深圳控股有限公司
SHENZHEN INVESTMENT LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00604)

2010 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- In the first half of 2010, revenue amounted to HK$3,619.7 million, an increase of 83% over last year; revenue from property sales amounted to HK$2,703.7 million, an increase of 140% over last year;
- In the first half of 2010, net profit attributable to shareholders amounted to HK$873.9 million, an increase of 68% over last year;
- Holding HK$6,549.5 million cash on hand as of 30 June 2010; net gearing declined to 33.4%.

INTERIM RESULTS

The board of directors (the "Board") of Shenzhen Investment Limited (the "Company") presents the interim condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2010 together with the comparative figures. These interim financial statements have not been audited, but have been reviewed by the Company's audit committee and the auditors, Ernst & Young.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010

		For the six months ended 30 June	
		2010	2009
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
CONTINUING OPERATIONS			
REVENUE	*3*	**3,619,672**	1,973,401
Cost of sales		**(2,117,276)**	(1,254,923)
Gross profit		**1,502,396**	718,478
Other income and gains	*4*	**90,454**	99,253
Increase in fair value of investment properties		**213,545**	132,696
Fair value gains/(losses) of financial assets and financial liabilities at fair value through profit or loss, net		**48,126**	52,275
Selling and distribution costs		**(82,518)**	(80,591)
Administrative expenses		**(296,246)**	(216,546)
Other expenses		**(6,524)**	(11,121)
Finance costs	*5*	**(98,805)**	(143,911)
Share of profits and losses of associates		**171,068**	208,994
PROFIT BEFORE TAX	*6*	**1,541,496**	759,527
Income tax expense	*7*	**(551,607)**	(147,138)
PROFIT FOR THE PERIOD		**989,889**	612,389
ATTRIBUTABLE TO:			
Equity holders of the parent		**873,917**	521,604
Non-controlling interests		**115,972**	90,785
		989,889	612,389

		For the six months ended 30 June	
		2010	2009
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic			
– For profit for the period		**HK24.72 cents**	HK16.23 cents
Diluted			
– For profit for the period		**HK24.71 cents**	HK16.22 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

		For the six months ended 30 June	
		2010	2009
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Profit for the period		**989,889**	612,389
Exchange differences on translation of foreign operations		**153,908**	(10,788)
Net gain/(loss) on an available-for-sale investment	*8*	**(15,344)**	27,457
Income tax		**3,376**	(6,864)
		(11,968)	20,593
Share of other comprehensive income of associates	*8*	**12,440**	11,067
Other comprehensive income for the period, net of tax		**154,380**	20,872
Total comprehensive income for the period, net of tax		**1,144,269**	633,261
Attributable to:			
Equity holders of the parent		**1,014,146**	542,967
Non-controlling interests		**130,123**	90,294
		1,144,269	633,261

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2010

	Notes	30 June 2010 (Unaudited) HK$'000	31 December 2009 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**584,891**	587,414
Intangible assets		**85,616**	88,092
Prepaid land lease payment		**4,073**	4,118
Goodwill		**322,600**	322,600
Investment properties		**4,380,214**	4,105,782
Interests in associates		**5,034,603**	4,970,160
Held-to-maturity investments		**385,714**	383,518
Available-for-sale investments		**35,004**	46,744
Other long term assets		**1,267,631**	1,166,319
Deferred tax assets		**311,224**	262,642
Total non-current assets		**12,411,570**	11,937,389
CURRENT ASSETS			
Inventories		**56,025**	63,204
Completed properties held for sale		**1,644,833**	1,775,443
Properties under development		**9,374,599**	9,404,382
Trade receivables	*11*	**356,899**	532,936
Prepayments, deposits and other receivables		**995,993**	907,571
Financial assets at fair value through profit or loss		**21,284**	21,510
Cash and cash equivalents		**6,549,519**	6,434,237
		18,999,152	19,139,283
Assets of disposal group classified as held for sale	*12*	**118,466**	–
Total current assets		**19,117,618**	19,139,283

