	–	(36,979)
Exchange realignment	(268,527)	(148,994)	(417,521)
Carrying amount at 30 June 2016	15,169,119	6,503,628	21,672,747
Unrealised gains for the period included in profit or loss	739,851	–	739,851



## Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

### 11. Investment properties (Continued)

At 31 December 2015	Completed investment properties at fair value HK\$'000	Investment properties under construction at fair value HK\$'000	Total HK\$'000
Carrying amount at			
1 January 2015	13,163,533	6,855,061	20,018,594
Additions	–	615,598	615,598
Transfer to construction in process (note 10)	–	(800,637)	(800,637)
Transfer to properties under development (note 12)	–	(21,533)	(21,533)
Transfer from completed properties held for sale	589,317	–	589,317
Recognition of change in fair value of completed properties held for sale upon transfer to investments properties	432,102	–	432,102
Net gain from a fair value adjustment recognised in profit or loss	925,294	156,882	1,082,176
Disposal	(61,860)	–	(61,860)
Exchange realignment	(562,386)	(383,198)	(945,584)
Carrying amount at 31 December 2015	14,486,000	6,422,173	20,908,173
Unrealised gains for the year included in profit or loss	1,331,094	156,882	1,487,976



## Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

### 11. Investment properties (Continued)

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

Certificates of ownership in respect of certain investment properties of the Group with a net carrying amount of approximately HK\$1,412,415,000 as at 30 June 2016 (31 December 2015: HK\$1,226,953,000) 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 2016, the Group's investment property with a net carrying value of approximately HK\$1,519,378,000 (31 December 2015: HK\$1,884,717,000) was pledged to secure bank loans granted to the Group (note 18(a)(iv)).

The Group's investment properties consist of several commercial and industrial properties in Mainland China. The directors of the Company have determined that the investment properties consist of two classes of asset, i.e., commercial and industrial, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued at 30 June 2016 based on valuation performed by Asset Appraisal Limited, an independent firm of professionally qualified property valuers, at approximately HK\$21,672,747,000.



## Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

### 11. Investment properties (Continued)

#### Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 30 June 2016 using			Total HK\$'000	
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant observable inputs (Level 3) HK\$'000		
	Recurring fair value measurement for:				
	Commercial properties	-	-		17,684,729
Industrial properties	-	-	3,988,018	3,988,018	
	-	-	21,672,747	21,672,747	

	Fair value measurement as at 31 December 2015 using			Total HK\$'000	
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant observable inputs (Level 3) HK\$'000		
	Recurring fair value measurement for:				
	Commercial properties	-	-		16,768,302
Industrial properties	-	-	4,139,871	4,139,871	
	-	-	20,908,173	20,908,173	

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.



## Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

### 11. Investment properties (Continued)

Below is a summary of the valuation technique used and the key inputs to the valuation of investment properties:

	Valuation technique	Significant unobservable inputs	Range (weighted average)
<b>As at 30 June 2016</b>			
Commercial properties	Comparison method	Market unit Sale rate (RMB/Sq.m.)	8,500 – 120,000 (64,250)
Industrial properties	Comparison method	Market unit Sale rate (RMB/Sq.m.)	7,200 – 39,500 (23,350)
<b>As at 31 December 2015</b>			
Commercial properties	Comparison method	Market unit Sale rate (RMB/Sq.m.)	8,600 – 67,400 (26,800)
Industrial properties	Comparison method	Market unit Sale rate (RMB/Sq.m.)	5,800 – 35,300 (15,500)

The fair values of investment properties are determined using the comparison method by making references to comparable sale evidence as available in the relevant market. Comparable properties of similar size, character and location are analysed and selected for each investment property in order to arrive at a fair comparison of their fair values. The fair value measurement is positively correlated to the market unit sale rate.



## Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

### 12. Properties under development

	At 30 June 2016 HK\$'000	At 31 December 2015 HK\$'000
At beginning of year	30,717,690	31,082,841
Additions	3,043,524	6,009,465
Acquisition of a subsidiary	10,824,881	–
Transfer from investment property	–	21,533
Transfer to prepaid land lease payments	–	(319)
Transfer to completed properties		
held for sale	(2,026,748)	(5,126,801)
Exchange realignment	(751,971)	(1,269,029)
At 30 June/31 December	41,807,376	30,717,690
Provision for impairment	(360,839)	(406,165)
	41,446,537	30,311,525

	At 30 June 2016 HK\$'000	At 31 December 2015 HK\$'000
Properties under development expected to be recovered:		
Within one year	15,022,144	5,001,472
After more than one year	26,424,393	25,310,053
	41,446,537	30,311,525

Included in the properties under development are leasehold land with lease terms ranging from 40 to 70 years, totaling HK\$32,621,947,000 (31 December 2015: HK\$23,954,811,000), which are all located in Mainland China.



## Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

### 12. Properties under development (Continued)

As at 30 June 2016, the Group's properties under development with a net carrying amount approximately HK\$363,320,000 (31 December 2015: HK\$615,389,000) were pledged to secure bank loans granted to the Group (note 18(a)(iii)).

As at 30 June 2016, the application for certificates of land in Mainland China held under medium term leases with a net carrying amount of HK\$2,181,466,000 (31 December 2015: HK\$6,132,337,000) was still in progress.

