深圳控股有限公司
SHENZHEN INVESTMENT LIMITED

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 00604)**

# 2012 INTERIM RESULTS ANNOUNCEMENT

## FINANCIAL HIGHLIGHTS

- In the first half of 2012, revenue amounted to HK$2,995.8 million, a decrease of 4.9% over the corresponding period last year;
- In the first half of 2012, net profit attributable to shareholders amounted to HK$935.3 million, a decrease of 5.7% over the corresponding period last year;
- Holding HK$8,576.8 million cash on hand (including pledged deposits and restricted cash) as of 30 June 2012; net gearing ratio at 86.1%.

## 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 2012 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 2012*

| | Notes | For the six months ended 30 June 2012 (Unaudited) HK$'000 | 2011 Restated (Unaudited) HK$'000 |
|---|---|---|---|
| **REVENUE** | *5* | **2,995,830** | 3,150,731 |
| Cost of sales | | **(2,096,999)** | (1,746,649) |
| Gross profit | | **898,831** | 1,404,082 |
| Other income and gains | *5* | **151,497** | 102,406 |
| Increase in fair value of investment properties | | **478,814** | 222,443 |
| Fair value gains on equity investments and financial liabilities at fair value through profit or loss, net | | **2,698** | 69,033 |
| Selling and distribution costs | | **(94,486)** | (94,141) |
| Administrative expenses | | **(346,900)** | (323,508) |
| Other expenses | | **(33,160)** | (20,768) |
| Finance costs | *6* | **(168,385)** | (125,939) |
| Share of profits and losses of: | | | |
| Jointly-controlled entities | | **41,641** | 128,612 |
| Associates | | **387,973** | 407,470 |
| **PROFIT BEFORE TAX** | *7* | **1,318,523** | 1,769,690 |
| Income tax expense | *8* | **(215,248)** | (557,451) |
| **PROFIT FOR THE PERIOD** | | **1,103,275** | 1,212,239 |
| **ATTRIBUTABLE TO:** | | | |
| Owners of the parent | | **935,302** | 991,401 |
| Non-controlling interests | | **167,973** | 220,838 |
| | | **1,103,275** | 1,212,239 |

| | | For the six months ended 30 June | |
|---|---|---|---|
| | | **2012** | 2011 |
| | *Note* | **(Unaudited)** | (Unaudited) |
| **EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT** | *10* | | |
| Basic, profit for the period | | **HK25.79 cents** | HK28.03 cents |
| Diluted, profit for the period | | **HK25.79 cents** | HK28.02 cents |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 June 2012*

| | Note | For the six months ended 30 June 2012 (Unaudited) HK$'000 | 2011 (Unaudited) HK$'000 |
|---|---|---|---|
| **PROFIT FOR THE PERIOD** | | **1,103,275** | 1,212,239 |
| **OTHER COMPREHENSIVE INCOME** | | | |
| Exchange differences on translation of foreign operations | | **(208,444)** | 352,028 |
| Share of other comprehensive income of associates | 9 | **(18,204)** | 90,619 |
| **OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX** | | **(226,648)** | 442,647 |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX** | | **876,627** | 1,654,886 |
| **Attributable to:** | | | |
| Owners of the parent | | **726,211** | 1,403,420 |
| Non-controlling interests | | **150,416** | 251,466 |
| | | **876,627** | 1,654,886 |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2012*

| | Note | **30 June 2012 (Unaudited) *HK$'000*** | 31 December 2011 (Audited) *HK$'000* |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **615,385** | 630,160 |
| Intangible assets | | **77,273** | 81,372 |
| Prepaid land lease payments | | **47,319** | 48,863 |
| Goodwill | | **322,652** | 322,704 |
| Investment properties | | **5,979,533** | 5,560,792 |
| Investments in associates | | **5,608,909** | 5,276,081 |
| Investments in jointly-controlled entities | | **491,040** | 430,866 |
| Available-for-sale investments | | **29,612** | 29,913 |
| Other long term assets | | **1,301,112** | 1,386,939 |
| Deferred tax assets | | **450,535** | 438,845 |
| Pledged deposits | | **158,778** | 12,427 |
| Total non-current assets | | **15,082,148** | 14,218,962 |
| **CURRENT ASSETS** | | | |
| Inventories | | **106,724** | 91,677 |
| Completed properties held for sale | | **3,491,161** | 3,348,072 |
| Properties under development | | **17,547,292** | 15,111,752 |
| Trade receivables | *12* | **185,895** | 143,407 |
| Prepayments, deposits and other receivables | | **3,293,362** | 2,995,350 |
| Equity investments at fair value through profit or loss | | **22,185** | 19,487 |
| Held-to-maturity investment | | **387,545** | 387,968 |
| Pledged deposits | | **39,062** | – |
| Restricted cash | | **519,748** | 126,425 |
| Cash and cash equivalents | | **7,859,187** | 5,097,524 |
| Total current assets | | **33,452,161** | 27,321,662 |