	Notes	30 June 2010 (Unaudited) HK$'000	31 December 2009 (Audited) HK$'000
CURRENT LIABILITIES			
Interest-bearing bank loans		**4,008,624**	3,262,263
Derivative financial instruments		**120,527**	168,880
Trade payables	*13*	**166,764**	88,250
Other payables and accruals		**3,764,862**	4,487,476
Amounts due to the ultimate holding company		**99,853**	102,390
Tax payable		**1,348,940**	1,148,643
		9,509,570	9,257,902
Liabilities directly associated with the assets classified as held for sale	*12*	**10,166**	–
Total current liabilities		**9,519,736**	9,257,902
NET CURRENT ASSETS		**9,597,882**	9,881,381
TOTAL ASSETS LESS CURRENT LIABILITIES		**22,009,452**	21,818,770
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		**6,936,065**	7,704,433
Deferred tax liabilities		**766,538**	702,659
Total non-current liabilities		**7,702,603**	8,407,092
Net assets		**14,306,849**	13,411,678
EQUITY			
Total equity attributable to equity holders of the parent			
Issued capital		**176,828**	176,392
Reserves		**12,996,460**	12,213,617
		13,173,288	12,390,009
Non-controlling interests		**1,133,561**	1,021,669
Total equity		**14,306,849**	13,411,678

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

1. Basis of Preparation

The unaudited interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2009.

2. Impact of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and interpretations)

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009, except for the adoption of the new standards and interpretations as noted below.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives and* HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*
Annual Improvements Project	*Improvements to HKFRSs 2009*
HK-Interpretation 4	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*

The adoption of the above new standards and interpretations has had no material effect on the accounting policies of the Group and the methods of computation in the interim condensed consolidated financial statements.

3. Operating Segment Information

For management purpose, the Group is organised into business units based on their products and services, and has six reportable operating segments as follows:

(a) the property development segment engages in the development of residential, industrial and commercial properties;

(b) the property investment segment invests in residential, industrial and commercial properties for their rental income potential;

(c) the property management segment engages in the management of both properties developed by the Group and external parties;

(d) the transportation services segment consists of the provision of passenger and freight transportation services, automobile maintenance, cargo services and other related services;

(e) the manufacturing segment engages in the manufacture and sale of industrial and commercial products; and

(f) the "others" segment comprises, principally, the service income of land reconstruction, the manufacture and sale of aluminum alloys and other businesses.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource 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/(losses) from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

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

For the six months ended 30 June 2010	Property development HK$'000	Property investment HK$'000	Property management HK$'000	Transportation services HK$'000	Manufacturing HK$'000	Others HK$'000	Total HK$'000
Segment revenue:							
Sales to customers	2,703,740	188,585	368,255	119,404	128,743	110,945	3,619,672
Intersegment sales	–	–	2,088	–	–	21,754	23,842
	2,703,740	188,585	370,343	119,404	128,743	132,699	3,643,514
Reconciliation							
Elimination of intersegment sales							(23,842)
Revenue							3,619,672
Segment results before increase in fair value of investment properties	1,044,372	160,108	22,803	20,616	555	80,751	1,329,205
Increase in fair value of investment properties	–	213,545	–	–	–	–	213,545
Segment results after increase in fair value of investment properties	1,044,372	373,653	22,803	20,616	555	80,751	1,542,750
Reconciliation							
Elimination of intersegment result							(4,434)
Interest income							77,323
Dividend income and unallocated gains							8,804
Fair value gain of the financial instruments							48,126
Corporate and other unallocated expense							(32,268)
Finance costs							(98,805)
Profit before tax							1,541,496