### 13. Interests in associates

	At 30 June 2016 HK\$'000	At 31 December 2015 HK\$'000
Share of net assets	4,518,801	4,547,054
Goodwill on acquisition	91,577	91,577
Loans to associates	–	15,396
Provision for impairment	(816,000)	(816,000)
	<b>3,794,378</b>	<b>3,838,027</b>
Included:		
Market value of listed shares	<b>1,349,728</b>	1,487,556

The loans to associates of Nil (31 December 2015: HK\$15,396,000) are interest-free, unsecured and are repayable after twelve months from the end of the reporting period.

The loans from associates included in the Group's other payables and accruals are disclosed in note 20 to the interim financial report.



## Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

### 13. Interests in associates (Continued)

Particulars of the principal associates are as follows:

Name	Business structure	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of ownership interest attributable to the Group		Principal activities
				30 June	31 December	
				2016	2015	
Coastal Greenland (note a)*	Corporate	Bermuda/ Mainland China	HK\$418,587,000	15.08	15.08	Property development and investment
Road King Infrastructure Ltd. ("Road King")** (note b)	Corporate	Bermuda/ Mainland China	HK\$73,994,000	27.34	27.34	Development, operation and management of toll roads and property development and investment

None of the associates are audited by KPMG, Hong Kong or another member firm of the KPMG global network.

\* Coastal Greenland is a limited liability company incorporated in Bermuda and its ordinary shares with a nominal value of HK\$0.10 each are listed on the Main Board of the Stock Exchange of Hong Kong Limited. The principal location of Coastal Greenland's business is Mainland China. Although the Group holds less than 20% of the ownership interest and voting control of Coastal Greenland, the Group considers that it has the ability to exercise significant influence over Coastal Greenland through both its shareholding and its nominated directors' participation on Coastal Greenland's board of directors.

\*\* Road King is a limited liability company incorporated in Bermuda and its ordinary shares with a nominal value of HK\$0.10 each are listed on the Main Board of the Stock Exchange of Hong Kong Limited. The principal location of Road King's business is Mainland China.

#### Notes:

- a. Directly held by the Company
- b. Indirectly held by the Company



## Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

### 13. Interests in associates (Continued)

The above table lists the associates of the Group which, in the opinion of the directors, principally formed a substantial portion of the investments in associates of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

The financial years of the above associates are coterminous with that of the Group, except for Coastal Greenland which has a financial year ending 31 March. The interim consolidated financial report is adjusted for the material transactions between Coastal Greenland and group companies between 1 January and 31 March. Coastal Greenland uses 31 March as its financial year end date to conform with that of its holding company.

Road King, which is considered a material associate of the Group, is engaged in the development, operation and management of toll roads and property development and investment, and is accounted for using the equity method by the Group.

### 14. Interests in joint ventures

	At 30 June 2016 HK\$'000	At 31 December 2015 HK\$'000
Share of net assets	2,826,986	2,953,663
Goodwill on acquisition	6,116	6,116
Loans to joint ventures	292,500	77,531
	<b>3,125,602</b>	<b>3,037,310</b>

The loans to joint ventures included in interests in joint ventures are unsecured, interest-free and are repayable after 12 months from the end of the reporting period.



## Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

### 14. Interests in joint ventures (Continued)

Particulars of the joint ventures are as follows:

Name	Nominal value of registered capital	Place of registration and business	Percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	
Taizhou Shum Yip Investment Development Limited ("Taizhou Shum Yip")	RMB100,000,000	PRC/ Mainland China	51	50	51	Provision of development service
Shenzhen Langtong Property Development Company Limited ("Langtong")	RMB100,000,000	PRC/ Mainland China	50	50	50	Property development
Shenzhen Tianan Cyber Park (Group) Company Limited. ("Tianan")	US\$62,000,000	PRC/ Mainland	37.53*	50	50	Property investment and development

All of the above investments are indirectly held by the Company.

\* The 50% ownership interest in Tianan is held by a 75.05% non-wholly owned subsidiary of the Group. Therefore, the Group's ownership interest is 37.53%.

### 15. Other long term assets

Included in the other long term assets mainly represented prepayments of HK\$1,777,933,000 (31 December 2015: HK\$1,778,889,000) related to the acquisition of land use rights as at 30 June 2016. The remaining balance included the non-current receivable due from a joint venture (note 27(d)(iv)) and the resettlement guarantee deposit placed with the original landlords of a resettlement project. The deposit will be released upon the completion of the resettlement, which is expected to be beyond the next twelve months.





## Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

### 16. Trade receivables

	At 30 June 2016 HK\$'000	At 31 December 2015 HK\$'000
Trade receivables	518,860	562,412
Impairment	(89,434)	(34,258)
	<b>429,426</b>	<b>528,154</b>

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 aging 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:

	At 30 June 2016 HK\$'000	At 31 December 2015 HK\$'000
Within one year	316,382	513,645
One to two years	113,044	14,509
	<b>429,426</b>	<b>528,154</b>



## Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

### 17. Cash and cash equivalents and restricted cash

	At 30 June 2016 HK\$'000	At 31 December 2015 HK\$'000
Cash and bank balances	12,423,460	11,757,506
Time deposits	1,960,644	2,061,269
Restricted cash*	(4,125,111)	(4,110,729)
Cash and cash equivalents	10,258,993	9,708,046

\* As at 30 June 2016, an aggregate amount of HK\$631,800,000 (equivalent to RMB540,000,000) (31 December 2015: HK\$644,328,000 (equivalent to RMB540,000,000)) deposited in the bank accounts of a subsidiary of the Group is frozen by The People's Procuratorate of Jianli County of Hubei Province (note 26(ii)).