| | Notes | 30 June 2012 (Unaudited) *HK$'000* | 31 December 2011 (Audited) *HK$'000* |
|---|---|---|---|
| **CURRENT LIABILITIES** | | | |
| Interest-bearing bank loans and other borrowings | | **6,138,498** | 4,965,249 |
| Trade payables | *13* | **223,522** | 264,717 |
| Other payables and accruals | | **5,617,101** | 4,815,051 |
| Due to the immediate holding company | | **50,652** | – |
| Due to the ultimate holding company | | **56,068** | 54,641 |
| Tax payable | | **1,371,734** | 1,806,695 |
| Total current liabilities | | **13,457,575** | 11,906,353 |
| **NET CURRENT ASSETS** | | **19,994,586** | 15,415,309 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **35,076,734** | 29,634,271 |
| **NON-CURRENT LIABILITIES** | | | |
| Interest-bearing bank loans and other borrowings | | **16,201,543** | 11,514,038 |
| Deferred tax liabilities | | **1,243,617** | 1,107,296 |
| Total non-current liabilities | | **17,445,160** | 12,621,334 |
| Net assets | | **17,631,574** | 17,012,937 |
| **EQUITY** | | | |
| **Equity attributable to owners of the parent** | | | |
| Issued capital | | **181,301** | 181,301 |
| Reserves | | **15,554,224** | 15,071,996 |
| Proposed dividends | *11* | **253,822** | 290,082 |
| | | **15,989,347** | 15,543,379 |
| **Non-controlling interests** | | **1,642,227** | 1,469,558 |
| Total equity | | **17,631,574** | 17,012,937 |

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*30 June 2012*

## 1. CORPORATE INFORMATION

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

In the opinion of the directors, the immediate holding company of the Group is Shum Yip Holdings Company Limited ("Shum Yip Holdings", 深業(集團)有限公司), which is a state-owned company incorporated in Hong Kong. The ultimate holding company of the Group is 深業集團有限公司 (formerly 深業投資開發有限公司), which is a state-owned company established in Shenzhen, the People's Republic of China (the "PRC").

## 2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2012 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 2011.

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

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011, except for the adoption of revised standards as of 1 January 2012, noted below:

| | |
|---|---|
| HKFRS 1 Amendments | Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* |
| HKAS 12 Amendments | Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* |
| HKFRS 7 Amendments | Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* |

HKAS 12 Amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. The Group has adopted this amendment retrospectively for the six months ended 30 June 2012. Since all the investment properties of the Group are held with a business model to consume substantially all of the economic benefits embodied in the investment properties over time rather than through sale, the presumption has been rebutted. Consequently, the Group has continued to recognise the deferred taxes on the basis that the value of investment properties is recovered through use and there is no impact on the Group's results of operations and financial position.

The adoption of the above revised standards other than HKAS 12 Amendments has had no material effect on the accounting policies of the Group and the methods of computation in the interim condensed consolidated financial statements.

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

## 3. CHANGES IN ACCOUNTING POLICY

Subsequent to the issuance of the interim condensed consolidated financial statements for the six months ended 30 June 2011, the directors elected to change the accounting policy used to account for the Group's jointly-controlled entities from proportionate consolidation to the equity method, which had been reported in the Group's annual financial statements for the year ended 31 December 2011.

This change in accounting policy has been applied retrospectively and resulted in:

| | **The Group, as previously reported (Unaudited)** *HK$'000* | **Effect of the adoption of the equity method (Unaudited)** *HK$'000* | **The Group, as restated (Unaudited)** *HK$'000* |
|---|---|---|---|
| Items of condensed consolidated income statement for the six months ended 30 June 2011 | | | |
| Revenue | 3,634,239 | (483,508) | 3,150,731 |
| Gross profit | 1,585,319 | (181,237) | 1,404,082 |
| Share of profits and losses of jointly-controlled entities | – | 128,612 | 128,612 |
| Profit before tax | 1,813,344 | (43,654) | 1,769,690 |
| Income tax expense | (601,105) | 43,654 | (557,451) |
| Profit for the period | 1,212,239 | – | 1,212,239 |
| Profit attributable to owners of the parent | 991,401 | – | 991,401 |
| Items of condensed consolidated statement of cash flows for the six months ended 30 June 2011 | | | |
| Net cash outflow from operating activities | (185,791) | (83,811) | (269,602) |
| Net cash inflow from investing activities | 67,695 | – | 67,695 |
| Net cash inflow from financing activities | 2,047,517 | 122,777 | 2,170,294 |
| Increase in cash and cash equivalents | 1,929,421 | 38,966 | 1,968,387 |
| Cash and cash equivalents at beginning of period | 6,245,463 | (65,673) | 6,179,790 |
| Cash and cash equivalents at end of period | 8,287,923 | (28,225) | 8,259,698 |

## 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 and commercial properties;

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

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

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

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

(f) the "others" segment comprises, principally, the manufacture and sale of aluminum alloys products and other businesses.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that finance 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 2012 | Property development (Unaudited) *HK$'000* | Property investment (Unaudited) *HK$'000* | Property management (Unaudited) *HK$'000* | Transportation services (Unaudited) *HK$'000* | Manufacturing (Unaudited) *HK$'000* | Others (Unaudited) *HK$'000* | Total (Unaudited) *HK$'000* |
|---|---|---|---|---|---|---|---|
| **Segment revenue:** | | | | | | | |
| Sales to customers | **1,783,467** | **246,283** | **490,593** | **118,142** | **159,483** | **197,862** | **2,995,830** |
| Intersegment sales | **–** | **3,605** | **5,512** | **–** | **–** | **–** | **9,117** |
| | **1,783,467** | **249,888** | **496,105** | **118,142** | **159,483** | **197,862** | **3,004,947** |
| ***Reconciliation*** | | | | | | | |
| Elimination of intersegment sales | | | | | | | **(9,117)** |
| Revenue | | | | | | | **2,995,830** |
| Segment results before increase in fair value of investment properties | **486,318** | **311,983** | **46,948** | **11,529** | **5,655** | **63,594** | **926,027** |
| Increase in fair value of investment properties | **–** | **478,814** | **–** | **–** | **–** | **–** | **478,814** |
| **Segment results after increase in fair value of investment properties** | **486,318** | **790,797** | **46,948** | **11,529** | **5,655** | **63,594** | **1,404,841** |
| ***Reconciliation*** | | | | | | | |
| Elimination of intersegment results | | | | | | | **(5,283)** |
| Finance income | | | | | | | **120,160** |
| Dividend income and unallocated gains | | | | | | | **15,751** |
| Fair value gains on financial instruments at fair value through profit or loss, net | | | | | | | **2,698** |
| Corporate and other unallocated expenses | | | | | | | **(51,259)** |
| Finance costs | | | | | | | **(168,385)** |
| Profit before tax | | | | | | | **1,318,523** |