For the six months ended 30 June 2009	Property development *HK$'000*	Property investment *HK$'000*	Property management *HK$'000*	Transportation services *HK$'000*	Manufacturing *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue:							
Sales to customers	1,127,353	181,615	327,073	115,451	92,945	128,964	1,973,401
Intersegment sales	–	–	2,392	–	–	4,362	6,754
	1,127,353	181,615	329,465	115,451	92,945	133,326	1,980,155
Reconciliation							
Elimination of intersegment sales							(6,754)
Revenue							1,973,401
Segment results before increase in fair value of investment properties	302,719	174,771	13,285	28,934	1,786	127,824	649,319
Increase in fair value of investment properties	–	132,696	–	–	–	–	132,696
Segment results after increase in fair value of investment properties	302,719	307,467	13,285	28,934	1,786	127,824	782,015
Reconciliation							
Elimination of intersegment result							(2,169)
Interest income							63,223
Dividend income and unallocated gains							29,795
Fair value gain of the financial instruments							52,275
Corporate and other unallocated expense							(21,701)
Finance costs							(143,911)
Profit before tax							759,527

4. Other Income and Gains

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income	**77,323**	63,223
Rental income	**–**	346
Others	**13,131**	35,684
	90,454	99,253

5. Finance Costs

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on:		
Bank loans	**163,672**	230,930
Other loans	**–**	16,757
Other finance costs	**71,912**	42,679
Less: Amounts capitalised under properties development projects	**(136,779)**	(146,455)
	98,805	143,911

6. Profit before Tax

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

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation	**37,709**	38,346
Amortisation of intangible assets	**3,510**	2,971
Loss on disposal of items of investment properties	**–**	250
Gain on disposal of items of property, plant and equipment, net	**(521)**	(6,140)
Write-back of impairment of trade receivables	**(1,481)**	(17,053)

7. Income Tax Expense

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period (2009: Nil). Taxes on profits assessable in Mainland China are calculated at the rates of tax prevailing in the locations in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Major subsidiaries of the Group operate in Shenzhen, Mainland China, which are subject to the corporate income tax rate of 22% (2009: 20%) for the year 2010, according to the new PRC Enterprise Income Tax Law which became effective on 1 January 2008.

PRC land appreciation tax ("LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures. LAT of HK$234,894,000 was charged to the condensed consolidated income statement for the six months ended 30 June 2010 (six months ended 30 June 2009: HK$58,796,000).

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Mainland China corporate income tax	**265,569**	108,065
Current – Withholding tax on dividend	**24,937**	34,873
Current – LAT in Mainland China	**234,894**	58,796
Deferred – Mainland China corporate income tax	**62,732**	9,948
Deferred – Withholding tax on dividend	**12,721**	(16,936)
Deferred – LAT in Mainland China	**(49,246)**	(47,608)
Total tax charge for the period	**551,607**	147,138

The share of tax attributable to associates of approximately HK$212,661,000 (six months ended 30 June 2009: HK$176,008,000) is included in "Share of profits and losses of associates" on the face of the interim condensed consolidated income statement.

8. Components of Other Comprehensive Income

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Available-for-sale financial investments:		
Gains/(Losses) arising during the period	**(15,344)**	27,457
Share of the other comprehensive income of associates:		
Assets revaluation	**2,362**	(1,015)
Exchange differences on translation of foreign operations	**10,078**	12,082
	12,440	11,067

9. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent

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

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

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

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**873,917**	521,604
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**3,534,617,362**	3,214,747,423
Effect of dilution – weighted average number of ordinary shares:		
Share options	**1,700,296**	1,893,417
	3,536,317,658	3,216,640,840

10. Dividend Paid and Proposed

	For the six months ended 30 June	
	2010	2009
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Dividends on ordinary shares declared and paid during the six-month period:		
Final dividend for 2009: HK7.00 cents (2008: HK8.00 cents)	**247,560**	257,387
Dividends on ordinary shares proposed for approval (not recognised as a liability as at 30 June)		
First dividend for 2010: HK7.00 cents (2009: HK5.00 cents)	**247,560**	161,041

The 2010 interim dividend was resolved by the board of directors on 25 August 2010.

