深圳控股有限公司
SHENZHEN INVESTMENT LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 00604)

2011 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- In the first half of 2011, revenue amounted to HK$3,634.2 million, an increase of 0.4% over last year;
- In the first half of 2011, net profit attributable to shareholders amounted to HK$991.4 million, an increase of 13.4% over last year;
- Holding HK$8,333.2 million cash on hand (including pledged deposits) as of 30 June 2011; net gearing at 51.1%.

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 2011 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 2011

		For the six months ended 30 June	
		2011	2010
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**3,634,239**	3,619,672
Cost of sales		**(2,048,920)**	(2,117,276)
Gross profit		**1,585,319**	1,502,396
Other income and gains	*5*	**100,007**	90,454
Increase in fair value of investment properties		**222,443**	213,545
Fair value gains of financial assets and financial liabilities at fair value through profit or loss, net		**69,033**	48,126
Selling and distribution costs		**(95,003)**	(82,518)
Administrative expenses		**(323,637)**	(296,246)
Other expenses		**(20,768)**	(6,524)
Finance costs	*6*	**(131,520)**	(98,805)
Share of profits and losses of associates		**407,470**	171,068
PROFIT FOR THE PERIOD BEFORE TAX	*7*	**1,813,344**	1,541,496
Income tax expense	*8*	**(601,105)**	(551,607)
PROFIT FOR THE PERIOD		**1,212,239**	989,889
ATTRIBUTABLE TO:			
Owners of the parent		**991,401**	873,917
Non-controlling interests		**220,838**	115,972
		1,212,239	989,889

	Note	For the six months ended 30 June **2011** **(Unaudited)**	2010 (Unaudited)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*10*		
Basic			
– For profit for the period		**HK28.03 cents**	HK24.72 cents
Diluted			
– For profit for the period		**HK28.02 cents**	HK24.71 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Note	**For the six months ended 30 June 2011 (Unaudited) *HK$'000***	For the six months ended 30 June 2010 (Unaudited) *HK$'000*
Profit for the period		**1,212,239**	989,889
Net loss on an available-for-sale investment	*9*	**–**	(15,344)
Income tax effect		**–**	3,376
		–	(11,968)
Exchange differences on translation of foreign operations		**352,028**	153,908
Share of other comprehensive income of associates	*9*	**90,619**	12,440
Other comprehensive income for the period, net of tax		**442,647**	154,380
Total comprehensive income for the period, net of tax		**1,654,886**	1,144,269
Attributable to:			
Owners of the parent		**1,403,420**	1,014,146
Non-controlling interests		**251,466**	130,123
		1,654,886	1,144,269

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Note	**30 June 2011 (Unaudited) *HK$'000***	31 December 2010 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**642,884**	630,115
Intangible assets		**83,695**	84,305
Prepaid land lease payments		**47,792**	30,738
Goodwill		**322,734**	322,625
Investment properties		**5,264,603**	4,902,151
Investments in associates		**5,067,608**	5,010,384
Held-to-maturity investments		**386,928**	385,938
Available-for-sale investments		**34,760**	34,014
Other long term assets		**612,359**	156,876
Deferred tax assets		**395,149**	332,348
Total non-current assets		**12,858,512**	11,889,494
CURRENT ASSETS			
Inventories		**88,880**	60,289
Completed properties held for sale		**2,333,836**	2,441,670
Properties under development		**14,278,164**	12,160,436
Trade receivables	*12*	**172,131**	199,449
Prepayments, deposits and other receivables		**1,815,752**	1,353,642
Financial assets at fair value through profit or loss		**23,736**	20,564
Pledged deposits		**45,238**	–
Cash and cash equivalents		**8,287,923**	6,245,463
Total current assets		**27,045,660**	22,481,513