| For the six months ended 30 June 2011 (Restated) | Property development (Unaudited) *HK$'000* | Property investment (Unaudited) *HK$'000* | Property management (Unaudited) *HK$'000* | Transportation services (Unaudited) *HK$'000* | Manufacturing (Unaudited) *HK$'000* | Others (Unaudited) *HK$'000* | Total (Unaudited) *HK$'000* |
|---|---|---|---|---|---|---|---|
| **Segment revenue:** | | | | | | | |
| Sales to customers | 2,045,899 | 210,447 | 466,733 | 119,707 | 158,783 | 149,162 | 3,150,731 |
| Intersegment sales | – | 5,736 | 1,304 | – | – | 9,499 | 16,539 |
| | 2,045,899 | 216,183 | 468,037 | 119,707 | 158,783 | 158,661 | 3,167,270 |
| ***Reconciliation*** | | | | | | | |
| Elimination of intersegment sales | | | | | | | (16,539) |
| Revenue | | | | | | | 3,150,731 |
| Segment results before increase in fair value of investment properties | 1,051,270 | 320,444 | 25,164 | 17,787 | 8,499 | 143,393 | 1,566,557 |
| 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 | 143,393 | 1,789,000 |
| ***Reconciliation*** | | | | | | | |
| Elimination of intersegment results | | | | | | | (7,587) |
| Finance income | | | | | | | 93,205 |
| Dividend income and unallocated gains | | | | | | | 4,429 |
| Fair value gains on financial instruments at fair value through profit or loss, net | | | | | | | 69,033 |
| Corporate and other unallocated expenses | | | | | | | (52,451) |
| Finance costs | | | | | | | (125,939) |
| Profit before tax | | | | | | | 1,769,690 |

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

## 5. REVENUE, OTHER INCOME AND GAINS

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

| | For the six months ended 30 June | |
|---|---|---|
| | **2012** | 2011 |
| | | Restated |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| **Revenue** | | |
| Sale of properties | **1,783,467** | 2,045,899 |
| Gross management fee income | **490,593** | 466,733 |
| Gross rental income from investment properties | **246,283** | 210,447 |
| Sale of commercial and industrial goods | **159,483** | 158,783 |
| Income from transportation services | **118,142** | 119,707 |
| Others | **197,862** | 149,162 |
| | **2,995,830** | 3,150,731 |
| **Other income and gains** | | |
| Finance income | **120,160** | 93,205 |
| Others | **31,337** | 9,201 |
| | **151,497** | 102,406 |

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

| | For the six months ended 30 June 2012 (Unaudited) *HK$'000* | 2011 Restated (Unaudited) *HK$'000* |
|---|---|---|
| Interest on bank loans and other borrowings | **526,855** | 282,106 |
| Other finance costs | **–** | 64,999 |
| Less: Interest capitalised | **(358,470)** | (221,166) |
| | **168,385** | 125,939 |

## 7. PROFIT BEFORE TAX

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

| | For the six months ended 30 June 2012 (Unaudited) *HK$'000* | 2011 Restated (Unaudited) *HK$'000* |
|---|---|---|
| Cost of inventories sold | **1,396,218** | 1,120,921 |
| Cost of services provided | **700,781** | 625,728 |
| Depreciation | **41,797** | 42,536 |
| Amortisation of intangible assets | **3,162** | 3,248 |
| Amortisation of prepaid land lease payments | **1,018** | 827 |
| Gains on disposal of items of property, plant and equipment, net | **(1,655)** | (40) |
| Impairment of other receivables | **15,541** | – |
| Write-back of impairment of trade receivables | **(5,257)** | (271) |

## 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 2011: Nil).

Taxes on profits assessable in Mainland China are calculated at the rates of tax prevailing in the provinces in which the Group operates.

Under the relevant income tax law, the PRC subsidiaries are subject to corporate income tax ("CIT") at a statutory rate of 25% on their respective taxable income during the period.

PRC land appreciation tax ("LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures.

| | **For the six months ended 30 June** | |
|---|---|---|
| | **2012** | 2011 |
| | | Restated |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Current: | | |
| Mainland China corporate income tax | **109,178** | 247,288 |
| Withholding tax on dividend | **12,807** | 9,369 |
| LAT in Mainland China | **(33,201)** | 268,806 |
| Deferred: | | |
| Mainland China corporate income tax | **99,151** | 51,363 |
| Withholding tax on dividend | **16,446** | 25,217 |
| LAT in Mainland China | **10,867** | (44,592) |
| Total tax charge for the period | **215,248** | 557,451 |

The share of taxes attributable to associates and jointly-controlled entities amounting to HK$313,323,000 (six months ended 30 June 2011: HK$314,723,000) and HK$6,442,000 (six months ended 30 June 2011: HK$43,654,000), respectively, are included in "Share of profits and losses of associates" and "Share of profits and losses of jointly-controlled entities" on the face of the interim condensed consolidated income statement.