The remaining balance of HK\$3,493,311,000 (31 December 2015: HK\$3,464,015,000) in the Group's restricted cash was limited to use 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 from 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 fees 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.

At the end of the reporting period, the cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to HK\$13,372,371,014 (31 December 2015: HK\$12,813,860,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.



## Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

## 18. Interest-bearing bank loans and other borrowings

	At 30 June 2016			At 31 December 2015		
	Effective contractual interest rate (%)	Maturity	HK\$'000	Effective contractual interest rate (%)	Maturity	HK\$'000
<b>Current</b>						
Bank loans-secured	5.225-5.390	2017	131,075	4.750-5.225	2016	393,009
Bank loans-unsecured	4.350-6.180 HIBOR+2.150- HIBOR+2.600, LIBOR+2.600	2016-2017	4,245,978	4.350-5.8966 HIBOR+2.150- HIBOR+2.400, LIBOR+2.400	2016	4,761,824
Other borrowings-unsecured	-			5.880	2016	119,320
			<u>4,377,053</u>			<u>5,274,153</u>
<b>Non-current</b>						
Bank loans-secured	4.900-5.463	2017-2023	1,041,342	4.900-5.7000	2017-2020	1,524,595
Bank loans-unsecured	4.750-6.180 HIBOR+2.600- HIBOR+3.750, LIBOR+2.600- LIBOR+2.850	2017-2023	13,937,160	4.750-5.2252 HIBOR+2.600- HIBOR+3.750, LIBOR+2.600- LIBOR+3.750	2017-2021	11,593,345
Other borrowings-unsecured (d)	6.8004	2018-2021	2,925,000	7.140	2017-2021	2,983,000
			<u>17,903,502</u>			<u>16,100,940</u>
			<u>22,280,555</u>			<u>21,375,093</u>



## Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

### 18. Interest-bearing bank loans and other borrowings (Continued)

	At 30 June 2016 HK\$'000	At 31 December 2015 HK\$'000
Analysed into:		
Bank loans repayable:		
Within one year	4,377,053	5,154,833
In the second year	2,040,393	4,117,928
From third to fifth years	12,716,979	8,676,188
Over five years	221,130	323,824
	<b>19,355,555</b>	<b>18,272,773</b>
Other borrowings:		
Within one year	–	119,320
From third to fifth years	1,170,000	2,386,400
Over five years	1,755,000	596,600
	<b>2,925,000</b>	<b>3,102,320</b>
	<b>22,280,555</b>	<b>21,375,093</b>

## Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

### 18. Interest-bearing bank loans and other borrowings

#### (Continued)

- (a) Bank loans amounting to HK\$1,172,417,000 (31 December 2015: HK\$1,917,604,000) were secured by:
- (i) certain of the Group's land and buildings in Mainland China with a carrying amount value of approximately HK\$723,147,000 (31 December 2015: HK\$728,180,000) (note 10);
  - (ii) certain of the Group's completed properties held for sale with a net carrying amount of Nil (31 December 2015: HK\$66,738,000);
  - (iii) certain of the Group's properties under development with a net carrying amount of approximately HK\$363,320,000 (31 December 2015: HK\$615,389,000) (note 12);
  - (iv) certain of the Group's investment properties with a net carrying amount of approximately HK\$1,519,378,000 (31 December 2015: HK\$1,884,717,000) (note 11).

In addition, Shum Yip Group, the ultimate holding company, has guaranteed certain of the Group's bank loans of HK\$5,583,825,000 as at 30 June 2016 (31 December 2015: HK\$4,534,160,000) (note 27(b)).

- (b) Except for the bank loans equivalent to approximately HK\$6,954,363,000 (31 December 2015: HK\$5,342,228,000) and HK\$5,948,143,000 (31 December 2015: HK\$5,114,000,000), which are denominated respectively in United States dollars and Hong Kong dollars, all other borrowings of the Group are in RMB.
- (c) The carrying amounts of the Group's and the Company's borrowings approximate to their fair values, which have been calculated by discounting the expected future cash flows at the prevailing interest rates.



## Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

### 18. Interest-bearing bank loans and other borrowings

(Continued)

- (d) A subsidiary in Mainland China has entered into a fund arrangement with a financial institution (the "Trustee"), pursuant to which the Trustee has raised trust fund amounting to RMB2,500,000,000 (equivalent to HK\$2,925,000,000) and provided the fund to the subsidiary for financing a property development project of the subsidiary. The fund bears a fixed interest rate at 6.80% per annum, has an expiry term of six years and is guaranteed by Shum Yip Group.

### 19. Trade payables

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

	At 30 June 2016 HK\$'000	At 31 December 2015 HK\$'000
Within one year	313,305	518,661
One to two year(s)	183,911	315,539
Two to three years	225,960	140,049
Over three years	88,355	38,877
	<b>811,531</b>	<b>1,013,126</b>

The total amounts of the trade payables are non-interest-bearing.



## Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

### 20. Other payables and accruals

		At 30 June 2016	At 31 December 2015
	Note	HK\$'000	HK\$'000
Receipts in advance		<b>14,781,005</b>	8,365,551
Other payables	(a)	<b>3,001,046</b>	4,472,876
Loans from associates	(b)	<b>312,621</b>	285,883
Accruals	(c)	<b>5,080,220</b>	796,580
		<b>23,174,892</b>	13,920,890

- (a) Included in the Group's other payables are loans totaling HK\$110,994,000 (31 December 2015: HK\$126,481,000) from fellow subsidiaries. These loans are unsecured, interest-free and have no fixed terms of repayment.