	Note	30 June 2011 (Unaudited) HK$'000	31 December 2010 (Audited) HK$'000
CURRENT LIABILITIES			
Interest-bearing bank loans		**8,637,068**	9,615,482
Derivative financial instruments		**–**	65,861
Trade payables	*13*	**195,452**	141,725
Other payables and accruals		**5,107,846**	4,249,817
Amounts due to the ultimate holding company		**48,708**	41,616
Tax payable		**1,706,179**	1,447,667
Total current liabilities		**15,695,253**	15,562,168
NET CURRENT ASSETS		**11,350,407**	6,919,345
TOTAL ASSETS LESS CURRENT LIABILITIES		**24,208,919**	18,808,839
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		**7,162,785**	3,173,527
Deferred tax liabilities		**1,048,992**	935,515
Total non-current liabilities		**8,211,777**	4,109,042
Net assets		**15,997,142**	14,699,797
EQUITY			
Total equity attributable to owners of the parent			
Issued capital		**176,998**	176,828
Reserves		**14,442,501**	13,298,075
		14,619,499	13,474,903
Non-controlling interests		**1,377,643**	1,224,894
Total equity		**15,997,142**	14,699,797

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

1. CORPORATE INFORMATION

The interim condensed consolidated financial statements of Shenzhen Investment Limited (the "Company") and its subsidiaries (hereafter referred to as the "Group") for the six months ended 30 June 2011 were authorised for issue in accordance with a resolution of the directors of the Company (the "Directors") on 25 August 2011.

The Company is a limited company incorporated in Hong Kong. The registered office of the Company is located at 8th Floor, New East Ocean Centre, 9 Science Museum Road, Kowloon, Hong Kong. The principal activities of the Group are described in Note 4.

2. BASIS OF PREPARATION

The 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 2010.

3. 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 2010, except for the adoption of the new standards and interpretations as of 1 January 2011, noted below:

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation-Classification of Rights Issues*

HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*

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.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4. OPERATING SEGMENT INFORMATION

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

(a) the property development segment engages in the development of residential, industrial, land 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 and other related services;

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

(f) the "others" segment comprises, principally, the manufacture and sale of aluminum alloys 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 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 2011	**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	2,045,899	210,447	466,733	119,707	158,783	632,670	3,634,239
Intersegment sales	–	5,736	1,304	–	–	9,499	16,539
	2,045,899	216,183	468,037	119,707	158,783	642,169	3,650,778
Reconciliation							
Elimination of intersegment sales							(16,539)
Revenue							3,634,239
Segment results before increase in fair value of investment properties	1,051,270	320,444	25,164	17,787	8,499	195,027	1,618,191
Increase in fair value of investment properties	–	222,443	–	–	–	–	222,443
Segment results after increase in fair value of investment properties	1,051,270	542,887	25,164	17,787	8,499	195,027	1,840,634
Reconciliation							
Elimination of intersegment result							(7,587)
Interest income							90,806
Dividend income and unallocated gains							4,429
Fair value gains of the financial instruments at fair value through profit or loss, net							69,033
Corporate and other unallocated expenses							(52,451)
Finance costs							(131,520)
Profit before tax							1,813,344

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 gains of the financial instruments at fair value through profit or loss, net							48,126
Corporate and other unallocated expenses							(32,268)
Finance costs							(98,805)
Profit before tax							1,541,496

5. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest income	**90,806**	77,323
Others	**9,201**	13,131
	100,007	90,454

6. FINANCE COSTS

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on:		
Bank loans	**297,009**	163,672
Other finance costs	**64,999**	71,912
Less: Interest capitalised	**(230,488)**	(136,779)
	131,520	98,805

7. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation	**42,625**	37,709
Amortisation of intangible assets	**3,248**	3,510
Amortisation of prepaid land lease payments	**827**	–
Gain on disposal of items of property, plant and equipment, net	**(40)**	(521)
Write-back of impairment of trade receivables	**(271)**	(1,481)

8. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period (six months ended 30 June 2010: 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 24% (2010: 22%) for the year 2011, 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$268,806,000 was charged to the condensed consolidated income statement for the six months ended 30 June 2011 (six months ended 30 June 2010: HK$234,894,000).