## 9. COMPONENTS OF OTHER COMPREHENSIVE INCOME

| | For the six months ended 30 June | |
|---|---|---|
| | **2012** | 2011 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Share of other comprehensive income of associates: | | |
| Asset revaluation | **3,818** | 4,541 |
| Exchange differences on translation of foreign operations | **(22,022)** | 86,078 |
| | **(18,204)** | 90,619 |

## 10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

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

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2012 in respect of a dilution as the impact of share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

The calculation of the diluted earnings per share amount is based on the profit for the six months ended 30 June 2011 attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

| | For the six months ended 30 June | |
|---|---|---|
| | **2012** | 2011 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| **Earnings** | | |
| Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculations | **935,302** | 991,401 |

| | For the six months ended 30 June | |
|---|---|---|
| | **2012** | 2011 |
| **Shares** | | |
| Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation | **3,626,024,304** | 3,536,955,312 |
| Effect of dilution – weighted average number of ordinary shares: | | |
| Share options | **–** | 966,258 |
| | **3,626,024,304** | 3,537,921,570 |

## 11. DIVIDENDS PAID AND PROPOSED

| | For the six months ended 30 June | |
|---|---|---|
| | **2012** | 2011 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Dividend on ordinary shares declared and paid during the six-month period: | | |
| Final dividend for 2011: HK8.00 cents (2010: HK7.00 cents) | **290,082** | 247,798 |
| Dividend on ordinary shares proposed for approval (not recognised as a liability as at 30 June): | | |
| Interim dividend for 2012: HK7.00 cents (2011: HK7.00 cents) | **253,822** | 247,798 |

The 2012 interim dividend has been declared by the board of directors on 27 August 2012. 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

| | **30 June 2012 (Unaudited)** | 31 December 2011 (Audited) |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **218,519** | 181,667 |
| Impairment | **(32,624)** | (38,260) |
| | **185,895** | 143,407 |

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

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

| | **30 June 2012 (Unaudited)** | 31 December 2011 (Audited) |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within one year | **181,591** | 131,726 |
| One to two years | **499** | 2,316 |
| Two to three years | **3,805** | 9,365 |
| Total | **185,895** | 143,407 |

## 13. TRADE PAYABLES

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

| | **30 June 2012** | 31 December 2011 |
|---|---|---|
| | **(Unaudited)** | (Audited) |
| | ***HK$'000*** | *HK$'000* |
| Within one year | **165,503** | 221,772 |
| One to two years | **18,573** | 1,069 |
| Two to three years | **715** | 6,818 |
| Over three years | **38,731** | 35,058 |
| | **223,522** | 264,717 |

The trade payables are non-interest-bearing.

## 14. PLEDGE OF ASSETS

As at the end of reporting period, bank loans amounting to HK$3,573,436,000 (31 December 2011: HK$1,538,960,000) were secured by:

(i) certain of the Group's land and buildings in Mainland China with a net book value of approximately HK$5,190,000 (31 December 2011: HK$4,742,000);

(ii) certain of the Group's properties under development with a net book value of approximately HK$3,207,400,000 (31 December 2011: HK$1,585,366,000);

(iii) certain of the Group's investment properties with a net book value of approximately HK$2,530,361,000 (31 December 2011: HK$694,920,000);

(iv) certain of the Group's bank deposits with a net book value of HK$197,840,000 (31 December 2011: HK$12,427,000); and

(v) certain of the Group's completed properties held for sale with a net book value of approximately HK$476,746,000 (31 December 2011: Nil).

## 15. BUSINESS COMBINATION

On 31 March 2012, the Group acquired an 85% of the voting shares of China Shum Yip (Group) Property Investment Company Limited ("Shum Yip Property") from independent third parties. Shum Yip Property is engaged in property development and investment. The purchase consideration for the acquisition was in the form of cash amounted to RMB49,560,000 (equivalent to approximately HK$60,498,000) which was fully paid at the acquisition date. The acquisition has been accounted for using the acquisition method. The interim condensed consolidated financial statements include the results of Shum Yip Property for the three months period from the acquisition date.

The fair values of the identifiable assets and liabilities of Shum Yip Property as at the date of acquisition were as follows:

| | **Fair value recognised on acquisition (Unaudited)** ***HK$'000*** |
|---|---|
| Property, plant and equipment | **574** |
| Prepayments, deposits and other receivables | **1,892** |
| Properties under development | **62,126** |
| Completed properties held for sale | **476,826** |
| Cash and cash equivalents | **14,251** |
| Trade payables | **(39,981)** |
| Other payables and accruals | **(134,351)** |
| Interest-bearing bank loans and other borrowings | **(286,865)** |
| Deferred tax liabilities | **(7,034)** |
| Non-controlling interests | **(26,940)** |
| Total identifiable net assets at fair value | **60,498** |
| Satisfied by cash | **60,498** |

An analysis of the cash flows in respect of the acquisition of Shum Yip Property is as follows:

| | **(Unaudited)** |
|---|---|
| | ***HK$'000*** |
| Cash paid | **(60,498)** |
| Cash and cash equivalents acquired | **14,251** |
| Net outflow of cash and cash equivalents included in cash flows from investing activities | **(46,247)** |

## 16. CAPITAL COMMITMENTS

| | **30 June 2012** | 31 December 2011 |
|---|---|---|
| | **(Unaudited)** | (Audited) |
| | ***HK$'000*** | *HK$'000* |
| Commitments in respect of the acquisition of land and buildings, and development costs attributable to properties under development: | | |
| Contracted, but not provided for | **6,964,178** | 5,683,011 |
| Authorised, but not contracted for | **15,676** | 1,641,265 |
| | **6,979,854** | 7,324,276 |

## 17. CONTINGENT LIABILITIES

At 30 June 2012, the Group has given guarantees to a maximum extent approximately HK$1,827,268,000 (31 December 2011: HK$1,401,107,000) 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.