Included in the Group's other payables are loans totaling HK\$522,103,000 (31 December 2015: HK\$142,300,000) from non-controlling shareholders of certain subsidiaries of the Group. These loans are unsecured and have no fixed terms of repayment, among which, the loans of HK\$446,547,000 (31 December 2015: HK\$100,437,000) bear interests from the one-year benchmark lending rate of the PBOC to 7.50% per annum, the remaining balance of HK\$75,556,000 (31 December 2015: HK\$41,863,000) is interest-free.

- (b) The loans from associates totaling HK\$312,621,000 (31 December 2015: HK\$285,883,000) included in the Group's other payables and accruals are unsecured, interest-free and are payable on demand.
- (c) The Group's accruals include HK\$2,703,194,000, the fair value of the resettlement properties of one of the real estate projects as at the resettlement agreement date. The real estate project was acquired to the Group via business combination during the period.



## Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

### 21. Share option scheme

The Company operated a share option scheme (the "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 Scheme include any employee or director (including executive, non-executive and independent non-executive directors) of any member of the Group, Shum Yip Holdings, Shum Yip Group and their subsidiaries and associated companies, 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, Shum Yip Holdings, Shum Yip Group and their subsidiaries and associated companies, as absolutely determined by the board of directors. The 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 Scheme shall remain in full force and effect.

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

	At 30 June 2016		At 31 December 2015	
	Weighted average exercise price HK\$ per share	Number of options	Weighted average exercise price HK\$ per share	Number of options
At 1 January	2.8839	126,406,000	2.7429	181,927,600
Granted during the period/year	3.1080	6,920,000	3.3960	7,846,000
Exercised during the period/year	-	-	2.5190	(56,687,830)
Forfeited during the period/year	-	-	2.8500	(2,506,000)
Cancelled during the period/year	-	-	2.6774	(4,173,770)
At 30 June/31 December	<b>2.8955</b>	<b>133,326,000</b>	2.8839	126,406,000

No share options was exercised during the period (year ended 31 December 2015: HK\$3.7612 per share).

## Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

### 21. 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:

Number of options	Exercise price* HK\$ per share	Exercise period
118,560,000	2.8500	28-1-2016 to 27-1-2019
7,846,000	3.3960	28-1-2016 to 27-1-2019
6,920,000	3.1080	14-6-2016 to 27-1-2019
<u>133,326,000</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 fair value of the share options granted during this period was HK\$3,501,659 (HK\$0.5060 each). The Group recognised a share option expense of HK\$7,890,716 during the six months ended 30 June 2016 (six months ended 30 June 2015: HK\$11,186,828).

At the end of the reporting period, the Company had 133,326,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 133,326,000 additional ordinary shares of the Company and an increase in share capital of HK\$452,876,643 (before issue expenses).



## Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

### 22. Capital and reserves

#### (a) Capital

	At 30 June 2016 HK\$'000	At 31 December 2015 HK\$'000
Issued and fully paid:		
7,384,016,988 (31 December 2015: 7,384,016,988) ordinary shares	<b>17,478,481</b>	17,478,481

#### (b) Reserves

The amounts of the Group's reserves and the movements therein for the current period are presented in the consolidated statement of changes in equity on pages 26 to 27 of the interim financial report.

### 23. Business combination

On 21 December 2015, the Group entered into a sale and purchase contract with Shum Yip Holdings to acquire the 95% equity interest in Fairwind Power Limited. Fairwind Power Limited is an investment holding company. The Fairwind Power Limited are engaged in property development and property investment.

The purchase consideration for the acquisition shall be satisfied by: (a) a cash consideration of HK\$1,132,116,645; (b) a promissory note consideration of HK\$1,132,116,645. The acquisition was completed on 15 March 2016.

## Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

### 23. Business combination (Continued)

The fair values of the identifiable assets and liabilities of Fairwind Power Limited and its subsidiaries (the “Fairwind Power”) as at the date of acquisition were as follows:

	Note	Fair value recognized on acquisition HK\$'000
Property, plant and equipment		1,711
Properties under development		10,824,880
Prepayments, deposits and other receivables		509,769
Cash and cash equivalents		105,569
Trade payables		(1,337)
Other payables and accruals		(5,133,855)
Interest-bearing bank loans and other borrowings		(1,393,300)
Deferred tax liabilities		(1,976,087)
<b>Total identifiable net assets at fair value</b>		<b>2,937,350</b>
Percentage of acquisition of Fairwind Power Limited		95%
Gain of a bargain purchase recognized in other income and gains in the interim consolidated statement of profit or loss	4	(526,249)
Satisfied by:		
Cash consideration		(2,264,233)



## Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

### 23. Business combination (Continued)

An analysis of the cash flows in respect of the acquisition of the Fairwind Power Limited is as follows:

	HK\$'000
Cash paid	(2,264,233)
Cash and cash equivalents acquired	105,569
Net outflow of cash equivalents included in cash flows from investing activities	(2,158,664)
Transaction costs of the acquisition included in cash flows from operating activities	(1,637)

Had the combination taken place at the beginning of the period, the revenue and profit of the Group for the period would have been HK\$6,382,666,000 and HK\$1,692,552,000 respectively.