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Mainland China corporate income tax	**290,942**	265,569
Current – Withholding tax on dividend	**9,369**	24,937
Current – LAT in Mainland China	**268,806**	234,894
Deferred – Mainland China corporate income tax	**51,363**	62,732
Deferred – Withholding tax on dividend	**25,217**	12,721
Deferred – LAT in Mainland China	**(44,592)**	(49,246)
Total tax charge for the period	**601,105**	551,607

The share of tax attributable to associates of approximately HK$314,723,000 (six months ended 30 June 2010: HK$212,661,000) is included in "Share of profits and losses of associates" on the face of the interim condensed consolidated income statement.

9. COMPONENTS OF OTHER COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Available-for-sale financial investments:		
Loss arising during the period	**–**	(15,344)
Share of other comprehensive income of associates:		
Asset revaluation	**4,541**	2,362
Exchange differences on translation of foreign operations	**86,078**	10,078
	90,619	12,440

10. 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	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**991,401**	873,917
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**3,536,955,312**	3,534,617,362
Effect of dilution – weighted average number of ordinary shares:		
Share options	**966,258**	1,700,296
	3,537,921,570	3,536,317,658

11. DIVIDEND PAID AND PROPOSED

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Dividends on ordinary shares declared and paid during the six-month period:		
Final dividend for 2010: HK7.00 cents (2009: HK7.00 cents)	**247,798**	247,560
Dividends on ordinary shares proposed for approval (not recognised as a liability as at 30 June)		
First dividend for 2011: HK7.00 cents (2010: HK7.00 cents)	**247,798**	247,560

The 2011 interim dividend was resolved by the board of directors on 25 August 2011. The interim dividend will be satisfied wholly in the form of an allotment of new fully paid share(s) of nominal value of HK$0.05 each in the share capital of the Company ("scrip shares") but shareholders will be given the option of receiving such interim dividend wholly in cash in lieu of such allotment, or partly in cash and partly in the form of scrip shares.

12. 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 2011 (Unaudited) ***HK$'000***	31 December 2010 (Audited) *HK$'000*
Within one year	**155,922**	147,272
One to two years	**7,978**	16,947
Two to three years	**8,231**	35,230
Total	**172,131**	199,449

13. TRADE PAYABLES

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

	30 June 2011 (Unaudited) ***HK$'000***	31 December 2010 (Audited) *HK$'000*
Within one year	**98,141**	88,548
One to two years	**51,710**	8,638
Two to three years	**7,392**	2,672
Over three years	**38,209**	41,867
	195,452	141,725

14. PLEDGE OF ASSETS

At 30 June 2011, bank loans of the Group amounting to HK$864,142,000 (31 December 2010: HK$198,325,000) were secured by:

(i) certain of the Group's fixed asset with a net book value of approximately HK$4,852,000 as at 30 June 2011(31 December 2010: Nil);

(ii) certain of the Group's investment properties with a net book value of approximately HK$516,183,000 as at 30 June 2011 (31 December 2010: HK$504,518,000); and

(iii) one of the Group's property under development with a net book value of approximately HK$632,972,000 as at 30 June 2011 (31 December 2010: Nil).

15. CAPITAL COMMITMENTS

	30 June 2011 (Unaudited) ***HK$'000***	31 December 2010 (Audited) *HK$'000*
Commitments in respect of acquisition of land and buildings, and development costs attributable to properties under development:		
Contracted, but not provided for	**7,517,869**	7,765,002
Authorised, but not contracted for	**617,307**	405,268
	8,135,176	8,170,270

16. CONTINGENT LIABILITIES

At 30 June 2011, the Group has given guarantees to a maximum extent of approximately HK$423,232,000 (31 December 2010: HK$962,473,000) 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.

17. RELATED PARTY TRANSACTIONS

Transactions with related parties:

		For the six months ended 30 June	
		2011	2010
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Transactions with Shum Yip Holdings Company Limited, the immediate holding company:			
– Rental expenses paid	*(i)*	**2,718**	2,470
Associates:			
– Purchase of properties	*(ii)*	**712,580**	–
– Interest income	*(iii)*	**1,988**	–
A jointly-controlled entity:			
– Interest income	*(iii)*	**22,599**	–

Notes:

(i) The rentals were determined by the directors with reference to the market prices of similar transactions.