## 18. RELATED PARTY TRANSACTIONS

Transactions with related parties:

| | Notes | For the six months ended 30 June **2012** (Unaudited) *HK$'000* | 2011 Restated (Unaudited) *HK$'000* |
|---|---|---|---|
| Shum Yip Holdings Company Limited, the immediate holding company: | | | |
| – Rental expenses paid | *(i)* | **990** | 2,718 |
| Associates: | | | |
| – Sales of products | *(ii)* | **32,383** | – |
| – Purchase of properties | *(iii)* | **–** | 712,580 |
| – Interest income | | **8,881** | 1,988 |
| A jointly-controlled entity: | | | |
| – Interest income | | **56,998** | 24,998 |
| Management fee received from a fellow subsidiary | | **6,138** | – |

*Notes:*

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

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

(iii) The purchase of properties from an associate for the six months ended 30 June 2011 was made at a price mutually agreed between the parties.

## 19. EVENTS AFTER THE REPORTING PERIOD

On 31 March 2012, the Group acquired an 85% of the voting shares of Shum Yip Property as stated in note 15. On 27 July 2012, the Group entered into an agreement with China (Shenzhen) Hightech Fund Investment Company Limited ("Hightech Fund"), a fellow subsidiary of the Company, to acquire from Hightech Fund the remaining 15% voting shares of Shum Yip Property and the shareholder's loan of HK$78,016,000 at a total consideration of HK$90,122,000.

## CHAIRMAN STATEMENT

### Business Review

In the first half year, the central and local governments fine-tuned a series of policies respectively with the monetary policies relatively loosened, deposit reserve rate continued to be adjusted downwards and interest rates entered into a declining trend. The government implemented a differentiation policy in real estate industry in which investment and speculative demand were still being curbed, and rigid demand of first-home buyers was supported by policies in terms of taxation and mortgage loans, resulting in significant improvement in market sentiment and some property buyers were aggressive enough to enter into the market. Since March, with the effect of the fine-tuned macro policies, market liquidity was substantially improved, and driven by the rigid housing demand, transaction volume began to pick up. The Group as a whole timely grasped this market opportunity, actively promoted its property sales and maintained its stable operating results with sound financial position.

During the period, the Group achieved a turnover of HK$2,995.8 million, representing a decrease of 4.9% over the same period of last year; of which net revenue in property sales was HK$1,783.5 million (net of business tax), representing a decrease of 12.8% over the same period of last year. Net profit for the period attributable to owners of the parent was HK$935.3 million, representing a decrease of 5.7% over the same period of last year. Basic earnings per share were HK25.79 cents, representing a decrease of 8.0% over the same period of last year. The Board recommended the distribution of an interim dividend of HK7.00 cents per share for 2012.

In the first half year, the Group focused its efforts on grasping the opportunities due to market rejuvenation, adjusted its products structure, and performed well in its continuing follow-up works for customers to actively facilitate the sales of its projects. In mid-June, Terra Building（泰然大廈）, a key project of the Group, was launched into the market and was very receptive. Currently, it had basically achieved the sales target for this year and planned to be occupied in the second half of the year. As at the end of July, the Group achieved 295,000 square meters in contracted sales area with sales amounts of approximately RMB2,800 million, and thereby achieving 47% of our sales target. As at the end of July, the amount of sales income contracted but not yet booked was approximately RMB2.5 billion.

In the first half year, despite the overall improvement in liquidity externally, however, the control policy of central government towards real estate industry still remained, resulting in relatively tight financing environment encountered by real estate enterprises. The Group co-operated actively with banks to seek for banking facilities, preparing financial resources reserve for its future development. As at 30 June 2012, cash on hand for the Group amounted to HK$8,576.8 million (including pledged deposits and restricted cash), net gearing ratio was 86.1% and gearing ratio was 63.7%.

**Business outlook**

In the second half year, China will face the challenge of a slowdown in economic growth. Hence, stable growth and structure adjustment will still become its main directions in macro policy. This round of central government's control on real estate had achieved an obvious effect with market structure being optimized. In the second half year, it is expected that the policies will still place emphasis on stabilizing the control results, and housing purchase restriction is still a stringent policy guideline. The current implementation of the differentiated real estate policies will continue. The Group will closely monitor the economic situation and policy development in a timely manner to cater for the market changes.

In Shenzhen, as the accumulated rigid demand had been released appropriately, the transaction volume of new housing in the first half of 2012 was approximately 1,570,000 square meters, representing an increase of 12.3% over the same period of last year. This May, as approved by the State Council, Shenzhen Municipality ignited the reform piloting works in land administration system, which mainly explores the innovation in land administration system in high urbanization regions, in which it may further improve and upgrade the new policies like the existing urban regenerations in Shenzhen. As at the end of June, the State Council approved the implementation of the upfront and piloting operation policy in Qianhai（前海）, Shenzhen to support its financial innovation. The policies like the land administration system reform and the financial innovation in Qianhai will generate a new round of continuous drivers for the economic development of Shenzhen in the future. The Group is full of confidence in respect of the development potential of Shenzhen and its real estate market in long term.

The Group will continue to implement its established development strategies and focus its resources in the intensive development of Shenzhen. We will persist on the residential property development in the medium and high-end markets and stably expand the scale of commercial properties. At the same time we enhance its sales level, optimize the assets structure to ensure fund security and steady growth.

The Group has a saleable area of approximately 1.5 million square meters. In the second half year, the Group will continue to grasp market opportunities, enhance its product positioning, increase products for rigid demand in the market, complete the contracted sales signing arrangement of Terra Building (泰然大廈), actively promote the projects sales of Shum Yip Royal Garden (深業御園), Noble Times (東城國際), Shum Yip City (深業城), Saina Bay (塞納灣), Jinbang Shan (金榜山), Euro-view Garden (歐景麗苑), Nanhu Rose Bay (南湖玫瑰灣) and Rui Cheng (睿城) and strive to achieve the sales target of RMB6 billion determined at the beginning of the year.