11. Trade Receivables

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

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

	30 June 2010 (Unaudited) *HK$'000*	31 December 2009 (Audited) *HK$'000*
Within one year	**204,109**	409,575
One to two years	**136,965**	118,986
Two to three years	**11,911**	4,375
Over three years	**3,914**	–
Total	**356,899**	532,936

12. Assets of disposal group classified as held for sale/Liabilities directly associated with the assets classified as held for sale

On 19 April 2010, the Group has entered into a sale and purchase agreement with Shenzhen Nuode Communication Technology Company Limited ("Nuode Company") to dispose its 100% interest in Huizhou Zhongkai Venture Plaza Development Company Limited (惠州仲愷創業廣場發展有限公司) ("Zhongkai") , a wholly-owned subsidiary of the Group for a cash consideration of RMB198 million. Zhangkai owned a piece of land which was located at Huizhou, Guangdong province.

As Zhongkai was available for immediate sale in its present condition at 30 June 2010 and its sales are highly probable. As such, it should be classified as held for sale as its carrying amount would be recovered principally through a sale transaction rather than through continuing use. According to HKFRS 5, asset and liabilities of Zhongkai should be stated at the lower of its carrying amount and fair value less cost to sell.

Zhongkai had no operation in these years and accordingly, no discontinued operation was disclosed in the condensed consolidated income statement during the current period. Assets and liabilities of Zhongkai were disclosed as assets classified as held for sale and liabilities directly associated with the assets classified as held for sale on the Group's condensed consolidated statement of financial position, respectively.

13. Trade Payables

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

	30 June 2010 (Unaudited) *HK$'000*	31 December 2009 (Audited) *HK$'000*
Within one year	**112,402**	39,684
One to two years	**13,149**	5,872
Two to three years	**1,060**	3,333
Over three years	**40,153**	39,361
	166,764	88,250

14. Pledge of Assets

As at 30 June 2010, the Group's bank loans amounting to HK$255,197,000 (31 December 2009: HK$266,549,000) were secured by:

(i) certain of the Group's properties under development with a net book value of approximately HK$54,950,000 as at 30 June 2010 (31 December 2009: HK$58,872,000); and

(ii) certain of the Group's investment property with a net book value of approximately HK$388,730,000 as at 30 June 2010 (31 December 2009: HK$395,926,000).

15. Capital Commitments

	30 June 2010 (Unaudited) *HK$'000*	31 December 2009 (Audited) *HK$'000*
Commitments in respect of acquisition of land and buildings, and development costs attributable to properties under development:		
Contracted, but not provided for	**4,820,521**	5,148,123
Authorised, but not contracted for	**52,742**	94,808

16. Contingent Liabilities

At 30 June 2010, the Group has given guarantees to a maximum extent of approximately HK$1,414,258,000 (31 December 2009: HK$676,101,000) to banks for housing loans extended by the banks to the purchasers of the Group's properties.

Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal titles of the related properties. The Group's guarantee period commences from the dates of grant of the relevant mortgage loans and ends after the buyers have obtained the individual property ownership certificates or up to a maximum of two years after the full repayment of the mortgaged loans by the purchasers of the Group's properties.

The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty and therefore no provision has been made in connection with the guarantees.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

In the first half of 2010, affected by the state's macroeconomic measures in property sector, the PRC real estate market entered into an adjustment phase again. Facing the rapid changing market environment, the Group focused its efforts in accelerating property sales, strengthening internal control and ensuring safety of funds, thereby able to maintain a sound developing momentum.

The Group achieved a turnover of HK$3,619.7 million, representing an increase of 83% over the same period of last year. Gross profit was HK$1,502.4 million, representing an increase of 109% over the same period of last year. Gross profit margin was 41.5%, representing an increase of 5.1 percentage points over the same period of last year. Net profit attributable to shareholders was HK$873.9 million, representing an increase of 68% over the same period of last year. Basic earnings per share was HK24.72 cents, representing an increase of 52% over the same period of last year.