(ii) The transaction with the associate was the purchase of properties of Tian'an Golf Longyuan at the average price of HK$35,697 per square meter.

(iii) The interest income from an associate and a jointly-controlled entity was determined by the directors with reference to the market prices of similar transactions.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the first half of the year, the central government regarded consumer price stability as the primary task of its austerity measure and exerted escalating stringent measures to regulate the property market. Facing an unfavourable market environment, the Group focused its efforts in accelerating property sales, ensuring safety of funds and strengthening internal control, thereby being able to maintain a steady development momentum.

During the period, the Group achieved a turnover of HK$3,634.2 million, representing an increase of 0.4% over the same period of last year. Gross profit margin was 43.6%, representing an increase of 2.1 percentage points over the same period of last year. Net profit attributable to shareholders was HK$991.4 million, representing an increase of 13.4% over the same period of last year. Basic earnings per share was HK28.03 cents, representing an increase of 13.4% over the same period of last year.

Property development and sales

During the period, the Group recorded 154,000 square meters in property sales (excluding the interests attributable to the Group in its three principal associated companies) and achieved a net revenue in property sales of HK$2,045.9 million (net of business tax), representing a decrease of 33.3% and 24.3% respectively over the same period of last year. The sales income was mainly derived from Snow Pine Building, Nanhu Rose Bay, Purple Kylin Hill, Tian'an Golf Longyuan, Wanlin Lake, Royal Spring, Shum Yip City and other projects. Decrease in recorded revenue was mainly due to some of the property projects sold cannot be delivered for occupation until the second half of the year.

During January to July this year, the Group achieved 310,609 square meters in contracted sales area and contracted sales income of approximately RMB3 billion (approximately HK$3.57 billion), thereby completing 63.8% of this year's sales target. As of the end of July, the amount of sales income contracted but not booked was approximately RMB2.8 billion (approximately HK$3.33 billion).

Property under construction and land reserves

As at 30 June 2011, the Group had 31 property projects under construction, with a total gross floor area of approximately 3.08 million square meters. These projects were progressing smoothly. During the period, the Group had 10 newly constructed projects with new construction area of approximately 1.12 million square meters, representing same annual new construction scale of last year.

As of the end of June 2011, the Group had a total gross land reserve of 10.16 million square meters (in gross floor area) with attributable gross floor area of 9.55 million square meters (excluding the interests attributable to the Group in its three principal associated companies). At present, the Group's land reserve in first-tier cities accounted for approximately 17.1%; land reserve in second-tier cities accounted for approximately 12.2%; land reserve in third- and fourth-tier cities accounted for approximately 70.7%. Our diversified land reserves are sufficient to meet the development needs in the next five to six years.

Land development

During the period, the Group's proportional share of sales income in the joint venture in Taizhou amounted to HK$484 million, which was primarily derived from assisting the government in completing land development and the selling of the first parcel of land through public auction. Profit before taxation amounting to approximately HK$174.7 million for this land development had already been accounted for as profit for the period.

At the beginning of the year, the second parcel of land with an area of approximately 425 acres was developed by the government with the assistance of our joint venture in Taizhou and was successfully sold of at the price of RMB1.294 billion through government land auction. In April, the Group acquired the 60% equity interests in a land development project which has an area of approximately 807 acres in Chengdu 198 Area.

Property investment

During the period, the Group's investment property continued to maintain a steady growth. The total area of our investment properties was approximately 600,000 square meters, with an achieved rental income of HK$210.4 million, representing an increase of 11.6% over the same period of last year. During the period, the Group recorded a revaluation gain of HK$222.4 million in its investment property portfolio and had already been accounted for as profit for the period.