### 24. Fair value and fair value hierarchy of financial instruments

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	At 30 June 2016		At 31 December 2015	
	Carrying amount HK\$'000	Fair value HK\$'000	Carrying amount HK\$'000	Fair value HK\$'000
Financial assets				
Available-for-sale investments	60,144	60,144	65,583	65,583
Equity investments at fair value through profit or loss	3,769	3,769	3,696	3,696
	<b>63,913</b>	<b>63,913</b>	69,279	69,279





## Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

### 24. Fair value and fair value hierarchy of financial instruments (Continued)

The carrying amount of the Group's financial assets and liabilities carried at cost or amortized cost, including cash and cash equivalents, restricted cash, trade receivables, deposits and other receivables, interest-bearing bank loans and other borrowings, amounts due from/to subsidiaries, trade payables, other payables, an amount due to the immediate holding company and an amount due to the ultimate holding company were not materially different from their fair values as at 30 June 2016 and 31 December 2015.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the audit committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

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 non-current portion of pledged deposits, other long term assets, interest-bearing bank loans and other borrowings and non-current portion of an amount due to the immediate holding company and an 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 Group's own non-performance risk for interest-bearing bank loans and other borrowings as at 30 June 2016 was assessed to be insignificant.

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

## Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

### 24. Fair value and fair value hierarchy of financial instruments (Continued)

#### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

#### Assets measured at fair value:

As at 30 June 2016	Fair value measurement using			Total HK\$'000		
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000			
	Available-for-sale investments	60,144	-		-	60,144
	Equity investments at fair value through profit or loss	3,769	-		-	3,769
	<b>63,913</b>	<b>-</b>	<b>-</b>	<b>63,913</b>		

As at 31 December 2015	Fair value measurement using			Total HK\$'000		
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000			
	Available-for-sale investments	65,583	-		-	65,583
	Equity investments at fair value through profit or loss	3,696	-		-	3,696
	<b>69,279</b>	<b>-</b>	<b>-</b>	<b>69,279</b>		

## Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

### 25. Capital commitments

	At 30 June 2016 HK\$'000	At 31 December 2015 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	7,972,884	7,786,034

### 26. Contingent liabilities

- (i) As at 30 June 2016, the Group has given guarantees to a maximum extent of approximately HK\$6,549,332,000 (31 December 2015: HK\$8,857,658,000) 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.



## Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

### 26. Contingent liabilities (Continued)

- (ii) On 12 September 2014, Shum Yip Terra, a 75.05% owned subsidiary of the Company, and its wholly-owned subsidiary, Wuhan Shum Yip Terra Property Development Company Limited (“Wuhan Terra”), received a notification for the appointment of defender/application for legal aid during the prosecution review phase from The People’s Procuratorate of Jianli County of Hubei Province (the “People’s Procuratorate”), informing Shum Yip Terra and Wuhan Terra that materials in respect of the suspected corporate offence of bribery on both of them have been transferred to the Public Prosecution Bureau of the Procuratorate for prosecution review.

The People’s Procuratorate considers that there were violations of the relevant regulations in the procedures in respect of a land transaction involved by Wuhan Terra which has caused a loss of state-owned land income, and the loss in the amount of approximately RMB316 million should be borne by Shum Yip Terra. The People’s Procuratorate has frozen certain bank accounts of Wuhan Terra and Shum Yip Terra. Further details of the matter are set out in the announcement of the Company dated 18 September 2014.

As at 30 June 2016, the balance of the frozen bank accounts of Wuhan Terra amounted to RMB540,000,000.

At the date of approval of this interim financial report, Shum Yip Terra and Wuhan Terra have not yet received any notification from the People’s Court regarding the prosecution filed by the People’s Procuratorate.



## Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

### 27. Related party transactions

#### (a) Transactions with related parties

	Note	Six months ended 30 June	
		2016 HK\$'000	2015 HK\$'000
(1) Shum Yip Group, the ultimate holding company:			
– Interest expenses (note 27(d)(i))		<b>143,612</b>	108,854
– Management fee income	(iv)	<b>1,604</b>	1,683
– Rental income	(i)	<b>3,566</b>	3,763
(2) Shum Yip Holdings, the immediate holding company:			
– Rental expenses	(i)	<b>5,140</b>	6,174
– Management fee expenses	(ii)	<b>213</b>	180
– Acquisition of a subsidiary	23	<b>2,264,233</b>	–
(3) Associates:			
– Sales of products		<b>29,367</b>	24,301
– Interest income	(iii)	<b>174</b>	114
(4) Fellow subsidiaries:			
– Interest expense (note 27(d)(v))		–	6,669
– Property management income		–	613
– Rental expenses	(i)	<b>246</b>	258
(5) Joint ventures:			
– Interest income (note 27(d)(iv))		–	93,116



## Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

### 27. Related party transactions (Continued)

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

**Notes:**

- (i) The rentals were recognised at prices based on mutual agreement between the parties.
- (ii) The management fee expenses to the immediate holding company were charged at prices based on mutual agreement between the parties.
- (iii) The interest income from an associate was charged at prices based on the interest at one-year benchmark lending rate of the PBOC. The loan to the associate has been settled during the period.
- (iv) Pursuant to the relevant agreements entered into between Shenzhen Nongke Group Limited ("Nongke") and Shum Yip Group on 27 January 2014, Shum Yip Group appointed Nongke to provide management services on its behalf in respect of (a) certain agricultural lands and related assets, and (b) the implementation plan of a property development project. Further details are set out in the circular of the Company dated 12 May 2014. Management fee income in respect to the management services mentioned above of HK\$1,010,000 and HK\$594,000 (2015: HK\$1,060,000 and HK\$623,000), respectively, was charged to Shum Yip Group for the period from 1 January 2016 to 30 June 2016.
- (v) The directors of the Company confirmed that the Company has complied with the disclosure requirements in accordance with the Chapter 14A of the Listing Rules.