Property development

During the period, the Group recorded 231,000 square meters in property sales (excluding the interests attributable to the Group in its three principal associated companies) and achieved a net income in property sales of HK$2,703.7 million (net of business tax), representing an increase of 166% and 140% respectively over the same period of last year. Sales income was mainly derived from selling the entire Times Industrial Park project, Red Pine Mansion, Nanhu Rose Bay, Royal Spring Villas, Coast Phase III and other projects.

The Group achieved contracted sales income of approximately RMB2.26 billion (approximately HK$2.6 billion) in the first seven months of the year, which were mainly derived from Red Pine Mansion, Snow Pine Building, Shum Yip City Phase I, Purple Kylin Hill Phase I (Villa), Royal Spring Villas Phase I, Garden Hill Phase 1 and Wanlin Lake Phase III and other property projects.

Property under construction and land reserves

As at 30 June 2010, the Group had 17 property projects under construction, with a total gross floor area of approximately 1.604 million square meters. Development of these projects was progressing smoothly.

During the period, the Group had newly acquired the Chengdu Northern New Town land site, which is located at the city centre of Qingbaijiang, Chengdu, with a site area of approximately 119,000 square meters, gross floor area of 420,000 square meters, and land premium of RMB112.2 million.

As at the end of June 2010, the Group had a total gross land reserve of 10.52 million square meters (in gross floor area) with attributable gross floor area of 9.26 million square meters (excluding the interests attributable to the Group in its three principal associated companies). Our current land reserves are sufficient to meet the development needs in the next five to six years. The Group will also continue to increase high quality land reserves through various means.

	Province	**City**	**Gross Floor Area** *(sq. m.)*	**Attributable gross floor area** *(sq. m.)*	**Percentage of attributable area** *%*
Land premium paid	Guangdong	Shenzhen	1,463,512	1,238,312	13.37%
		Huizhou	1,261,210	1,261,210	13.62%
		Dongguan	385,344	385,344	4.16%
		Foshan	685,110	685,110	7.40%
	Hubei	Wuhan	300,527	157,777	1.70%
	Hunan	Changsha	1,145,843	916,674	9.90%
	Anhui	Chaohu	162,098	129,678	1.40%
	Jiangsu	Jiangyan	626,538	626,538	6.77%
	Liaoning	Shenyang	201,283	94,603	1.02%
	Sichuan	Chengdu	767,148	575,361	6.21%
	Sub-total		6,998,613	6,070,607	
Land premium unpaid		Heyuan	1,530,000	1,530,000	16.52%
		Foshan	889,651	889,651	9.61%
		Maanshan	1,100,000	770,000	8.32%
	Sub-total		3,519,651	3,189,651	
	Total		10,518,264	9,260,258	100%

Disposal of Project

In April 2010, the Group entered into a sale and purchase agreement through its wholly-owned subsidiary to dispose of the 100% equity interest of Huizhou Zhongkai Chuangye Square Development Co., Ltd. ("Zhongkai Square Company") to an independent third party at a consideration of RMB198 million (approximately HK$227.7 million). The Zhongkai Square Company primarily holds a parcel of land in Huizhou, Guangdong Province for commercial development purposes with a gross floor area of 40,000 square meters. It is expected that the gain before tax of approximately HK$119 million of such disposal will be recognized in the second half year.

Property investment

In the period, the Group's investment property continued to maintain steady growth. With a total area in investment property of approximately 600,000 square meters, it had achieved a rental income of HK$188.6 million, increase by 4% from a year earlier. The Group recorded a revaluation gain of HK$213.5 million in its investment property portfolio which had already been booked in the profit under the period.