Performance by associated companies

During the period, the results performance of the Group's investments in associated companies was within our expectation, of which, Tianan Cyberpark Group Co., Ltd. made a net profit contribution of HK$280.7 million to the Group, representing an increase of 101.2% over the same period of last year. Road King Infrastructure Limited, a listed company in Hong Kong, made a net profit contribution of HK$99.1 million to the Group, representing an increase of 36.5% over the same period of last year. Coastal Greenland Limited, another listed company in Hong Kong, contribute a net profit of HK$34.3 million to the Group after it made a loss of HK$33.8 million over the same period of last year.

Financial position

As of 30 June 2011, the Group's cash balance (including pledged deposits) was HK$8,333.2 million (31 December 2010: HK$6,245.5 million), of which approximately 76.1% and 23.9% were denominated in Renminbi and other currencies (mainly in US$ and HK$) respectively.

As at 30 June 2011, the Group's total bank loans amounted to HK$15,799.9 million (31 December 2010: HK$12,789.0 million), of which HK$14,285.4 million were floating-rate loans (31 December 2010: HK$11,398.6 million), and the rest were fixed rate loans. Of all the loans, long-term loans amounted to HK$7,162.8 million (31 December 2010: HK$3,173.5 million) and short-term loans were HK$8,637.1 million (31 December 2010: HK$9,615.5 million).

As of 30 June 2011, the Group had net assets (after minority interests) of HK$14,619.5 million and the ratio of net debts to net assets (after minority interests) was 51.1% (31 December 2010: 48.6%).

As the Group's main operating cash flow is in Renminbi, while the assets held and debts committed are mainly stated in Renminbi and US Dollar respectively, exchange rate movements will have positive financial impact to the Group in the short run.

Capital structure

As at 30 June 2011, Shum Yip Holdings Company Limited, the parent company of the Group is interested in approximately 43.04% of the Group, and is the largest shareholder of the Group.

During the period, a total of 3,400,000 share options granted were exercised. Also during the period, the Group did not repurchase any share of the Group.

As at 30 June 2011, the Group had 3,539,968,090 shares in issue (31 December 2010: 3,536,568,090 shares).

Staff headcount and remuneration

As at 30 June 2011, the Group had a total staff number of 17,802, of which 30 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 relevant market trends. The management of the Group reviews regularly its compensation policies as well as the performance of its employees.

Employee benefits include salaries, allowances, medical insurance and mandatory retirement contributions. We also issue bonuses and grant share options, under the share option scheme of the Group, to employees based on individual performance and the results of the Group.

Business Outlook

During the period, the global economy is facing increasing uncertainty and instability, the situation is not optimistic. The Chinese government will continue to implement proactive fiscal policy and prudent monetary policy in the second half of the year to cope with inflation, boosting structural transformation while maintaining stable economic growth. It is expected that real estate regulating measures will not be relaxed. The government will continue to increase the construction of subsidized housing, impede real estate investment and speculation demand, restrain rapid increase in property price and tighten the credit support in the real estate industry. The real estate industry will be facing normalized regulating environment and the survival of the fittest and acquisition and integration in the real estate industry will be further obvious in coming years. Although facing an uncertain external environment, the Group remains optimistic about the long-term prospects of the real estate industry in China, and believes that the real estate regulating policy is conducive to the healthy and sustainable development of the real estate market and the optimization and integration of the real estate industry.

During the period, the transaction volume in real estate market in Shenzhen was relatively sluggish. The transaction volume of new home sale in the first half of the year was 1,400,000 square meters, with a monthly average transaction volume of 233,000 square meters. The price of small apartments in sub urban area declined slightly, while the property price in the urban areas remained strong. However, the trend of rapid surge was curbed with the investment and speculation sentiment obviously cooling down. The Group has always regarded Shenzhen as its home market, and as a city with immigrants dominant, Shenzhen had laid a sound foundation in high tech, financial industry, internet industry, biology and medicine, and modern port logistics. The coastal front development will promote Shenzhen's competitiveness in finance, high-end service industry and internationalization. The potential and room for Shenzhen's economic development will be enormous in future. The rigid demand of residents for first time purchase of property and improving housing conditions as well as payment ability are strong, and demand for commercial property are even stronger. With the inadequate land supply in Shenzhen, the contradiction between supply and demand implies broader room for the development in Shenzhen's real estate market. In future, the Group will put more resources in Shenzhen and make contributions to Shenzhen's urban development through meticulous operation and quality improvement.