#### (b) Other transaction with related parties

At 30 June 2016, the Group's interest-bearing bank loans and other borrowings amounting to HK\$5,583,825,000 (31 December 2015: HK\$4,534,160,000) were guaranteed by Shum Yip Group (note 18(a)).

#### (c) Commitments with a related party

The Group entered into certain operating lease arrangements with Shum Yip Holdings. The amount of lease expenses for the period is included in note 27(a) to the interim financial report. The Group expects the total lease expenses in the second half year of 2016, the year of 2017, the year of 2018 and 2019 to be approximately HK\$5,215,056, HK\$ 10,430,112, HK\$3,240,864 and HK\$1,080,288 respectively.



## Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

### 27. Related party transactions (Continued)

#### (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\$4,195,212,000 as at 30 June 2016 (31 December 2015: HK\$3,670,730,000), which is unsecured, bears interest from the one-year benchmark lending rate to 5.5% per annum and is repayable on demand. The remaining amount due to the ultimate holding company is unsecured, interest-free and has no fixed terms of repayment.
- (ii) As disclosed in the interim consolidated statement of financial position, the Group had an amount due to the immediate holding company under current liabilities of HK\$1,463,932,000 (31 December 2015: HK\$158,301,000). Included in the aggregate amount due to the immediate holding company under current liabilities is an amount of HK\$741,100,000 as at 30 June 2016 (31 December 2015: nil), which is unsecured, bears interest based on the five-year benchmark lending rate per annum, and is repayable on 9 November 2016. The remaining amount due to the immediate holding company is unsecured, interest-free and has no fixed terms of repayment.

Included in the aggregate amount due to the immediate holding company under non-current liabilities is an amount of HK\$342,800,000 (31 December 2015: HK\$348,894,000), which represented the contingent consideration payable for the acquisition of Shenzhen Bio-Agriculture Company Limited (“Shenzhen Bio-Agriculture”). The acquisition was completed on 22 August 2014. The contingent consideration payable is subsequently measured at fair value and will be paid within three years after the date of completion of acquisition. As at 30 June 2016, a decrease in the fair value of the contingent consideration payable to Shum Yip Holdings amounting to HK\$6,095,000 is credited to “Other income and gains” in the consolidated statement of profit or loss. At the date of approval of these interim financial reports, no further significant changes to the consideration are expected.

## Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

### 27. Related party transactions (Continued)

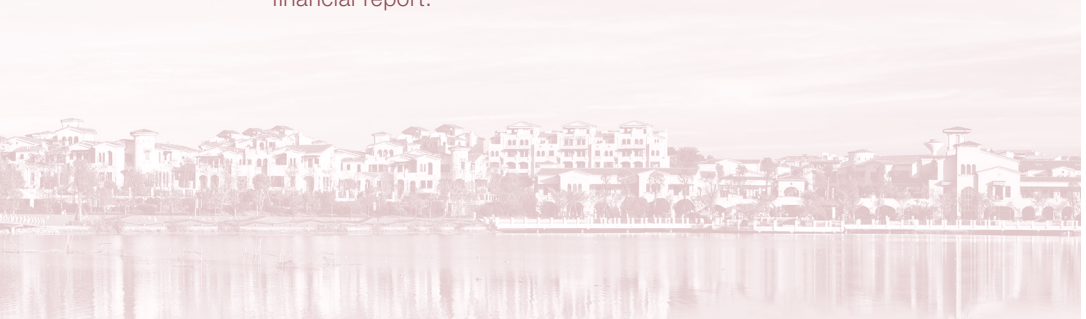
#### (d) Outstanding balances with related parties (Continued)

- (iii) Details of the Group's amounts due to its associates as at the end of the reporting period are included in note 20 to the interim financial report.
- (iv) Details of the Group's amounts due from its joint ventures as at the end of the reporting period are included in note 14 and note 15 to the interim financial report.

Included in the Group's prepayments, deposits and other receivables are loans to a joint venture amounting to HK\$359,878,000 as at 31 December 2015, which were unsecured and had no fixed terms of repayment, and bore an interest rate at 12% per annum. The amount was reclassified to non-current asset as at 30 June 2016 as the directors considered the amount will not be repaid within the next twelve months. The remaining amount of HK\$589,975,000 due from the joint ventures as at 31 December 2015 was unsecured, interest free and had no fixed terms of repayment. Among which, HK\$457,584,000 was reclassified to non-current asset as at 30 June 2016 as the directors considered the amount will not be repaid within the next twelve months.

- (v) Included in the Group's prepayments, deposits and other receivables are amounts due from fellow subsidiaries of HK\$12,131,000 (31 December 2015: HK\$13,091,000), which are unsecured, interest-free and have no fixed terms of repayment.

Details of the Group's amounts due to its fellow subsidiaries as at the end of the reporting period are included in note 20 to the interim financial report.



## Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars unless otherwise indicated)

### 27. Related party transactions (Continued)

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

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
Short term employee benefits	7,645	5,497
Post-employment benefits	1,004	–
Share-based payments	3,112	6,700
<b>Total compensation paid to key management personnel</b>	<b>11,761</b>	<b>12,197</b>

The related party transactions in respect of items (a)(1), (a)(2), (a)(4) and (b) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.