Performance of associated companies

In the period, the performance of the Group's investments in associated companies was within our expectation. Of which, Road King Infrastructure Limited, a listed company in Hong Kong, made a net profit contribution of HK$72.6 million to the Group, an increase of 4% from a year earlier. Coastal Greenland Limited, another listed company in Hong Kong, made a net loss of HK$33.8 million, compared with a net loss of HK$37.5 million in the same period of last year. In the meantime, Shenzhen Tianan Cyberpark Co., Ltd. made a net profit contribution of HK$139.5 million to the Group, an increase of 12% from a year earlier.

Financial conditions

As at 30 June 2010, the Group's cash balance was HK$6,549.5 million (31 December 2009: HK$6,434.2 million), of which 90% and 10% was denominated in Renminbi and other currencies (mainly in US$ and HK$) respectively. While Renminbi is not a freely convertible currency, however, under the Foreign Exchange Control Regulations of the PRC and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment of the PRC, the Group had been authorized to convert Renminbi into other currencies via authorized banks that can conduct foreign exchange businesses.

At 30 June 2010, the Group's total bank loans amounted to HK$10,944.7 million (31 December 2009: HK$10,966.7 million), of which HK$9,930.1 million were floating-rate loans (31 December 2009: HK$9,735.7 million), and the rest were fixed rate loans. Of all the loans, long-term loans amounted to HK$6,936.1 million (31 December 2009: HK$7,704.4 million) and short-term loans were HK$4,008.6 million (31 December 2009: HK$3,262.3 million).

As of 30 June 2010, the Group had net assets (after minority interests) of HK$13,173.3 million and the ratio of net debts to net assets (after minority interests) was 33.4% (31 December 2009: 36.6%).

As the Group's operating cash inflow are mainly in Renminbi, while its assets and debts are mainly denominated in Renminbi and US Dollar. In the short run, exchange rate movements have positive financial impact to the Group.

Shareholding structure

On 30 June 2010, Shum Yip Holdings Company Limited, the parent company of the Company is interested in approximately 43.09% of the Company, and is the biggest shareholder of the Company.

On 28 June, a total of 93,862,000 share options were granted to executive directors, senior management and employees of the Company at an exercise price of HK$2.39 per share.

In the period under review, a total of 8,733,000 share options granted were exercised. Also in the period, the Company did not repurchase any share of the Company.

As of 30 June 2010, the Group had a total number of 3,536,568,090 shares in issue (31 December 2009: 3,527,835,090 shares).

Staff headcount and remuneration

As of 30 June 2010, the Group had a total staff number of 14,251, of which 34 were stationed in Hong Kong (mainly managerial and finance-related personnel), and the rest were in China.

The Group's staff remuneration is based on individual performance, professional qualifications, industry experience and labour market trends. The management of the Group reviews regularly its compensation policies as well as the performance of its employees.

Staff compensation includes salaries, allowances, medical insurance and mandatory retirement benefits. The Group also issues bonuses and grants share options, according to the Share Option Scheme of the Group, to employees based on individual performance as well as the Group's overall performance.

Business outlook

During the first half year of 2010, the PRC's macro economic conditions maintained a stable and rising momentum amid entwining by both the domestic and overseas complicated and fluctuating environment. After experiencing a short surge, the PRC property market was rinsed by the strong control of the government which was rarely seen in recent years, demonstrating the government's strong determination and intensified efforts to control the property market. The regulating policies and measures covered various aspects such as land supply, credit control and taxation. On one hand, the government has impeded the speculative property demand and on the other hand, the government has increased the supply of subsidized housing and intensified the implementation efforts by local governments. Under such stringent regulated measures, the domestic property market has deteriorated rapidly with transaction volume shrinking significantly. The wait-and-see sentiments are becoming pre-dominant and as such, escalating property prices were under controlled with the property prices in some cities starting to ease off.