In the second half of the year, the Group will push forward more housing sales, adjust product structure actively, adopt flexible pricing strategy, and enhance property projects sales. The major property projects include Shenzhen Purple Kylin Hill, Tian'an Golf Longyuan, Shenzhen Dongcheng International (深圳東城國際), Foshan Yundonghai, Wuhan Nanhu Rose Bay, Huizhou Garden Hill, Dongguan Euro-view Garden and Jiangsu Taizhou Splendid City. During January to June, the area for sale by the Group was approximately 330,000 square meters. In the second half of the year, the Group plans to launch property projects of approximately 400,000 square meters, and we have confidence in achieving the sales target of RMB4.7 billion.

Acceleration of property development and improvement in turnover are the main focus of the Group during the year. The Group newly planned construction area in 2011 will be approximately 2.4 million square meters, almost double that of last year. In the second half of the year, we will continue to accelerate development and lay a solid foundation for growth after 2012.

The Group will continue its prudent principles to focus our land bank strategy Shenzhen this year and will acquire land in Shenzhen through various channels like acquisition, application of urban upgrading projects, tender invitation, auction and listing.

Shum Yip Group Limited, our controlling shareholder, owns considerable quality land resources in Shenzhen city center districts. The direction and deployment of selecting suitable opportunities to gradually integrate the land resources held by Shum Yip Group Limited into the Group will remain unchanged. The Group will continue to strengthen the relationship with our controlling shareholder and strive to increase our land reserve in Shenzhen through assets injection.

Moreover, urban renewal program is also an important approach of the Group to increase its land reserve in Shenzhen. The Group has 4 urban renewal projects, located in Futian District and Luohu District respectively, with a planned gross floor area of approximately 1,400,000 square meters. It is planned to construct a city complex integrating office-buildings, commercial and residential premises. We will carry out pro-actively a series of works, including application, removal and compensation, planning and design, and so on, and endeavour to unearth the value of urban upgrading projects.

The Group will adhere to its already defined strategies and forge ahead aggressively while ensuring a stable operation and finance. In addition, the Group will continue to keep abreast with the market and improve its organization capability in strategy, management, capital and talents. With its customer-oriented mentality, the Group will explore and innovate its own business mode and product structure and enhance its development and operation capability in commercial and residential and business property, thereby endeavoring to create value for our shareholders.

INTERIM DIVIDEND

At a meeting of the Board of the Company held on 25 August 2011, the Board resolved to declare an interim dividend of HK7.00 cents per share for the six months ended 30 June 2011 (2010: HK7.00 cents) payable on or about Thursday, 10 November 2011 to shareholders whose names appear on the Register of Members of the Company on Monday, 19 September 2011. The Board further resolved that such interim dividend be satisfied wholly in the form of an allotment of new fully paid share(s) of nominal value of HK$0.05 each in the share capital of the Company ("scrip shares") but shareholders will be given the option of receiving such interim dividend wholly in cash in lieu of such allotment, or partly in cash and partly in the form of scrip shares. The allotment price for such scrip shares will be the average value of the closing prices per share as quoted on The Stock Exchange of Hong Kong Limited for the five consecutive trading days commencing from Monday, 19 September 2011. A circular containing details thereof and the election form will be sent to shareholders on or about Friday, 14 October 2011.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 19 September 2011, to Wednesday, 21 September 2011 (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, 16 September 2011.

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 2011, 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 2011.

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, 25 August 2011.

As at the date of this announcement, the Board comprises 9 directors, of which Mr. GUO Limin, Mr. LU Hua, Mr. MOU Yong and Mr. LIU Chong 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.