## Disclosure of Interests

### DIRECTORS' INTERESTS IN SHARES

As at 30 June 2016, 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”)) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of SFO), or which were recorded in the register required to be kept under Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) adopted by the Company were as follows:

#### Long positions in the shares (“Shares”) and underlying shares of the Company:

Name of director	Capacity	Number of Shares	Underlying shares pursuant to share options	Aggregate interests	Percentage of Shares in issue (Note)
LU Hua	Beneficial owner	1,122,383	7,830,000	8,952,383	0.12
HUANG Wei	Beneficial owner	–	3,196,000	3,196,000	0.04
MOU Yong	Beneficial owner	–	5,246,000	5,246,000	0.07
LIU Chong	Beneficial owner	–	5,246,000	5,246,000	0.07
WU Jiesi	Beneficial owner	3,400,000	–	3,400,000	0.05
LI Wai Keung	Beneficial owner	1,131,866	–	1,131,866	0.02

**Note:** The percentage was calculated based on 7,384,016,988 Shares in issue as at 30 June 2016.

## Disclosure of Interests

Details of the directors' interests in share options granted by the Company are set out in the paragraph headed "Share Option Scheme" under the section headed "Other Information".

Save as disclosed above, none of the directors and chief executive of the Company had, as at 30 June 2016, any interests or short positions in any Shares and underlying shares or debentures of the Company or any of its associated corporations (which is the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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 debt 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.

## INTERESTS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to any director or chief executive of the Company, as at 30 June 2016, the interests and short positions of the shareholders (other than directors or chief executives of the Company) who had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, were as follows:



## Disclosure of Interests

## Interests in Shares:

Name	Capacity	Number of Shares		Percentage of Shares in issue (Note 1)
		Long Position	Short Position	
Shum Yip Group Limited* ("SYG")	Interest in controlled corporation	4,480,478,142 (Note 2)	-	60.68
Shum Yip Holdings Company Limited ("SYH")	Beneficial owner	4,419,373,328	-	59.85
	Interest in controlled corporation	61,104,814 (Note 3)	-	0.83

## Notes:

1. The percentage was calculated based on 7,384,016,988 Shares in issue as at 30 June 2016.
2. SYG is deemed to be interested in the 4,480,478,142 Shares which SYH is interested in by virtue of SYH being its direct wholly-owned subsidiary.
3. These 61,104,814 Shares were held by Goldclass Industrial Limited, a wholly-owned subsidiary of Successful Years Holdings Limited, which in turn is wholly-owned by Shum Yip Finance Company Limited ("SYF"). SYF is a wholly-owned subsidiary of SYH and accordingly, SYH is deemed to be interested in these 61,104,814 Shares.

\* The English translation is for identification purpose only

Save as disclosed above, as at 30 June 2016, the Company had not been notified by any person (other than directors and chief executives of the Company) who had interests or short positions in the Shares and underlying shares of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO.





## Other Information

### Share Option Scheme

The Company adopted a share option scheme on 22 June 2012 (“Share Option Scheme”). During the period, 6,920,000 options were granted and no option was exercised under the Share Option Scheme. As at 30 June 2016, 133,326,000 options granted under the Share Option Scheme were still outstanding. Please refer to note 21 to the interim financial statements for further information of Share Option Scheme.

The particulars of, and movements in, the share options outstanding under the Share Option Scheme during the period are set out below:

	Number of share options						At 30 June 2016	Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$ per share
	At 1 January 2016	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	Other changes during the period				
<b>Directors</b>										
LU Hua	7,830,000	-	-	-	-	-	7,830,000	28/1/2014	28/1/2016-27/1/2019*	2.85
HUANG Wei	3,196,000	-	-	-	-	-	3,196,000	27/7/2015	28/1/2016-27/1/2019*	3.396
MOU Yong	5,246,000	-	-	-	-	-	5,246,000	28/1/2014	28/1/2016-27/1/2019*	2.85
LIU Chong	5,246,000	-	-	-	-	-	5,246,000	28/1/2014	28/1/2016-27/1/2019*	2.85
	21,518,000	-	-	-	-	-	21,518,000			
<b>Other employees</b>										
In aggregate	100,238,000	-	-	-	-	-	100,238,000	28/1/2014	28/1/2016-27/1/2019*	2.85
	4,650,000	-	-	-	-	-	4,650,000	27/7/2015	28/1/2016-27/1/2019*	3.396
	-	6,920,000 (Note)	-	-	-	-	6,920,000	14/6/2016	14/6/2016-27/1/2019**	3.108
	104,888,000	6,920,000	-	-	-	-	111,808,000			
	126,406,000	6,920,000	-	-	-	-	133,326,000			

## Other Information

\* Options shall be exercisable in the following manner and subject to performance review:

Maximum percentage of Share Option exercisable	Period for exercise of the relevant percentage of the Share Option
40%	at any time from 28 January 2016 to 27 January 2017
70%	at any time from 28 January 2017 to 27 January 2018
100%	at any time from 28 January 2018 to 27 January 2019

\*\* Options shall be exercisable in the following manner and subject to performance review:

Maximum percentage of Share Option exercisable	Period for exercise of the relevant percentage of the Share Option
40%	at any time from 14 June 2016 to 27 January 2017
70%	at any time from 28 January 2017 to 27 January 2018
100%	at any time from 28 January 2018 to 27 January 2019

**Note:** The closing share price was HK\$3.00 per Share on 13 June 2016, being the date immediately before the day on which such options were granted.