We consider that, as the regulating direction of the government will not alter during the year, the property prices will adjust downwards to a certain level in the next six months and this adjustment cycle may last up to 2011. However, with the impact of austerity measures gradually show its results, both the policy environment and financial environment will gradually improve and the PRC property market will enter into a healthy and development track gradually. With the real economy recovering, Renminbi appreciation and long existing population growth and increase of resident income, they are all the drivers for the long-term promising outlook of the property market. We remain confident about the medium and long-term prospect of the PRC property market.

Facing with difficult market environment, the Group has realized new housing pre-sale area of approximately 220,000 square meters and pre-sale income of approximately RMB2.26 billion in the first seven months of this year, achieving 50.2% of the annual target. In the second half of the year, based on market conditions, the Group will adopt flexible marketing strategies to further strengthen its property sales and enhance the sales of major property projects including Shumyip Purple Kylin Hill, ShumYip City, Nanhu Rose Bay Phase III and Royal Spring Villas, striving to meet the annual sales target of RMB4.5 billion.

The Group has 600,000 square meters of investment properties located in prime areas of Shenzhen. We will seize the opportunity of urban rennovation and actively negotiate with the government for redevelopment some of our investment properties. The Group will provide high-end products by enhancing the efficiency of land utilization, thus maximizing the commercial values of existing properties.

The Group will leverage on the opportunities brought by market adjustment and build up our premium land reserve. As the flagship company of the parent company in property business, the Group will leverage on the opportunities arising from the parent Company – Shum Yip Group's property resources integration and strengthen our co-operation, thereby increase our quality land resources in Guangdong and Shenzhen through assets injection or cooperative development, laying a foundation for the industry recovery in future.

Through the completion of the restructuring of our internal organizations in the first half of the year, the Group gradually formed its regional property development layout, its development position in residential property and commercial property sectors to lay a foundation in improving its brand image and core competitiveness. Looking forward, we will continue to enhance our internal management, improve our human resources structure, rationalize our commercial models and escalate our operation efficiency. We aim at maximizing the values and satisfactory returns for shareholders through on-going improvement of product quality and brand name.

INTERIM DIVIDEND

The board of directors of the Company have resolved to declare an interim dividend of HK7.00 cents per share for the six months ended 30 June 2010 (2009: HK5.00 cents). The total amount of the dividend will be HK$247,559,766 (2009: HK$161,040,755). The dividend will be payable on Friday, 24 September 2010 to shareholders whose names appear on the Register of Members on 13 September 2010.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 13 September 2010, to Thursday, 16 September, 2010 (both dates inclusive), during which period no transfers of shares will be registered. In order to qualify for the interim dividend, all completed transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrar, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong no later than 4:30 p.m. on Friday, 10 September 2010.

CORPORATE GOVERNANCE

The Company has adopted all the code provisions in the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules ("Code") as its own code on corporate governance practices. During the six months ended 30 June 2010, the Company has complied with the code provisions set out in the Code and there have been no material deviations from the Code.

The Audit Committee comprises three independent non-executive directors namely Mr. LI Wai Keung, Mr. WONG Po Yan and Mr. WU Wai Chung, Michael. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters including the review of the unaudited interim results for the six months ended 30 June 2010.

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors of the Company, the Company confirmed that all directors have complied with the required standard set out in the Model Code.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

APPRECIATION

On behalf of the Board, I would like to extend my gratitude to all shareholders, the public and employees of the Group for their unfailing support, assistance, service and dedication.

On behalf of
Shenzhen Investment Limited
GUO Limin
Chairman

Hong Kong, 25th day of August, 2010.

As at the date of this announcement, the Board comprises 9 directors, of which Mr. GUO Limin, Mr. XU Ruxin, Mr. MOU Yong and Mr. LIU Weijin are the executive directors of the Company, Dr. WU Jiesi and Mr. LIU Biao are the non-executive directors of the Company and Mr. WONG Po Yan, Mr. WU Wai Chung, Michael and Mr. LI Wai Keung are the independent non-executive directors of the Company.