The Group will continue to accelerate the development to meet the future sustainable development demand. In particular, the Group will focus on the development schedule and occupancy arrangement of Terra Building (泰然大廈) and the construction commencement of the projects like Shum Yip City Phase III (深業城三期), Jinshazhou Phase II (金沙洲二期), Qingshuihe Auto Logistic Park Phase II (清水河汽車物流園二期) and Wuhan BioValley Phase I (武漢生物谷一期). At the same time, it will strengthen its cost management to achieve cost optimization.

In terms of land reserves, the Group will continue to focus on its development in Shenzhen, strive to achieve a breakthrough in obtaining high quality assets injection by parent company, seek breakthrough in urban regeneration projects approvals and explore the co-operation with enterprises with land resources to complement its quality land resources. At the same time, the Group will pursue opportunities to adjust its land portfolios and enhance its land reserve quality. It will focus on the planning approval and authority affirmation of projects in Sungang, Chegongmiao and Guanlan in the second half year.

The Group appointed professional teams and strategically entered into the commercial property industry in the beginning of the year. The Group has various potential integrated urban complex comprising office premises, commercial properties, hotels and residential buildings in Shenzhen. In the second half year, the Group will refine the commercial property planning, demonstrate the capability of professional teams and integrate its resources to commit ourselves to become a premier commercial property operator in Shenzhen.

The Group will adhere to the consistent principle of maintaining healthy financial position, actively explore various financing channels, grasp the favourable opportunities of interest rate cut to reduce financing costs through loans swap and other means to provide adequate protection of financial resources for its business development.

The Group will actively grasp the market opportunities, leverage on its resources advantages, optimize its layout to sustain a steady growth. The Board is in full confidence that the Group will achieve a rapid growth in next three years.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overall Results

During the period, the Group achieved a turnover of HK$2,995.8 million, representing a decrease of 4.9% over the same period of last year. Gross profit margin was 30.0%, representing a decrease of 14.6 percentage points over the same period of last year. Net profit attributable to shareholders was HK$935.3 million, representing a decrease of 5.7% over the same period of last year. If excluding the net effect of changes in fair value of the Group's investment properties and financial assets and liabilities, net profit attributable to shareholders represented a decrease of 17.5% over the same period of last year. Basic earnings per share was HK25.79 cents, representing a decrease of 8.0% over the same period of last year.

### Property development and sales

During the period, the Group recorded 183,000 square meters in property sales (excluding the interests attributable to the Group in its three principal associated companies), representing an increase of 18.8% over the same period of last year and achieved a net revenue in property sales of HK$1,783.5 million (net of business tax), representing a decrease of 12.8% over the same period of last year. As a result of the low price promotions in the beginning of this year, coupled with the arrangement of high margin projects in which the occupancy will not be effected until the second half of the year, there was a significant decline in gross profit margin during the period.

***Table of Property Sales Booked***

| Property Name | Location | Use | Sales area *(sqm)* | Net Sales *(RMB million)* | Average price *(RMB/sqm)* |
|---|---|---|---|---|---|
| Wanlin Lake Phase I | Huizhou | Residential | 178 | 1 | 4,260 |
| Wanlin Lake Phase II | Huizhou | Residential | 5,077 | 78 | 15,367 |
| Wanlin Lake Phase III | Huizhou | Residential | 2,265 | 18 | 7,751 |
| Wanlin Lake Phase V | Huizhou | Residential | 7,037 | 41 | 5,824 |
| Wanlin Lake Phase VI | Huizhou | Residential | 41,421 | 226 | 5,467 |
| Noah Mountain Forest Phase II | Changsha | Residential | 20,782 | 51 | 2,475 |
| Noah Mountain Forest Phase III | Changsha | Residential | 11,275 | 58 | 5,101 |
| Garden Hill | Huizhou | Residential | 3,597 | 33 | 9,075 |
| Jinxiu Jiangcheng Phase I | Taizhou | Residential | 16,009 | 76 | 4,769 |
| Euro-view Garden Phase I | Dongguan | Residential | 32,592 | 212 | 6,503 |
| Golf Longyuan | Shenzhen | Residential | 6,620 | 271 | 40,928 |
| Nanhu Rose Bay Phase II | Wuhan | Residential | 644 | 7 | 10,687 |
| Nanhu Rose Bay Phase III | Wuhan | Residential | 3,421 | 35 | 10,147 |
| Chengdu Yihu Rose Court | Chengdu | Residential | 911 | 5 | 5,411 |
| Purple Kylin Hill District I | Shenzhen | Shops | 1,328 | 33 | 25,216 |
| Purple Kylin Hill District II | Shenzhen | Residential | 310 | 4 | 12,236 |
| Purple Kylin Hill District III | Shenzhen | Residential | 9,023 | 98 | 10,818 |
| Purple Kylin Hill District III– Shops | Shenzhen | Shops | 5,804 | 71 | 12,274 |
| Royal Spring Garden | Dongguan | Residential | 6,284 | 37 | 5,814 |
| Shum Yip City Phase I | Foshan | Residential | 2,187 | 13 | 6,086 |
| Shum Yip City Phase I District II | Foshan | Shops | 911 | 22 | 23,738 |
| Others | | Residential/ Parking lot | 5,248 | 63 | 12,216 |
| Total | | | 182,924 | 1,453 | 7,942 |

During the period, the Group achieved 248,000 square meters in contracted sales area and contracted sales income of RMB1,910 million, representing a decrease of 5% over the same period of last year.