## Interim Dividend

The Board has declared an interim dividend of HK7.00 cents per Share for the six months ended 30 June 2016 (2015: HK3.00 cents) payable on or about Friday, 18 November 2016 to shareholders whose names appear on the register of members of the Company on Thursday, 15 September 2016.

The interim dividend will be paid in cash but shareholders will be given an option to receive new fully paid shares of the Company (“scrip shares”) in lieu of cash, or partly in cash and partly in the form of scrip shares (the “Scrip Dividend Scheme”).

The Scrip Dividend Scheme is conditional upon the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the scrip shares to be issued under the Scrip Dividend Scheme. A circular containing the details of the Scrip Dividend Scheme together with relevant election form will be sent to shareholders on or about Tuesday, 18 October 2016.



## Other Information

### Closure of Register of Members

The Register of Members of the Company will be closed from Wednesday, 14 September 2016, to Thursday, 15 September 2016 (both dates inclusive), during which period no transfers of Shares will be registered. 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 Tuesday, 13 September 2016.

### Corporate Governance

The Company has applied the principles and complied with all code provisions of the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") throughout the six months ended 30 June 2016, except for code provisions A.6.7 and E.1.2 as disclosed below.

In respect of code provision A.6.7, Dr. WU Jiesi, our non-executive director, was not able to attend the annual general meeting of the Company held on 2 June 2016 ("2016 AGM") as he had other engagements. Dr. WONG Yau Kar, David, our independent non-executive director, was not able to attend the extraordinary general meeting of the Company held on 11 March 2016 as he had other engagements.

In respect of code provision E1.2, our Chairman, Dr. LU Hua was not able to attend the 2016 AGM due to other business commitment. Our President, Mr. HUANG Wei chaired the meeting and, together with the chairman of the audit committee, nomination committee and remuneration committee and other directors, were present to answer the shareholders' questions.

### Audit Committee

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 2016 and this report.



## Other Information

### Compliance with Model Code

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors. On specific enquiries made, all directors of the Company have confirmed that they have complied with the required standard set out in the Model Code throughout the period from 1 January to 30 June 2016.

### Update On Directors' Information

Mr. LI Wai Keung was appointed as the president of the Hong Kong Business Accountants Association Limited on 13 July 2016.

### Purchase, Sale or Redemption of The Company's Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period.

### Continuing Disclosure Requirements Under Rule 13.21 of The Listing Rules

The following are the details of the banking facilities with covenants in relation to specific performance of the controlling shareholder:

By an agreement ("1st Facility Agreement") dated 25 June 2013 entered into between the Company as borrower and a bank, a HK\$300 million (or its equivalent in US dollars) transferable term loan facility ("1st Facility") was provided to the Company. The 1st Facility shall be repaid by the Company in one lump sum on the date falling 36 months from the first drawdown date.

By an agreement ("2nd Facility Agreement") dated 9 October 2013 entered into between the Company as borrower and certain banks, up to a principal amount of US\$235 million (or equivalent to approximately HK\$1,833 million) transferable term loan facility and up to a principal amount of HK\$1,654 million transferable term loan facility ("2nd Facility") were provided to the Company. The 2nd Facility shall be repaid by the Company in four instalments of various percentages of the total amount of borrowings, with all outstanding amount shall be fully repaid on the date falling 60 months from the date of the 2nd Facility Agreement.

## Other Information

By an agreement (“3rd Facility Agreement”) dated 25 August 2014 entered into between the Company as borrower and certain banks, up to a principal amount of US\$435 million (equivalent to approximately HK\$3,393 million) transferable term loan facility and up to a principal amount of HK\$2,510 million transferable term loan facility (“3rd Facility”) were provided to the Company. The 3rd Facility shall be repaid by the Company in three instalments of various percentages of the total amount of borrowings, with all outstanding amount shall be fully repaid on the date falling 60 months from the date of the 3rd Facility Agreement.

By an agreement (“4th Facility Agreement”) dated 4 December 2014 entered into between the Company as borrower and a bank, up to a principal amount of HK\$400 million transferable term loan facility (“4th Facility”) was provided to the Company. The 4th Facility shall be fully repaid in 36 months commencing from the date of the 4th Facility Agreement.

By an agreement (“5th Facility Agreement”) dated 29 May 2015 entered into between the Company as borrower and a bank, up to a principal amount of HK\$200 million term loan facility (“5th Facility”) was provided to the Company. The 5th Facility shall be fully repaid by the Company in three instalments with the last repayment date falling 60 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 5th Facility Agreement collectively referred to as the “Facility Agreements”) dated 7 March 2016 entered into between the Company as borrower and a syndicate of lenders, a US\$230 million transferable term loan facility and a HK\$1,000 million transferable term loan facility (“6th Facility”) were provided to the Company on the terms and conditions as stated therein. The 6th Facility shall be repaid by the Company in instalments with the last repayment date falling 60 months from the date of the 6th Facility Agreement.

Under the Facility Agreements, it will be an event of default if Shum Yip Holdings Company Limited 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 at any time after the happening of an event of default, all amounts due under the facilities may be declared to be immediately due and payable.

As at 30 June 2016, all advances made under the 1st Facility Agreement had been fully repaid.



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