### *Contracted Sales Table*

| Project | Location | Type | Accumulated sales area *(sqm)* | Accumulated sales *(RMB million)* | Average price *(RMB/sqm)* |
|---|---|---|---|---|---|
| Wanlin Lake | Huizhou | Commercial & Residential | 38,588 | 296 | 7,666 |
| Garden Hill | Huizhou | Residential | 4,348 | 41 | 9,364 |
| Noah Mountain Forest | Changsha | Commercial & Residential | 20,692 | 107 | 5,193 |
| Jinxiu Jiangcheng | Taizhou | Commercial & Residential | 19,528 | 96 | 4,920 |
| Euro-view Garden | Dongguan | Residential | 29,630 | 193 | 6,510 |
| Golf Longyuan | Shenzhen | Residential | 990 | 51 | 51,076 |
| Nanhu Rose Bay | Wuhan | Residential | 13,577 | 123 | 9,089 |
| Chengdu Yihu Rose Court | Chengdu | Residential | 4,838 | 45 | 9,259 |
| Purple Kylin Hill | Shenzhen | Residential | 13,467 | 185 | 13,753 |
| Royal Spring Garden | Dongguan | Parking lot | 1,829 | 13 | 7,212 |
| Shum Yip Royal Garden | Shenzhen | Residential | 17,436 | 116 | 6,654 |
| Noble Times | Shenzhen | Commercial | 22,982 | 206 | 8,960 |
| Shunde Shum Yip City | Foshan | Residential | 41,724 | 272 | 6,519 |
| Shanshui Yundonghai Garden | Foshan | Residential | 850 | 10 | 11,280 |
| Saina Bay | Heyuan | Residential | 5,768 | 71 | 12,329 |
| Shum Yip Hua Fu | Maanshan | Residential | 12,105 | 85 | 7,077 |
| | | | 248,352 | 1,910 | 7,692 |

## Project development and land reserves

During the period, the Group had 8 newly constructed projects with new construction area of approximately 630,000 square meters.

During the period, the Group acquired a parcel of land in Wuhan, Hubei. The Wuhan project is located at Donghu BioValley（東湖生物谷）. The project site area is 347,000 square meters with a gross floor area of 710,000 square meters, land acquisition costs are approximately RMB380 million and the percentage of interest attributable to the Group in this project is 52.5%.

In 2012, the Group acquired the 100% equity interests of Shum Yip Property together with its shareholder's loan at a consideration of approximately HK$150 million. Shum Yip Property owns a 90% interest in the project of Chengdu Jinxiu Antique City（成都錦繡古玩城）, which is located at Qingyang District, comprising five constructed low-rise buildings with a gross floor area of approximately 34,400 square meters and a parcel of industrial land with a site area of 7,623 square meters.*

As at the end of June 2012, the Group had land reserve with a total gross floor area of 11.5 million square meters and an attributable gross floor area of 10.15 million square meters (excluding the interests attributable to the Group in its three principal associated companies). Of which, the Group had 29 property projects under construction with a total gross floor area of approximately 3.16 million square meters and an attributable gross floor area of 2.98 million square meters. At present, the Group's land reserve in Pearl River Delta accounted for approximately 49%; land reserve in Yangtze River Delta accounted for approximately 31%; land reserve in the central and western regions and others accounted for 20%. Our diversified land reserves are sufficient to meet the development needs in the next five to six years.

* Note: The acquisition was completed in two stages in March and July 2012. The second acquisition relates to connected transactions, the details of which were published in the Group's announcement dated 27 July 2012.

***Table of land reserves by city distribution***

| Province | City | Gross floor area *(sqm)* | Attributable floor area *(sqm)* | Percentage of Attributable area % |
|---|---|---|---|---|
| Guangdong | Shenzhen | 989,202 | 929,553 | 9.16% |
| | Huizhou | 1,447,268 | 1,075,191 | 10.59% |
| | Foshan | 1,541,697 | 1,541,697 | 15.19% |
| | Dongguan | 187,531 | 187,531 | 1.85% |
| | Heyuan | 887,379 | 887,379 | 8.74% |
| | Guangzhou | 349,236 | 349,236 | 3.44% |
| Hubei | Wuhan | 1,009,225 | 533,393 | 5.25% |
| Hunan | Changsha | 741,356 | 741,356 | 7.30% |
| Anhui | Maanshan | 1,444,251 | 1,444,251 | 14.23% |
| | Chaohu | 167,431 | 133,945 | 1.32% |
| Jiangsu | Taizhou | 1,405,558 | 1,405,558 | 13.85% |
| | Changzhou | 171,377 | 171,377 | 1.69% |
| Sichuan | Chengdu | 877,200 | 464,418 | 4.58% |
| Xinjiang | Kashi | 285,667 | 285,667 | 2.81% |
| | | 11,504,378 | 10,150,552 | 100.00% |

## Property investment

During the period, the Group's investment property continued to maintain a steady growth. The total area of our investment properties was over 600,000 square meters, with an achieved rental income of HK$246.3 million, representing an increase of approximately 17% over the same period of last year. During the period, as a result of the increase of total rental area, the optimization of investment property portfolio and the increase of rent, the Group recorded a revaluation gain of HK$478.8 million in its investment property portfolio in which it had already been accounted for as profit for the period.

**Commercial property**

During the period, the Group invited senior managers and teams in the commercial property sector to join the Group. At present, the Group is striving for developing a development model for the Group's commercial property and refining its commercial property plans, equips itself well in preparing the Group for the development of commercial property business.

**Jointly-controlled entities**

During the period, Taizhou Shum Yip Investment Development Limited (a 51% owned company of the Group) made a net profit contribution of HK$41.6 million to the Group, representing a decrease of 67.6% over the same period of last year. The principal activity of this company is to providing relevant service to local governments in primary land development arrangement.

**Performance by associated companies**

During the period, the performance of associated companies invested by the Group was within expectation. Of which, Shenzhen Tianan Cyber Park (Group) Co. Ltd., made a net profit contribution of HK$262.0 million to the Group, representing a decrease of 6.6% over the same period of last year. Road King Infrastructure Limited, a listed company in Hong Kong, made a net profit contribution of HK$62.2 million to the Group, representing a decrease of 37.2% over the same period of last year. Coastal Greenland Limited, another listed company in Hong Kong, made a profit of HK$57.2 million to the Group, representing an increase of 66.7% over the same period of last year.

**Land appreciation tax refund**

During the period, the Group paid land appreciation tax for projects such as Coast and resulted a land appreciation tax refund of HK$107.8 million due to the higher amount originally provided than the actual amount paid, and the above amount was used to offset against the land appreciation tax provided in the current period.

**Financial position**

As at 30 June 2012, the Group's total bank borrowings and other borrowings amounted to HK$22,340.0 million, of which HK$20,255.1 million were floating-rate loans, and the rest were fixed rate loans. Long-term loans amounted to HK$16,201.5 million, representing approximately 72.5% of total borrowings, and short-term loans were HK$6,138.5 million, representing approximately 27.5% of total borrowings.

As of 30 June 2012, the Group's cash balance (including pledged deposits and restricted cash) was HK$8,576.8 million, of which approximately 82.7% and 17.3% were denominated in Renminbi and other currencies (mainly in US$ and HK$) respectively. As the Group's main operating cash flow is in Renminbi, while the assets held and debts committed are mainly stated in Renminbi and US$, therefore the exchange rate movements will have positive financial impact to the Group in the short run.

As at 30 June 2012, the Group had net assets (after non-controlling interests) of HK$15,989.3 million, a net gearing ratio (the ratio of net debts to net assets after non-controlling interests) of 86.1% and a gearing ratio (the ratio of total liabilities to total assets) of 63.7%.

***Table of financial position***

| *HK$million* | **30 June 2012 (Unaudited)** | 31 December 2011 (Audited) |
|---|---|---|
| Bank loans and other borrowings | **22,340.0** | 16,479.3 |
| Long-term loans | **16,201.5** | 11,514.0 |
| Short-term loans | **6,138.5** | 4,965.3 |
| Floating-rate loans | **20,255.1** | 15,802.1 |
| Cash (including pledged deposits and restricted cash) | **8,576.8** | 5,236.4 |
| Net loans | **13,763.2** | 11,242.9 |
| Net asset after non-controlling interests | **15,989.3** | 15,543.4 |
| Net gearing ratio | **86.1%** | 72.3% |
| Ratio of long-term loans | **72.5%** | 69.9% |

### Capital structure

As at 30 June 2012, Shum Yip Holdings Company Limited, the parent company of the Group is interested in approximately 43.91% of the Group, and is still the largest shareholder of the Group.

During the period, the Group did not exercise any share options and did not repurchase any share of the Group.

As at 30 June 2012, the issued share capital of the Group was 3,626,024,304 shares (31 December 2011: 3,626,024,304 shares).

### Staff headcount and remuneration

As at 30 June 2012, the Group had a total staff number of approximately 19,000, of which 28 were stationed in Hong Kong (mainly managerial and finance-related personnel), and the rest were in China.

Employee benefits include salaries, allowances, medical insurance and mandatory retirement contributions. We also 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.

## INTERIM DIVIDEND

At a meeting of the Board of the Company held on 27 August 2012, the Board resolved to declare an interim dividend of HK7.00 cents per share for the six months ended 30 June 2012 (2011: HK7.00 cents) payable on or about Wednesday, 14 November 2012 to shareholders whose names appear on the Register of Members of the Company on Wednesday, 19 September 2012. The Board further resolved that such interim dividend be satisfied wholly in the form of an allotment of new fully paid share(s) of nominal value of HK$0.05 each in the share capital of the Company ("scrip shares") but shareholders will be given the option of receiving such interim dividend wholly in cash in lieu of such allotment, or partly in cash and partly in the form of scrip shares. The allotment price for such scrip shares will be the average value of the closing prices per share as quoted on The Stock Exchange of Hong Kong Limited for the five consecutive trading days commencing from Wednesday, 19 September 2012. A circular containing details thereof and the election form will be sent to shareholders on or about Wednesday, 17 October 2012.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 19 September 2012, to Friday, 21 September 2012 (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 Tuesday, 18 September 2012.

## CORPORATE GOVERNANCE

The Company has adopted all the code provisions in the Code on Corporate Governance Practices (effective until 31 March 2012) and Corporate Governance Code (newly effective from 1 April 2012) 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 2012, the Company has complied with the code provisions set out in the Code and there have been no material deviations from the Code, except as mentioned below.

Mr. WONG Po Yan and Mr. WU Wai Chung, Michael, independent non-executive directors, were unable to attend the annual general meeting of the Company held on 22 June 2012 as provided for in the new code provision A.6.7 of the Code as at that time Mr. Wong fell ill and Mr. Wu was on business trip.

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 2012.

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**
**LU Hua**
*Acting Chairman*

Hong Kong, 27 August 2012.

*As at the date of this announcement, the Board comprises 8 directors, of which Mr. LU Hua, Mr. MOU Yong and Mr. LIU Chong are the executive directors of the Company, Dr. WU Jiesi and Mr. HUANG Yige 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.*